GradeMax

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# Mark scheme (Results)

## Summer 2016

## Pearson Edexcel International Advanced Subsidiary in Business Studies (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: B Focus Groups | 1 |
| **1 (b)** | **Explain why this answer is correct:**<br>• Definition of primary research: is original/first hand research carried out by *First Direct.* (1)<br><br>• By using focus groups *First Direct* can gather original information from its customers to discover exactly what their customers want. (1)<br><br>• This means the information gathered by *First Direct* is original and therefore must be primary research. (1)<br><br>**Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:**<br>• A is incorrect because government statistics are usually gathered to give an overall count of a population, it is secondary research as it is collected by someone other than *First Direct*. **(1)**<br><br>• C is incorrect because a Company Report would be produced by *First Direct* using information that already exists. **(1)**<br><br>• D is incorrect because Market Intelligence Reports are prepared by somebody else and then used by *First Direct* for its own purposes. **(1)**<br><br>Any acceptable answer that shows selective knowledge/understanding/application and/or development.<br><br>**N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.** | 1-3<br><br>**(Total 4)** |

| Question Number | Question | Marks |
|---|---|---|
| **2 (a)** | Answer: D Premium Pricing | 1 |
| **2 (b)** | **Explain why this answer is correct:**<br>• Premium Pricing means charging a comparatively higher price than many rival products usually because of brand name, quality or reputation. (1)<br><br>• With 69% of world-wide profits from only 8% market share, it would appear that *Apple* achieves very high profit margins per item. (1)<br><br>• Because premium pricing will usually yield a high profit margin, it would appear that *Apple* is using this strategy. (1)<br><br>**Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:**<br>• A is incorrect because, predatory pricing means selling at or below the cost of production which means *Apple* would not be making any profit (1)<br><br>• B is incorrect because, penetration pricing involves setting low prices to gain market share. This would also mean low profits which is not the case for *Apple.* (1)<br><br>• C is incorrect because if *Apple* was using competitive pricing, its profits would be a lot lower, in line with its small market share (1)<br><br>Any acceptable answer that shows selective knowledge/understanding/application and/or development.<br><br>**N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.** | 1-3<br><br>**(Total 4)** |

| Question Number | Question | Marks |
|---|---|---|
| **3 (a)** | Answer: B mass marketing | 1 |
| **3 (b)** | **Explain why this answer is correct:**<br>• Definition of mass marketing: ignores segmentation and attempts to appeal to the whole market with one basic marketing strategy using mass media and mass distribution. (1)<br><br>• TV advertising is very expensive (£6m) and is designed to reach a wide audience. (1)<br><br>• This would indicate that *Kellogg's* is trying to access a mass market and not just one segment/because *Kellogg's* has already launched its products. (1)<br><br>**Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:**<br><br>• A is incorrect because niche marketing only targets a small section of the overall market that has special characteristics whereas TV advertising targets everybody in the market<br><br>• C is incorrect because whilst *Kellogg*'s may have used market mapping to position their products in the overall market place, it is not an advertising strategy. (1)<br><br>• D is incorrect because test marketing is limited in scale and does not reach the whole mass market. (1)<br><br>Any acceptable answer that shows selective knowledge/understanding/application and/or development.<br><br>**N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.** | 1-3<br><br>**(Total 4)** |

| Question Number | Question | Marks |
|---|---|---|
| **4 (a)** | Answer: B £0.39m | 1 |
| **4 (b)** | **Explain why this answer is correct:**<br><br>• Correct calculation of increased raw materials costs (£1 100 000/10)=£110 000 (1)<br><br>£110 000 + £1 100 000 = £1 210 000 (1)<br><br>Can also be represented as £1.21m<br><br>• Net cash flow calculation (£2.9m-£2.51m=£0.39m) (1)<br><br>Any acceptable answer that shows selective knowledge/understanding/application and/or development.<br><br>**N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.** | 1-3<br><br>**(Total 4)** |

| Question Number | Question | Marks |
|---|---|---|
| **5 (a)** | Answer: C Employees demand wage increases | 1 |
| **5 (b)** | **Explain why this answer is correct:**<br><br>• Definition of inflation: a persistent increase in the aggregate/general level of prices in an economy over a period of time. (1)<br><br>• Inflation causes the cost of living to rise and purchasing power to fall as employees/staff pay more for the same goods and services. (1)<br><br>• As a result, employees/staff would need to ask for increases in wages to maintain their living standards. (1)<br><br>**Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:**<br>• A is incorrect because India's prices are rising by 7.96%, making exports more expensive and therefore likely to reduce rather than increase. (1)<br><br>• B is incorrect because suppliers within India will also be experiencing a rise in inflation and higher costs which are likely to be passed on to *Tata Steel*, increasing the costs of supplies overall. (1)<br><br>• D is incorrect because inflation creates uncertainty and companies like *Tata Steel* are less likely to commit to expensive investments until the economy is more stable and inflation lowers. (1)<br><br>Any acceptable answer that shows selective knowledge/understanding/application and/or development.<br><br>**N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.** | 1-3<br><br>**(Total 4)** |

| Question Number | Question | Marks |
|---|---|---|
| **6 (a)** | Answer: A Decrease in the supply of cocoa butter | 1 |
| **6 (b)** | **Explain why this answer is correct:**<br><br>• Definition of demand, the amount of a particular good or service that consumers are willing and able to purchase at a given price at a given time. (1) **OR** Definition of supply, the amount of a particular good or service that producers are willing and able to supply at a given price at a given time. (1) **OR** Definition of substitute goods which are goods that can be used to satisfy the same needs in place of another (1)<br><br>• A decrease in the supply of cocoa butter is likely to cause the price of cocoa butter to rise (1)<br><br>• Producers will now switch to the cheaper substitute of palm oil causing the demand for it to increase (1)<br><br>**Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:**<br>• B is incorrect because a decrease in the price of cocoa butter would lead to a decrease in demand for palm oil as more manufacturers would now use the cheaper cocoa butter (1)<br><br>• C is incorrect because a decrease in the supply of palm oil would be likely to lead to an increase in price, this would cause a decrease in demand for palm oil not an increase. (1)<br><br>• D is incorrect because a decrease in subsidies would lead to an increase in the price of palm oil resulting in a decrease in demand. (1)<br><br>**N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.** | 1-3<br><br>**(Total 4)** |

## Section B: Data response

| Question Number | Question | |
|---|---|---|
| **7** | Explain **two** entrepreneurial characteristics that Ashish has demonstrated in making *Mara Group* successful. | (6 marks) |
| | Answer | Mark |
| | **(Knowledge 2, Application 2 Analysis 2)**<br><br>**Knowledge/understanding:** 1 mark for defining or showing understanding of entrepreneurial characteristics e.g. personal qualities and skills that are identified in entrepreneurs. (2)<br>**OR**<br>Identifies those characteristics that Ashish has shown e.g. self-confident (1) risk-taking (1)<br><br>**Application:** up to 2 marks are available for relating Ashish's characteristics to *Mara*'s success e.g. Ashish was self-confident enough at 15 to borrow $5 000 dollars from his father to start his first *Mara IT* business (1) As a risk-taker, Ashish risked everything he owned twice in 10 years to raise funds to buy other businesses. (1)<br><br>**Analysis:** up to 2 marks – for these reasons<br>Without self-confidence it is highly unlikely that Ashish would have left school at 15, borrowed money and started his first business which became a global success (1) As a risk-taker, Ashish borrowed as much as he could to grow *Mara*, which could have caused the business to fail at any point if he had not been able to pay any of his debts.(1)<br><br>**Knowledge/ definition of risk-taking for entrepreneurs and analysis of reason/cause/ consequence /cost must be covered for full marks.** | 1-2<br><br>1-2<br><br>1-2 |

| Question Number | Question | |
|---|---|---|
| **8 (a)** | Explain **two** advantages for *Mara Group* of remaining a partnership. | (6 marks) |
| | Answer | Mark |
| | **(Knowledge 2, Application 2, Analysis 2)**<br><br>**Knowledge/understanding:**<br>Definition of a partnership: a business organisation owned and managed by two or more partners who all contribute resources, share profits and losses and each are personally liable for the actions of the business. **(2)**<br><br>**OR**<br><br>Identifies two advantages e.g. does not have to disclose financial details **(1)** tighter control **(1)**<br><br>**NB: maximum of 2 marks for knowledge/ understanding**<br><br>**Application:** *Mara Group* accounts not available publically or to competitors **(1)**, partnership is kept in the family with his father as the chairman of *Mara Group.* **(1)**<br><br>**Analysis:** Competitors would not be able to view the company accounts and therefore could not use that information to try and take business/market share from *Mara Group.* **(1)** Control remains in the family, making all business decisions simpler and less time consuming. **(1)**<br><br>**Knowledge/ understanding definition of partnership or private limited company, application of actions and analysis of reason/cause/ consequence /cost must be covered for full marks.** | 1-2<br><br>1-2<br><br>1-2 |

| Question Number | Question | |
|---|---|---|
| **8 (b)** | Analyse the impact the digital economy could have on *Atlas Mara* | (6 marks) |
| | Answer | Mark |
| | **(Knowledge 2, Application 2, Analysis 2)**<br><br>**Knowledge: up to 2 marks** for defining a digital economy e.g. an economy based on digital technologies, usually refers to the wide range of platforms, such as e-commerce available to businesses using modern technology **(2)**<br><br>**OR**<br><br>Identifies potential impact e.g. businesses can access people across the planet, not just locally/ no need to bring potential customers into traditional 'bricks and mortar' branches **(2)**<br><br>**Application: up to 2 marks** are available for contextualised answers to *Atlas Mara* e.g. 78% of Africans own mobile phones **(1)** yet only 24% of Africans have access to bank accounts **(1)**<br><br>**Analysis: up to 2 marks** are available for providing reasons/causes/consequences, etc. to *Atlas Mara* e.g. the lack of traditional infrastructure in Africa makes market penetration more difficult, therefore it will be easier and faster for *Atlas Mara* to market its new banking services/models using digital technologies such as mobile phone apps **(1)** more Africans could access online banking accounts through their mobile phones, expanding the total market and increasing *Atlas Mara*'s market share. **(1)**<br><br>**Reward any acceptable response** | 1-2<br><br>1-2<br><br>1-2 |

| Question Number | Question | |
|---|---|---|
| **9 (a)** | *Mara Group* is making $200m per year in revenues. It is thought that *Mara Group* made $60m Gross profit last year. Using these figures, calculate *Mara Group*'s gross profit margin. | (4 marks) |
| | Answer | Mark |
| | **(Knowledge 1, Application 3)**<br><br>**Knowledge:** Correct formula for calculating the Gross Profit Margin<br>Gross Profit/Sales Revenues x 100 = Gross Profit Margin**(1)**<br><br>**Application:** $60 000 000 **/**$200 000 000 **(1)** = 0.3 **(1)**<br>0.3 x 100 = 30% **(1)**<br><br>**Candidates who give correct answer without formula shown gain full marks (knowledge implied).**<br><br>**Answer must be expressed as a percentage to show knowledge of margin. Any answer not expressed as % max 3 marks** | 1<br><br>1-3 |

| Question Number | Question | | | |
|---|---|---|---|---|
| **9 (b)** | Assess the benefits for Ashish of using secured loans to finance the *Mara Group.* | | | (8 marks) |
| Level | Mark | Descriptor | Possible content | |
| 1 | 1-2 | Knowledge/understanding of secured loans must be present. | e.g. Definition of a secured loan, which is backed by assets belonging to the borrower to decrease the risk to the lender. | |
| 2 | 3-4 | Application must be present, relating to Ashish's use of loans to finance *Mara Group* | e.g. Ashish borrowed against an exisiting business in the *Mara Group* to raise finance.<br><br>e.g. Ashish used the full value of the business twice in 10 years to raise finance. | |
| 3 | 5-6 | Analysis in context must be present,<br><br>**N.B. if analysis is not in context, limit to Level 2.** | e.g. Secured loans often mean that a lower rate of interest is charged by the bank because its risk is reduced. This lowers the cost of expansion for Ashish.<br><br>e.g. In taking out large secured loans, Ashish was able to buy more businesses in other sectors to build *Mara Group* to the business it is today. | |
| 4 | 7-8 | Evaluation must be present and in context,<br><br>Award **7 marks** if one side only is in context.<br>Award **8 marks** if BOTH sides are in context.<br><br>**N.B. if evaluation not in context, limit to Level 3.** | e.g. Even though interest rates on a secured loan may be lower than other sources of external finance, it is still more expensive than any internal source such as retained profit.<br><br>e.g. This was a very risky strategy as each business was relying on the success of the other to keep going. The failure of one business that had a loan secured against it could have caused the collapse of the whole *Mara Group*.<br><br>e.g. However, it is unlikely that Ashish would have been able to build the *Mara Group* so rapidly in any other way. As he was young and inexperienced it is unlikely banks would have been prepared to lend him the finance without such collateral. | |

| Question Number | Question | | | |
|---|---|---|---|---|
| **10** | Assess the usefulness of market research to *Atlas Mara* as it expands its banking services in the African market. (Evidence C and Evidence D). | | | (12 marks) |
| Level | Mark | Descriptor | Possible content | |
| 1 | 1-2 | Knowledge/understanding/defining market research for business opportunities | e.g. market research is assessing the viability of a market, products or services using research techniques | |
| 2 | 3-4 | Application must be present, for contextualising *Atlas Mara*'s expansion into the African market. | e.g. currently 76% of Africans do not have access to a bank account<br><br>e.g. although *BancABC* operates in a number of African countries such as Botswana, Mozambique, Tanzania, Zambia and Zimbabwe, there are still many countries that could be developed where they could do business | |
| 3 | 5-6 | Analysis in context must be present, explaining the possible reasons/ causes/ consequences/ costs of researching business opportunities<br><br>**N.B. if analysis is not in context, limit to Level 2.** | e.g. Market research could help *Atlas Mara* identify gaps in the market or confirm potential levels of demand for bank accounts in the untapped share in the African market<br><br>e.g. *Atlas Mara* could use market research to identify the type and range of services customers might want. This will enable the bank to more precisely target these customers and increase sales. | |
| 4 | 7-12 | **Low Level 4:** 7-8 marks. Evaluation must be present and in context on one side<br><br>**Mid Level 4:** 9-10 marks. Evaluation must be present and in context on both sides to illustrate<br><br>**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.<br><br>**N.B. if evaluation not in context, limit to Level 3.** | e.g. However, if customers choose not to respond to *Atlas Mara*'s market research it may be difficult to identify the true opinions held about products and services<br><br>e.g. It may be difficult to conduct research that reaches a representative sample of customers across such a vast geographical area containing many countries.<br><br>e.g. It will be difficult to design a survey that is totally free from bias across the wide range of cultures and countries. | |

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|---|---|---|---|
| | | | Questions/images may inadvertently favour one ethnic group or offend others.<br><br>e.g. without sufficient and reliable data *Atlas Mara* will not be able to generalise its research to represent the target population and aid their decision to expand.<br><br>e.g. market research on this scale can be both expensive and time consuming and not deliver required outcomes. |

| Question Number | Question | | | |
|---|---|---|---|---|
| **11** | Evaluate the likely impact of exchange rates and inflation on *Mara Group.* | | | (14 marks) |
| Level | Mark | Descriptor | Possible content | |
| 1 | 1-2 | Knowledge/understanding by describing or defining exchange rates and inflation<br><br>1 mark for each description or definition up to a maximum of 2 marks<br><br>*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. the exchange rate is the value/price of one currency against another.<br><br>e.g. a sustained rise in the general price level of an economy over a period of time. | |
| 2 | 3-4 | Application must be present, i.e. the answer must be contextualised and applied to the *Mara Group.*<br><br>1 mark for each application to an economic influence up to a maximum of 2 marks<br><br>*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. *Mara Group* works across 22 African countries and 4 continents, which will require working in lots of different currencies.<br><br>e.g. *Mara Group* works across a lot of industries such as tourism, property development, renewable energies, information technologies and manufacturing which could be affected by inflation in different countries. | |
| 3 | 5-8 | Analysis in context must be present, i.e. the candidate must give reasons/ causes/ costs/ consequences of economic influences on *Mara Group*<br><br>2 marks for analysis of each economic influence up to a maximum of 4 marks<br><br>**N.B. if analysis is not in context, limit to Level 2.**<br><br>*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* | e.g. *Mara Group* imports and exports across many countries so its costs and revenues are likely to be affected by fluctuations in exchange rates.<br><br>e.g. relative prices will depend on whether there has been an appreciation or depreciation in the currencies concerned.<br><br>e.g. inflation is likely to cause uncertainty for the *Mara Group* in terms of planning, costs and revenues.<br><br>e.g. inflation leads to a fall in real income which is likely to affect the demand for many of | |

| | | | |
|---|---|---|---|
| | | *some passages to lack clarity or coherence.* | the *Mara Group* luxury products. |
| Level | Mark | Descriptor | Possible content |
| 4 | 9-14 | **Low Level 4:** 9-10 marks. Evaluation must be present and in context on one side,<br><br>**Mid Level 4:** 11-12 marks. Evaluation must be present and in context on both sides,<br><br>**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.<br><br>3 marks for evaluation of each economic influence up to a maximum of 6 marks<br><br>**N.B. if evaluation not in context, limit to Level 3.**<br><br>*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. the overall impact will depend upon the extent of the currency fluctuations on *Mara Group* and may not be that significant across all of the countries/transactions.<br><br>e.g. because *Mara Group* trades across so many countries the fluctuations in exchange rates may cancel each other out thereby reducing the impact on *Mara Group.*<br><br>e.g. As *Mara Group* trades across so many countries and continents, inflation may be less of an issue as it may be able to move its operations to countries less affected.<br><br>e.g. The impact will depend on the rate, speed and duration of the inflation in the countries *Mara Group* operates in. |

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