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Mark Scheme (Results)

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Pearson Edexcel IAL in Business (WBS01) Paper 01

Business Enterprise

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Supported multiple choice

N.B. If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b).

Question Number	Question	Marks
1 (a)	Answer: C Employees	1
1 (b)	**Explain why this answer is correct:** • Definition of stakeholders: someone who has a vested interest in the business and its activities. (1) • Opening until midnight every evening may mean longer working hours/days/shifts. (1) • This will have a negative effect such as incurring higher costs such as childcare/ transport issues. (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because customers would have longer opening hours in which they could shop/purchase goods. **(1)** • B is incorrect because extra opening hours will not affect suppliers as they may benefit from increased sales and therefore more/higher value orders due to the extra opening hours. **(1)** • D is incorrect because extra trading hours mean more customers through Dubai Mall, which should increase sales and profits which could mean higher shareholder dividends. **(1)** Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 **(Total 4)**

Question Number	Question	Marks
2 (a)	Answer: D a bank loan	1
2 (b)	**Explain why this answer is correct:** • A bank loan is a fixed sum paid back over a set period with regular monthly payments with interest (1) OR Sources of finance can be internal or external to the business and used to raise capital for business activities (1) • Bank loans are a medium term source of finance which is suitable for purchasing an asset such as a car for the driving school (1) • Set regular payments will allow Noel to plan for this in his business plan and cash flow forecast (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because an overdraft is usually a short-term source of finance, used to overcome cash flow issues rather than purchase an asset like a car. (1) • B is incorrect because debenture is a long-term source of finance for much larger amount of money than the cost of a car. (1) • C is incorrect because as a sole trader *Noel's Driving School* cannot issues shares to raise finance as this source of finance is only available to limited companies. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 **(Total 4)**

Question Number	Question	Marks
3 (a)	Answer: A shared liability	1
3 (b)	**Explain why this answer is correct:** • Definition of partnership: A business owned by two or more people. (1) • Partners are each liable for the actions of the other partners. (1) • This means that one partner could be liable for all the losses of the partnership. (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is incorrect because shared financial capacity means the partners could contribute more capital or raise more finance to help the business survive and grow. (1) • C is incorrect because each partner could bring their own contacts into the business, widening the contacts base and reducing the risk of failure for the partnership. (1) • D is incorrect because all partners can bring their own specialist skills to the business which could allow the partnership to offer a wider range of services to its clients. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 **(Total 4)**

Question Number	Question	Marks
4 (a)	Answer: B - force other companies out of business	1
4 (b)	**Explain why this answer is correct:** • Definition of predatory pricing: When a business sells goods or services at a very low price or below cost price. (1) • As huge multinational companies *Esso* and *Shell* are likely to be able to take low or no profits for a much longer time than smaller competitors. (1) • Rivals will exit the market and this will enable *Esso* and *Shell* to increase their own market share and eventually enable them to charge higher prices. (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because in the short term predatory prices will generate very low or no profits and some companies are prepared to make a loss to put a competitor out of business. (1) • C is incorrect because predatory pricing means very low prices so consumers will not be asked to pay premium prices for the duration of any predatory pricing campaign. (1) • D is incorrect because predatory prices are so low that consumers will not need to switch to competitors fuel as *Esso* and *Shell* fuel is so affordable. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 **(Total 4)**

Question Number	Question	Marks
5 (a)	Answer: D protecting people in the work place	1
5 (b)	**Explain why this answer is correct:** • H&S legislation is a wide range of measures passed by the government that all businesses must comply with (1) • *Kraft Food*s has to provide for example correct safety equipment for use by its employees (1) • This prevents employees from becoming injured and creates a safe working environment (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because Consumer legislation such as Trade Descriptions Acts are designed to ensure *Kraft Foods Inc's* products are described truthfully and accurately when they are labelled. (1) • B is incorrect because all of the available Consumer protection legislation is designed to protect consumers from exploitation which can cover areas such as product safety/food safety in *Kraft Foods Inc's* manufacturing and marketing processes. (1) • C is incorrect because Employment Laws and business ethics are used to protect children from being used as part of the workforce in *Kraft Foods Inc*. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 **(Total 4)**

Question Number	Question	Marks
6 (a)	Answer: B demand for training programmes	1
6 (b)	**Explain why this answer is correct:** • Definition of unemployment: people who are able, available and willing, and actively seeking work at the going wage rate but who cannot find a job. (1) • These employees would have to find another job for which they may not have the right skills. (1) • They would want to retrain to improve their job prospects, increasing the demand for training programmes. (1) **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because tax revenues would decrease as closure of *Sun Pharmaceutical Industries Ltd* means there would be fewer individuals paying income taxes and fewer businesses paying taxes on profits.(1) • C is incorrect because sales of local goods and services are likely to decrease as families of previous *Sun Pharmaceutical Industries Ltd* employees may be managing on welfare benefits which means they will have less disposable income.(1) • D is incorrect because as more people become unemployed there is a greater supply of workforce for employers to recruit from. The closure of the *Sun Pharmaceutical Industries Ltd* probably means demand for labour will be low so local wage rates are more likely to decrease (1) **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 **(Total 4)**

Section B: Data response

Question Number	Question	
7	Explain why raising funds this way was a suitable source of finance for Magatte to start *Adina.*	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2 Analysis 2) **Knowledge / understanding:** up to 2 marks – sources of finance can be internal or external to the business **(1)** family and friends are usually an external source of business finance **(1) OR** stating why raising funds this way was a suitable source of finance e.g. may have been easier and cheaper than taking out bank loans/because it's a new business banks may have not been willing to lend her capital. **(2)** **Application:** up to 2 marks New business and unusual products(1) Magatte has no proven track record in business (1) **Analysis:** up to 2 marks – for these reasons Using money from family and friends meant that Magatte had more control of *Adina*'s products and the direction she wanted to take the business. (1) Funding from family and friends allowed Magatte more time to focus on making the business a success rather than making repayments immediately, as she would have to do with bank loans. (1) **Knowledge / definition of sources of finance, application of investment from family and friends and analysis of reason / cause / consequence / cost must be covered for full marks.**	1-2 1-2 1-2

Question Nuumber	Question	
8 (a)	Explain two non–price factors that might influence the future demand for organic hibiscus flowers?	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge / understanding:** Definition of demand: the quantity of product a consumer will be prepared and able to buy at a given price over given period of time **(2) OR** identifies two main ones: taste and fashion/income/price of substitutes/demographic/seasonality. **(2)** **NB: maximum of 2 marks for knowledge / understanding** **Application:** Americans are very eager to explore the native drinks of other cultures - Evidence A. **(1)** Recession in Western markets has led to falling income. **(1)** **Analysis:** The demand for hibiscus flowers may fall if Americans discover another fashionable drink trend. **(1)** Hibiscus may be an expensive drink and consumers on falling incomes may switch to a cheaper substitute and demand may fall. **(1)** **Knowledge / understanding definition of supply or demand, application of actions and analysis of reason / cause / consequence / cost must be covered for full marks.**	1-2 1-2 1-2

Question Number	Question	
8 (b)	Explain how a business plan might have helped *Adina* to become successful.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge: up to 2 marks** Definition of business plan: a written document setting out the purpose and goals of the business; describes its products/services and target markets, stating how the business plans to achieve its financial, marketing and operational goals. **(2) OR** identifies why a business plan will be useful e.g. to obtain finance **(2)** **Application: up to 2 marks** are available for relating the above to Magatte's plans for *Adina* e.g. To continue the development of the business, *Adina* went through several rounds of venture capital investment **(1**) $30m was raised by *Adina* **(1)** **Analysis: up to 2 marks** are available for providing reasons/causes/consequences, etc. e.g. a business plan would be required by all of the venture capitalists to judge the merits and risks of *Adina* before deciding on investing in the business **(1).** If Magatte had not had a business plan this external finance could not have been raised and the company may not have been as successful **(1).**	1-2 1-2 1-2

Question Number	Question	
9 (a)	The following information is available from *Tiossan* Fixed costs for a production run of Terrango Body Cream = $8 000 Average variable costs per unit = $6.00 Selling Price per unit $38.00 Using the above information, calculate how many units of Terrango Body Cream *Tiossan* needs to sell to break even.	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 3) **Knowledge:** Correct formula for calculating Break Even units [Fixed Costs/(Selling Price-Variable Costs) = Break Even]**(1)** **Application:** $8 000 **(1)** **/** ($38-$6.00) **(1)** = 250 units **(1)** **Candidates who give correct answer without formula shown gain full marks (knowledge implied).** **N.B. answer must be expressed in units, if not maximum 3 marks.**	1 1-3

Question Number	Question			
9 (b)	Assess the likely value of product trials to *Tiossan* when introducing new products to the US.			(8 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of product trials must be present.	e.g. Definition of product trials: when a business allows consumers to test a product or service to identify potential demand and/or free samples are provided to encourage future purchases	
2	3-4	Application must be present, relating to Magatte's promotion of *Tiossan*'s products through product trials	e.g. Magatte introduced native Senegalese beauty products into a new and culturally different market e.g. the products are new and exotic compared to American skin care products such as *Chanel*	
3	5-6	Analysis in context must be present, **N.B. if analysis is not in context, limit to Level 2.**	e.g. products may be strange to US consumer tastes and product trials helps to overcome barriers and concerns about new products by allowing customers to try before they buy. e.g. Product trials will help Magatte with feedback so she can change recipes and the balance of ingredients in each beauty product if necessary.	
4	7-8	Evaluation must be present and in context, Award **7 marks** if one side only is in context. Award **8 marks** if BOTH sides are in context. **N.B. if evaluation not in context, limit to Level 3.**	e.g. cost and time involved can potentially outweigh the benefits gained from conducting product trials e.g. the sheer size and diversity in the US market may mean that a successful trial in one state does not necessarily mean success in another	

Question Number	Question			
10	*Tiossan* has been described in some media as a high-end skincare product manufacturer'. (Evidence B, Line 7) Assess the likely value of market mapping when launching *Tiossan* into the skincare market			(12 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding/defining market mapping	e.g. Market mapping is a process that plots products or brands on a map to identify where it fits into a market against key customer requirements and competitors' products.	
2	3-4	Application must be present, of how market mapping can help position a business product in a market.	e.g. *Tiossan* has designed products for customers who want high quality, luxury products e.g. *Tiossan* is entering a very competitive market against established brands such as *Chanel*	
3	5-6	Analysis in context must be present, explaining the possible reasons/ causes/ consequences/ costs in the value of market mapping **N.B. if analysis is not in context, limit to Level 2.**	e.g.it may identify a gap in the market which *Tiossan* could fill e.g. it identifies where you are in relation to other skin care brands and how you can reposition the brand to increase market share	
4	7-12	**Low Level 4:** 7-8 marks. Evaluation must be present and in context on one side **Mid Level 4:** 9-10 marks. Evaluation must be present and in context on both sides to illustrate **High Level 4:** 11-12 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.**	e.g. Whilst market mapping may identify a potential gap in the market place, market research may identify good reasons why customers do not want to buy a particular product. Magatte needs to confirm whether there is really a gap in the market or no real demand. e.g. However, market mapping needs to be confirmed with additional market research which could be expensive for a new company like *Tiossan* and may take up valuable resources that could be used to develop more products. e.g. the criteria used for market mapping are likely to be subjective thus rendering conclusions potentially inaccurate	

Question Number	Question			
11	Evaluate the importance of profit as a source of motivation for Magatte.			(14 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding profit as a motivator *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. profit is the reason why many people go into business e.g. Profit maximisers are in business to generate and extract the maximum profits from business activities and resources.	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to the companies started by Magatte *Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.*	e.g. she has created and run two very successful businesses e.g. now gives 10% of her profits to creating business schools in Senegal	
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons/ causes/ costs/ consequences of having profit as a source of motivation for Magatte **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. without profit Magatte's businesses will not survive and therefore profit is essential *e.g. Tiossan* will need to generate profits to continue its new product development e.g. As CEO Magatte still has a duty to investors to make profits to pay dividends regardless of her personal motives. e.g. although no longer involved in the day-to-day running of Adina, she remains a major shareholder and therefore she is still interested in profit	

Level	Mark	Descriptor	Possible content
4	9-14	**Low Level 4:** 9-10 marks. Evaluation must be present and in context on one side, **Mid Level 4:** 11-12 marks. Evaluation must be present and in context on both sides, **High Level 4:** 13-14 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. There are other motives for people going into business such as ethical considerations or social enterprise rather than just profit alone. e.g. Magatte is motivated by bringing Senegalese culture to new markets e.g. a motivation other than profit is to help Senegalese people value their own culture e.g Magatte was willing to use *Adina*'s income to support the hibiscus workers cooperatives by paying for the Fair Trade and organic certification costs which indicates maximum profits are not her key motivation. e.g. 10% of her profit is given to charitable work but she needs to make profit in order to do this

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