GradeMax



Mark Scheme (Results)

October 2016

Pearson Edexcel International Advanced Subsidiary in Business Studies (WBS02) Paper 01 Business Structures and Processes

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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: D (the end of the IPod's product life cycle)	1
1 (b)	**Explain why this answer is correct:** • Definition of product life cycle e.g. the different stages a product passes through from introduction to withdrawal or eventual demise **(1)** • The IPod Classic has already been extended 6 times/has declining revenue/sales **(1)** • The IPod cannot be extended again in a profitable way so is no longer being manufactured **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because *Apple* is one of the most well-known MP3 brands and would be able to raise awareness of the IPod Classic **(1)** • B is wrong because high profit margins would encourage *Apple* to sell more of the IPod Classic and not discontinue it **(1)** • C is wrong because less competition would result in more sales for the IPod Classic so it would continue to be sold **(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: C (RM750 adverse)	1
2 (b)	**Explain why this answer is correct. (Show your working.)** Definition of sales variance e.g. the difference between a budgeted figure and the actual figure **(1)** **Definition only = 1 mark – candidates do not have to provide a definition to gain all 3 marks for part (b)** Actual sales: 1350 x RM15 = 20 250 **(1)** Budgeted sales: 1500 x RM14 = 21 000 **(1)** 20 250 – 21 000 **(1)** = RM750 adverse Any acceptable calculation method that shows selective knowledge/understanding. **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: C (Democratic)	1
3 (b)	**Explain why this answer is correct:** • Definition of democratic leadership style e.g. democratic leaders are prepared to share decision-making with employees **(1)** • Decision-making for the business is not made by Tony alone/ targets are set by all employees at the weekly meetings **(1)** • This may result in the employees feeling more motivated as they are involved in decision-making **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because a paternalistic leader might organise a weekly meeting but would still make the final decision **(1)** • B is wrong because an autocratic leader would make all the decisions and dictate the targets to the employees **(1)** • D is wrong because a laissez-faire leader would give employees complete freedom to set targets without any involvement by manager Tony **(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: A (Economic manufacture)	1
4 (b)	**Explain why this answer is correct:** • Definition of design mix e.g. the combination of function, aesthetics and economic manufacture in the overall design **(1)** • Economic manufacture is concerned with how cheaply the cola can be made **(1)** • *Tesco* need to make the cola as cheap as possible so that it can be sold for 17p/ needed to ensure low costs to enable a profit to be made **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is wrong because consumers will not be concerned about how the cola looks as they are purchasing it due to the low price **(1)** • C is wrong because though value cola has to function as a drink and be suitable for consumers to buy, the taste is not the most important aspect when the price is just 17p **(1)** • D is wrong because quality would not be the most important consideration as the cola is only 17p and it is a value brand/ quality is not an element of the design mix **(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
5 (a)	Answer: A (niche marketing)	1
5 (b)	**Explain why this answer is correct:** • Definition of niche marketing e.g. selling to a small section/sub-section of market with distinct features **(1)** • In this case selling food which is targeting Muslim customers/customers who only eat Halal chicken **(1)** • Sales may increase for *Nando*'s because they are providing for specific needs of some of its customers **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is wrong because this when a business uses social networks to advertise its products rather than selling to just one group of customers **(1)** • C is wrong because mass marketing would be aimed at the whole of the population and this is only aimed at people who eat Halal chicken **(1)** • D is wrong because this involves spreading *Nando*'s name via the internet to other customers rather than providing a type of chicken product **(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)**

Question Number	Question	Marks
6 (a)	Answer: D (labour turnover)	1
6 (b)	**Explain why this answer is correct:** • Definition of flexible employment e.g. employees have choice over how, when and where they work within company guidelines **OR** • Definition of labour turnover e.g. the proportion of a workforce who leave within a year **(1)** • Employees at *Potato* may feel valued/happier/more motivated **(1)** • Which would therefore reduce the number of employees who choose to leave *Potato* **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because employees are more empowered as flexible employment gives employees more say/control/responsibility **(1)** • B is wrong because motivation is likely to increase because employees have more choice over working conditions **(1)** • C is wrong because productivity is likely to increase because employees will work harder when they are given more flexibility over their working conditions **(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	Analyse **one** possible benefit to *Heck Foods* of having this organisational structure.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for defining a flat organisational structure e.g. one which has relatively few layers between the management and the employees **(2)** **OR** For giving a benefit e.g. faster decision-making/better communication between managers and employees/reduced costs in terms of number of managers/short chain of command **(2)** **Application:** up to 2 marks are available for contextualised answers to *Heck Foods* e.g. *Heck Foods* is a small family run business **(1)**, *Heck Foods* has just over 30 employees **(1)** **Analysis:** up to 2 marks are available for a reason/cause/consequence for *Heck Foods* e.g. faster decision making will enable actions within the *Heck Foods* to be spread quickly to all employees **(1)** which will help *Heck Foods* to rapidly respond to changing market conditions **(1)**	1-2 1-2 1-2

Question Number	Question	
8 (a)	Explain **one** possible reason why *Heck Foods* does not use recruitment agencies for new employees.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/ understanding:** up to 2 marks are available for defining recruitment agencies e.g. a business which provides temporary or permanent employees for another business **(2)** **OR** For stating a reason e.g. expensive to use agencies/cheaper to recruit employees themselves **(2)** **Application:** up to 2 marks are available for contextual answers to *Heck Foods* e.g. most of the employees are friends of the family/family members **(1)** for many employees it is their first job/ employees tend to be unskilled **(1)** **Analysis:** up to 2 marks are available for explaining reason/cause/consequence for *Heck Foods* e.g. they can train the employees themselves **(1)** which reduces their overall recruitment costs **(1)**	1-2 1-2 1-2

Question Number	Question	
8(b)	Analyse how current social trends have affected the product portfolio of *Heck Foods.*	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/ understanding**: up to 2 marks are available for defining product portfolio e.g. the range of items sold by a business **(2)** **OR** For giving examples of social trends e.g. healthy eating/ethical sourcing **(2)** **Application**: up to 2 marks are available for contextual answers to *Heck Foods* e.g. their chicken sausages are low in fat **(1)** sales of chicken sausages have trebled since going on sale **(1)** **Analysis**: up to 2 marks are available for explaining reason/cause/consequence for *Heck Foods* e.g. by responding to changes in consumer purchasing habits **(1)** this may result in an increase in sales/profit **(1)**	1-2 1-2 1-2

Question Number	Question	
9 (a)	Explain **one** benefit to *Heck Foods* of operating in a niche market.	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 1, Analysis 2) **Knowledge/understanding:** up to 1 mark is available for a giving a benefit e.g. higher prices/less competition/brand loyalty **(1)** **Application:** up to 1 mark is available for contextualised answers to *Heck Foods*, e.g. their premium sausages are high quality/come in different shapes and sizes (Evidence A) **(1)** **Analysis**: up to 2 marks are available for developing the above, this may lead to *Heck Foods* being able to maximise profits on its sales of premium sausages **(1)** as the higher prices will more than cover costs/increase profitability **(1)**	1 1 1-2

Question Number	Question			
9(b)	Assess the benefits to *Heck Foods* of using such a method.			(8 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of labour intensive	e.g. when production relies more on labour than capital	
2	3-4	Application must be present, i.e. the answer must be contextualised to *Heck Foods*	e.g. Evidence C states that their sausages are made by hand in small batches e.g. *Heck Foods* only make a maximum of 50 kilos at a time	
3	5-6	Analysis in context must be present, i.e. in this case the candidate must identify and explain the reasons/causes/costs/consequences of being labour intensive **NB if analysis is not in context limit to Level 2.**	e.g. can provide a personal touch as there is a growing demand from consumers for home produced foods (Evidence A) e.g. staff, unlike machinery can be used flexibly to meet changing levels of consumer demand, such as the use of temporary workers e.g. can improve the quality/image of the business as customers prefer hand-made food products	
4	7-8	Evaluation must be present and in context showing the impact of being labour intensive for *Heck Foods* Award **7 marks** if one side only is in context Award **8 marks** if BOTH sides are in context **NB if evaluation not in context limit to Level 3.**	e.g. Relatively expensive in the long-term to produce the small 50 kilo batches when compared to machinery with higher per unit costs due to lower levels of productivity. e.g. There could be a shortage of skilled labour/problems with staffing levels which hinder productivity especially as they can only produce 50 kilos at a time	

Question Number	Question			
10	Assess the likely difficulties *Heck Foods* might experience when sales forecasting.			12
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of sales forecasting must be present	e.g. a method of predicting future sales levels using an analysis of existing information	
2	3-4	Application must be present, i.e. the answer must be contextualised to *Heck Foods* sales forecasting	e.g. Evidence A states that *Heck Foods* sales forecast is on target to deliver £7m in 2015 e.g. *Heck Foods* have already achieved a 14% increase on its initial sales forecast.	
3	5-6	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the difficulties *Heck Foods* might face in sales forecasting **NB if analysis is not in context limit to Level 2.**	e.g. Historical data may not reflect future sales performance as sales growth has been very rapid and has already been underestimated (Evidence A) e.g. There is still competition from other sausage makers such as own brand chicken sausages from *Waitrose* and *M&S* which adds to the uncertainty to sales forecasts for *Heck Foods* e.g. changes in external factors such as economic variables/ actions of competitors/ government, the market/changes in food tastes and changes in costs such as meat prices cannot be predicted and therefore negatively affects the accuracy *Heck Foods* sales forecast	
4	7-12	**Low Level 4:** 7-8 marks Limited evaluation must be present and in context **Mid Level 4:** 9-10 marks More evaluation will be present and in context **High Level 4:** 11-12 marks	e.g. *Heck Foods* has been in business since 2012 so some historical data exists and will be able to use its own experience to help forecast likely demand for future food products e.g. *Heck Foods* has the financial backing of	

		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. **NB if evaluation not in context limit to Level 3.**	*Panoramic Growth Equity* who have plenty of financial experience to help produce sales forecasts e.g. *Heck Foods* only has a small product range so it should be easier to plan for the future compared to businesses with a large product range

Question Number	Question	
11	Evaluate how contingency finance planning could be used by *Heck Foods* when managing working capital.	14

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of what is meant by contingency finance planning/working capital *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. includes the use of overdrafts, loans, factoring, introduction of extra cash by owner/shareholders e.g. working capital is CA-CL
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to *Heck Foods* *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. *Heck Foods* have already secured £1m of capital investment to expand production capabilities e.g. Evidence D states that *Heck Foods* also have a range of contingency finance methods available to them in the short term e.g. *Heck Foods* are planning to expand production and the range of meat products so may need additional working capital
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of contingency finance planning to *Heck Foods* **NB 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. overdrafts are very flexible and can enable *Heck Foods* to purchase inventory such as meat for their sausages when they have a negative cash flow e.g. loans can be used to purchase a wide range of items such as sausage production equipment for the business and have the advantage of being repaid over a period of time e.g. factoring can be used to access cash quickly without having to chase up debtors/ debtors such as *Tesco* are reliable businesses with less risk e.g. additional cash from the owners/shareholders Andrew

			and Debbie Keeble has the advantage that there is no interest on this source of contingency finance
4	9-14	**Low Level 4:** 9-10 marks. Evaluation must be present and in context on one side, e.g. showing possible advantages and disadvantages of contingency finance planning for *Heck Foods* **Mid Level 4:** 11-12 marks Evaluation must be present and in context on both sides of using financial/non-financial techniques **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. **NB 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. overdrafts often have very high rates of interest and are repayable on demand by the bank if sales of chicken sausages are unsuccessful and there is negative cash flow e.g. bank loans often have high rates of interest depending on the credit worthiness and length of time the loan is for. Collateral may be needed from Andrew Keeble to secure the bank loan against e.g. factoring decreases profits as it reduces the total revenue received from those sales received from *Tesco* e.g. there may be a limit to how much cash the owners and shareholders Andrew and Debbie Keeble are able to invest into the business and carries a risk of it being lost if the business is unsuccessful e.g. *Heck Foods* would need to use a range of contingency finance to manage working capital requirements depending on how much is required for day to day running of the business

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