GradeMax



Mark Scheme (Results)

January 2017

Pearson Edexcel International Advanced Subsidiary
in Business Studies (WBS01)
Paper 01 Business Enterprise



Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

January 2017
Publications Code WBS01_01_1701_MS
All the material in this publication is copyright
© Pearson Education Ltd 2017

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: Sole Trader	1
1 (b)	**Explain why this answer is correct:** • A sole trader is a business set up and owned by one person. **(1)** • Sharon Roberts has used her own money and therefore has no shareholders. **(1)** • Therefore, *Sharon's Sewing & Alterations* is a sole trader as it is owned and run by Sharon Roberts alone. **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect: because Sharon Roberts used her own money whereas a plc relies on shareholder funds. **(1)** • B is incorrect: because the business name does not include the term Ltd. **(1)** • C is incorrect: a cooperative business is owned by many people. Sharon does not share ownership with anyone else. **(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 A: Sampling	1
2 (b)	**Explain why this answer is correct:** • Definition of sampling: which uses a segment (sample) of a population to represent the entire population's attitudes. **(1)** • *Novartis* samples doctors because they are its likely customers. **(1)** • Therefore, in asking the opinions of a sample of doctors they can gain information about the likely whole market. **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is incorrect: because interviews are an example of primary research. **(1)** • C is incorrect: because market size is a number/value of potential sales within a given market whereas *Novartis* is researching opinions about a new product that has no market yet. **(1)** • D is incorrect: because the doctors are not being given a choice but are only being asked for their opinion. **(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 B: Venture capital	1
3 (b)	**Explain why this answer is correct:** • Definition of venture capital: is money provided by investors to risky/new or emerging growth companies with potential for high returns/usually in return for a say in company decisions and a portion of the equity. **(1)** • As *Ohungu Wilderness* is a new business proposal it is likely to be a high risk investment. **(1)** • Therefore conventional sources of finance are unlikely to invest in *Ohungu Wilderness* so venture capital is the best source available. **(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 used for short term finance and this is a long term investment. **(1)** • C is incorrect: because a debenture is long term loan with a fixed rate of interest which does not match the specified needs of *Ohungu Wilderness*. **(1)** • D is incorrect: because *Ohungu Wilderness* is a new business that will not have any profit yet. **(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 C: 17.1%	1
4 (b)	Correct formula for Profit for the Year Margin: (Gross profit – Other operating expenses)/Total Revenues x 100 **(1)** **OR** Profit for the year/Total Revenues x 100 **(1)** (Accept Net Profit instead of Profit for the year) **Application/Result** (16 031-12 173) **(1)**/22 532 x 100 **(1)** = 17.1% **OR** 3 858 **(1)**/ 22 532 x 100 **(1)** = 17.1%	1-3 **(Total 4)**

Question Number	Question	Marks
5 (a)	Answer B: Competitive pricing	1
5 (b)	**Explain why this answer is correct:** • Competitive pricing is setting the price of your product at the same or similar level as your rivals. **(1)** • *Tesco* is in competition with other leading supermarkets. **(1)** • Without competitive pricing *Tesco* is in danger of losing market share to its more competitively priced rivals. **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect as *Tesco* is not using a premium pricing strategy as it is not setting a relatively higher price than similar products. **(1)** • C is incorrect as penetration pricing is charging a lower price to attract customers to gain market share but the example sees Tesco charge similar to competitors. **(1)** • D is incorrect as psychological pricing is a price that sounds more attractive to the customer and may or may not be a competitive price, which is *Tesco*'s main priority. **(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)	Answer D: Recruitment may decrease.	1
6 (b)	**Explain why this answer is correct:** • Definition of minimum wage, is the lowest wage permitted by law. **(1)** **OR** • Definition of recruitment, is the process of finding and selecting new employees. **(1)** • Small businesses will have to pay 7p an hour more as a result of this change to minimum wage. **(1)** • Recruitment is most likely to decrease as small businesses will have to absorb the wage increase set by government regardless of their turnover/older labour might be substituted for the now more expensive younger labour. **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because profitability is unlikely to increase when the business wage bill rises which increases its costs. **(1)** • B is incorrect because all small businesses will have to pay the new minimum wage so there will be no impact on competitiveness. **(1)** • C is incorrect as small businesses have to pay a higher hourly minimum wage, their wage costs will increase rather than decrease. **(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** entrepreneurial characteristics that Rachel demonstrated when starting *Gladiator Lacrosse*.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2 Analysis 2) **Knowledge/understanding:** Definition of entrepreneurial characteristics: e.g. personality traits that an entrepreneur will have **(1)** in order to start and run a successful business **(1)** **OR** Identifies two separate entrepreneurial characteristics and develops through to application and analysis e.g. creative **(1)** and taking the initiative **(1)**. **Application:** Rachel developed designs for better lacrosse equipment. **(1)** Rachel showed initiative by approaching an investor to obtain funding. **(1)** **Analysis:** Her *Gladiator Lacrosse* products are now beating bigger and better known brands on *Amazon.com* and are the top rated products in their category. **(1)** Her initiative in gaining funding enabled her to source the equipment from China. **(1)** **Two characteristics must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.** **Award for any relevant and developed entrepreneurial characteristics**	1-2 1-2 1-2

Question Number	Question	
8 (a)	Explain **two** examples of opportunity cost for Rachel of setting up her own business.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** Definition of opportunity cost: e.g. opportunity cost can be measured as the cost of foregoing **(1)** the next best alternative **(1)** **OR** Identifies potential opportunity costs and develops through to application and analysis e.g. study time **(1)** free time to relax. **(1)** **Application:** up to 2 marks for applying contextual answers: e.g. Rachel is a teenager and is still in full time education. **(1)** Rachel enjoys playing competitive lacrosse. **(1)** **Analysis:** up to 2 marks are available for a reason/cost/cause/consequence: e.g. Rachel may not have sufficient time to study and improve her grades. **(1)** Her commitments to running her business means she may not have as much time to play competitive lacrosse. **(1)** **Two opportunity costs must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.** **Award for any relevant and developed opportunity cost**	1-2 1-2 1-2

Question Number	Question	
8 (b)	Analyse **two** ways *Gladiator Lacrosse* has achieved competitive advantage.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for defining/explaining that competitive advantage is a unique aspect of the business/USP **(1)** which at that point competitors do not have **(1)** **OR** Gives two ways e.g. innovation **(1)** and reputation **(1)** **Application:** up to 2 marks for applying contextual answers: Being able to fold and store the rebounder. **(1)** Rachel Zietz has a reputation as a competitive lacrosse player herself. **(1)** **Analysis:** up to 2 marks. This means it is protected from the elements and so will last longer than rival products which will be important to competitive lacrosse players and is a unique selling point. **(1)** Rachel is known as a national player and this will give status to her product. **(1)** **Two competitive advantages must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.** **Award for any relevant and developed competitive advantage.**	1-2 1-2 1-2

Question Number	Question	
9 (a)	Using the above data, calculate the break-even output for *Gladiator Lacrosse* rebounders. (Show your working.)	(4 marks)
	Answer	Mark
	Knowledge: Correct formula for calculating break-even rebounders [Fixed Costs/(Selling Price-Variable Costs) = break-even] **(1)** **Application:** $32 000 **(1) /**($245-$85) **(1)** = 200 rebounders **(1)** **Candidates who give correct answer without formula shown gain full marks (knowledge implied).** **N.B. answer must be expressed in rebounders/units, if not maximum 3 marks.**	1 1-3

Question Number	Question			
9 (b)	Rachel is planning to expand *Gladiator Lacrosse* over the next five years. (b) Assess the likely usefulness of a business plan in obtaining finance for *Gladiator Lacrosse*'s expansion.			(8 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of business plans 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 a business plan: written document that contains financial data and forecasts that potential investors will want to see before deciding to invest.	
2	3-4	Application of business plans must be present *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, At the end of her Young Enterprise program, based on her business plan, Rachel successfully pitched for $2 700 finance for her business idea. For example, she would include sales revenues projections of $1m.	
3	5-6	Analysis in context must be present based on reasons/causes/costs/consequences of business planning **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, Rachel obtained $2 700 from her original business plan, which demonstrates she understands the usefulness of this document in obtaining finance. For example, Rachel needs to convince investors that her financial requirements for expansion are sound and based on a realistic and convincing business plan.	

4	7-8	Evaluation must be present and in context, Rachel Zietz's business plan Award **7 marks** if one side only is in context. Award **8 marks** if BOTH sides are in context. **N.B. if evaluation is 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, business plans are based on predictions which can be affected by external events such as recession, falling incomes and unexpected cost increases, making predictions risky, losing investor's money if things do not go according to plan. For example, despite having a business plan, investors may be deterred by Rachel's young age and lack of experience.

Question Number	Question			
10	Assess Rachel's decision to only sell her products through the digital economy.			(12 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of the digital economy 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, an economy based on digital technologies usually refers to the wide range of platforms available to businesses using modern technology.	
2	3-4	Application must be present, i.e. the answer must be contextualised to *Gladiator Lacrosse* *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, *Gladiator Lacrosse* trades online through its own website. For example, *Gladiator Lacrosse* sells its products via *Amazon.com*	
3	5-6	Analysis in context must be present, i.e. candidate will explain reasons/cause/consequences/ costs **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, easy to reach potential customers throughout the world giving increased sales. For example, no need to invest in physical retail outlets thus reducing costs.	

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.** *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, costs of developing, designing and maintaining her own website. For example, many consumers might prefer to be able to see and touch such a bulky item before purchasing. For example, delivery and return costs can be expensive and may affect price/profit. For example, some consumers are still wary of the digital economy for purchases and worry about security of their personal data. For example, it may have been a better decision to also have physical outlets alongside the digital economy

Question Number	Question			
11	Evaluate the extent to which *Gladiator Lacrosse* is a market orientated business.			(14 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of market or product orientation *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, market orientation is when a business focuses on discovering and meeting the stated or hidden needs and desires of its customers For example, product orientation is when a business focuses on selling the products it develops rather than what the customer wants/needs	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to the orientation of *Gladiator Lacrosse* *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, its products are the top rated products in their category type on *Amazon*, voted for by customers. For example, *Gladiator Lacrosse* has developed goal practice nets with thicker netting and rebounders with more durable frames.	
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons for deciding whether *Gladiator Lacrosse* is a product or market orientated business (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, as a consumer herself Rachel Zeitz's disappointing experiences of training equipment led her to develop products that were more in tune with the needs of the market. For example, as a current school and national team lacrosse player Rachel Zietz has easy access to other players to help identify needs, which other companies may not be aware of. For example, some features such as height adjustable, usable in different sized spaces and fold flat for easy storage	

			indicate that *Gladiator Lacrosse* continues to respond to the needs of the market.
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, *Gladiator Lacrosse* could be considered product orientated because it has just adapted and strengthened existing products on the market to sell under its own brand name For example, *Gladiator Lacrosse* could be considered product orientated because it focuses on product features such as durability and stability and for players with less storage space For example, there is no evidence presented that Rachel has carried out any market research which would indicate product rather than market orientation. For example, It could be argued that *Gladiator Lacrosse* is a combination of both product and market orientation as it is on track to top $1m in sales revenue which indicates that its products must appeal to more than just high level lacrosse players in school and national teams.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London WC2R 0RL