GradeMax



Mark Scheme (Results)

October 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)	Beaverbrook, a family owned jewellery business, has 65 stores and 850 employees in the UK. Which of the following is an example of a fixed cost for *Beaverbrook*? Answer A – Store rents	1
1 (b)	Explain why this answer is correct: • Definition of fixed costs: costs that do not vary with output. (1) • *Beaverbrook* has 65 stores which will pay an annual rent (1) • Rent must be paid regularly, whether or not any sales are made therefore this is a fixed cost (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • B is incorrect: Delivery costs will change according to the number of deliveries made to each store, which will be directly related to the levels of sales (1) • C is incorrect: The amount of stock purchased will vary according to the level of sales (1) • D is incorrect: Packaging costs will vary with the number of customer sales made and could include extra services like gift wrapping. (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)	*Inovar Johannesburg*, a business that installs wooden floors, is considering the market positioning of its new range of stone flooring products. Which of the following is a method of market positioning? Answer C- Market mapping	1
2 (b)	Explain why this answer is correct: • Definition of market positioning: How you differentiate your brand, product or service from your competitors, in the mind of the customer. (1) • Market mapping is a diagram illustrating a range of positions a business, product or service can take in a market based on any two variables that are important to customers. (1) NB: award a mark if an attempt is made to draw a relevant market map. • By using market mapping *Inovar* will be able to identify where it compares with competitors on variables such as high versus low price and wood versus stone flooring. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect, product range simply refers to the number and type of products offered by *Inovar* and not how customers perceive the product (1) • B is incorrect, market sampling would use a small sample of a larger population for *Inovar* to identify if there is a viable market for its natural stone flooring, rather than where the business should be positioned against its competitors. (1) • D is incorrect, product orientation is when the business concentrates on developing the product and not on the needs/desires of the consumers. (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)	*Dunkin' Donuts*® offers the opportunity to buy one of its franchises for $250 000. Which **one** of the following is an advantage of buying a franchise? Answer D: Buyer uses existing brand name	1
3 (b)	Explain why this answer is correct: • Definition of franchise; A business model that allows an individual or business to acquire a licence to use another firm's branding, product knowledge and systems for a prescribed period of time. (1) • *Dunkin Donuts*® offer a licence to trade using their brand name, products and business systems at a cost of $250 000. (1) • Franchisees who buy into the *Dunkin Donuts*® franchise may find it easier and less risky to build a successful business with an existing brand name rather than start with a new and unknown business name. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect: The buyer cannot keep all the profits because there is still the requirement to pay a percentage of profit as royalties to *Dunkin Donuts*® (1) • B is incorrect, the buyer can only obtain supplies from *Dunkin Donuts*® as part of the franchise agreement (1) • C is incorrect: The buyer cannot make all the decisions as they have to do what the head office at *Dunkin Donuts*® tells them to do (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)	In 2015, sales of *Louis Vuitton*'s handbags (a French luxury brand) in Japan had increased by 10% on the previous year. The **most likely** explanation for this was Answer: A – increasing strength of the Japanese currency	1
4 (b)	Explain why this answer is correct: • Definition of a strengthening currency; its value is increasing and will buy more of other currencies **OR** definition of an exchange rate; The price of one currency expressed in terms of another currency (1) • Japanese buyers now get more euros for their yen as the yen has appreciated against the euro (1) • This makes *Louis Vuitton* products cheaper for buyers in Japan so demand has increased. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • B is incorrect – because incomes are likely to fall during periods of unemployment which may lead to lower demand, especially for luxury goods. (1) • C is incorrect because during periods of increasing inflation prices are likely to rise, meaning more income is spent on necessities and less is available for luxury goods. (1) • D is incorrect because increases in interest rates may reduce spending on luxury goods as consumers may have to make increased payments on mortgages or loans. (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)	Retailer *Costco International*, offers free tasting of food and drink products to its customers every day. The **most likely** reason for offering free samples to customers is: Answer B- to encourage a purchase	1
5 (b)	Explain why this answer is correct: • Definition of free samples: small amounts of a product given to consumers without charge. (1) • *Costco* offers free samples every day as an incentive to its customers to taste products they may not have tried before. (1) • Customers may like the sample products offered, leading to regular purchases, product loyalty and increased sales (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect because free taste sampling in *Costco* is offered randomly to any individual willing to try the products. There is no attempt to identify or measure any bias as the only measure will be in the increase in sales. (1) • C is incorrect, when giving out free samples it is not possible to measure potential market size as many people will take the samples because they are free rather than because they are a potential buyer. (1) • D is incorrect, as they are not testing or collecting feedback on the safety of the product, *Costco*/the producers still have to ensure the product is safe for customers to use when giving out free samples. (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		Marks
6 (a)	*Primark* had suppliers in the Rana Plaza building, Bangladesh that collapsed in 2013.Employees of the suppliers were then paid by *Primark* until 2015. This demonstrates: Answer D Ethical considerations	1
6 (b)	Explain why this answer is correct: • Definition of ethical considerations: these are about doing the right thing and what is morally correct. (1) • *Primark's* clothes suppliers and their employees would not be able to earn any income while they dealt with the impact of the tragedy. (1) • *Primark* is under no obligation to support its suppliers and therefore this demonstrated their ethical behaviour. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect: This is not an example of environmental considerations since *Primark* are giving support to the businesses and people affected by the disaster, not the environmental clean-up operation after the building collapsed.(1) • B is incorrect: This is not an example of a Fair Trade agreement as *Primark* are paying the wages as a temporary measure, not just giving an agreed contracted fair price for the products they can sell. (1) • C is incorrect as health and safety regulations are the responsibility of the Rana Plaza's owners and builders not *Primark*.(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)**

Section B: Data response

Question Number	Question	
7	Explain **two** motives Bella has for running *Origami Owl*.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2 Analysis 2) **Knowledge/understanding:** Most people start a business to generate profits. (1) Social/ethical motives are increasingly important to some people in business (1) **Application:** Bella's original motive was to earn enough money/profit to buy a car. (1) *Origami Owl* supports the Childhelp charity by selling charms. (1) **Analysis:** Although Bella's original motive was to buy a car, she must continue to make a profit in order for the business to expand and grow. (1) Bella demonstrates social/ethical motivation through her commitment in supporting Childhelp. (1) **Two motives must be covered for full marks (3+3). If only one motive covered, maximum mark of 3.** **Award for any relevant and developed entrepreneurial motives**	1-2 1-2 1-2

Question Number	Question	
8 (a)	Explain **two** advantages of market segmentation to *Origami Owl*.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** Market segmentation categorises potential customers according to common characteristics (1) such as gender, age, income, location, because they all have different tastes and preferences (1) **OR** Identifies two advantages for example; **Knowledge/understanding:** Target products or services more effectively. (1) Aids communications with target audience (1) **Application:** *Origami Owl* offers customisable Living Lockets® aimed at teenage girls aged 12-17 years. (1) *Origami Owl* can use such media as Twitter, magazines, online forums, radio, podcasts, video shows and events that teenage girls are more likely to see, hear or visit. (1) **Analysis:** By knowing the preferences fashions and trends followed by teenage girls *Origami Owl* can offer additional charms in order to increase sales. (1) In knowing how this market segment can be reached *Origami Owl* can design its marketing communications specifically for that media. (1) **Two advantages must be covered for full marks (3+3). If only one advantage covered, maximum mark of 3.** **Award for any relevant and developed advantages of market segmentation**	1-2 1-2 1-2

Question Number	Question	
8 (b)	Bella's parents gave her additional money to start *Origami Owl*. (b) Explain why this was a suitable source of finance for Bella.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks. Her parents are unlikely to demand the money back. (1) Very unlikely that interest will be charged (1) **Application:** up to 2 marks. Bella was only 14 years old when she started her business. (1) She only had $350. (1) **Analysis:** up to 2 marks. Given her age she will not be able to get a commercial loan. (1) It was suitable because it was only a small amount required that her parents could easily provide. (1)	1-2 1-2 1-2

Question Number	Question	
9 (a)	Calculate *Origami Owl's* profit for the year margin. (Show your working).	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 3) **Knowledge:** Profit for the year/Revenue X100=% (1) **Application:** 412 (1)/1372 (1)X100=30.03% to two decimal places (1) **Accept 30% or accurate answer** **Candidates who give correct answer without formula shown gain full marks.** **N.B. answer must be expressed as a percentage, if not maximum 3 marks.**	1 1-3

Question Number	Question			
9 (b)	Assess the likely importance of using registered trademarks and patents to *Origami Owl.*			(8 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of government protection through trademarks and patents must be present. *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.*	For example, a trademark is a name, symbol or other device (logo. strapline) used to identify and promote a product or service that is protected against use from others. For example a patent is a legal document that guarantees the holder exclusive rights to use or licence inventions and/or innovations	
2	3-4	Application must be present, i.e. the answer must be contextualised to *Origami Owl*'s use of trademarks and patents. Or examples from candidates own knowledge. *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.*	For example, Living Lockets® show that this is a registered trademark of an *Origami Owl* product. For example, Bella has protected the design of her stainless steel lockets through the use of patents. For example, Coca Cola's distinctive red and white lettering and shaped cola bottle/Apple logo iphone, ipad, itunes branding	
3	5-6	Analysis in context must be present, i.e. candidate will explain reasons/cause/consequences/ costs of why *Origami Owl* needs to use trademarks and patents **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.*	For example, by using trademarks and patents Bella's designs remain unique which gives her a competitive advantage. For example, this means *Origami Owl* may be able to charge premium prices and increase profitability. For example, a business like Apple is easily recognised by its logo which reinforces brand loyalty.	

Level	Mark	Descriptor	Possible content
4	7-8	Award **7 marks** if one side only is in context. Award **8 marks** if BOTH sides are in context. *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*	For example, even with worldwide patents, some businesses will still copy the products and take a chance on not being found out or not being taken to court by the patent holder. For example, it will take more time, effort and money than a small business such as *Origami Owl* can afford to defend its trademark and patents. For example, even companies such as Apple/Disney Corporation, find it difficult, if not impossible, to protect patents and designs in every country.

Question Number	Question			
10	Assess the extent to which non-price factors of demand may affect the sales of *Origami Owl's* products			(12 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of demand must be present. *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.*	For example, definition of non-price factor of demand: anything other than price that will affect the demand for a good or service such as changes in tastes and fashions.	
2	3-4	Application of non-price factors of demand must be present; Tastes and fashion/income levels/ price of substitutes and complements/ demographics/ seasonality/ external shocks. *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.*	For example, *Origami Owl* sells personalised fashion jewellery. For example, sales reached $60 000 per month during the Christmas season in the first year of business. For example, there may be substitute jewellery brands and products *Origami Owl's* customers can purchase	
3	5-6	Analysis in context must be present. i.e. candidates will explain the reason/cause/consequence/cost of non-price factors of demand. **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.*	For example, as tastes and fashions change the sales of *Origami Owl*'s jewellery may be adversely affected, particularly as they are highly specialised. For example, seasonality in their sales will cause peaks and troughs in *Origami Owl*'s cash flow. For example, substitute products are likely to arrive on the market and may be cheaper.	
4	7-12	Evaluation must be present and in context, of non-price factors of demand **Low Level 4:** 7-8 marks. Evaluation must be present and in context on one side	For example, Origami Owl work directly with its target audience through its Owlettes and can gather constant feedback therefore they can develop and adapt their products to meet	

		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.** *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.*	emerging trends and preferences, hence reducing the impact on sales. For example, to stimulate demand during quieter periods *Origami Owl* can develop products for other occasions, such as Mother's Day and other special occasions, to maintain sales throughout the year, which will minimise cash flow problems. For example, *Origami Owl* can link with other brand names such as *Swarovski* to bring its loyal customers into the mix and reduce the appeal of substitute products even though they may be cheaper.

Question Number	Question			
11	Evaluate the likely impact on **two** stakeholder groups of *Origami Owl* if Bella decides to expand the business			(14 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of stakeholder groups *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.*	For example, a stakeholder is any party that has an interest in the outcome of business decisions or actions.	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to *Origami Owl* *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.*	For example, *Origami Owl*'s stakeholders include Bella and her parents, who have ownership and financial investment in the business For example, *Origami Owl'*s suppliers such as *Swarovski* may be interested in opportunities to expand overseas	
3	5-8	Analysis in context must be present, i.e. the candidate must show the impact of *Origami Owl* on employees and suppliers (Reasons/causes/costs/consequences) **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.*	For example, Bella and her parents as the owners of the business may have the opportunity to increase the sales and profitability of *Origami Owl*. For example, expanding overseas to areas such as Mexico and Europe would help to spread risk and diversify the business. For example, if the expansion is successful *Origami Owl'*s existing suppliers such as *Swarovski* may benefit from larger orders and international sales and exposure to new markets. For example, if Bella creates further jewellery collections new suppliers will be needed to supply the new components giving them a chance to find a new customer in Bella.	

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.*	For example, Bella may need help from other external investors such as banks and venture capitalists to finance international expansion, which may be costly. For example, bringing in other external investors may lead to loss of decision making powers, taking ownership or control away from Bella and her parents For example, suppliers may not be able to fulfil the increased orders if they lack capacity and ability to expand or deliver. For example, new suppliers may be taking a risk in taking on a new customer particularly if Bella's expansion is not successful.

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