GradeMax



Mark Scheme (Results)

Summer 2017

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

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Summer 2017
Publications Code WBS01_01_1706_MS
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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		Marks
1 (a)	Answer: D (Risk taker)	1
1 (b)	**Explain why this answer is correct:** • Definition of entrepreneur characteristics e.g. a personality trait needed for somebody to be successful in running a business **(1)** **OR** • Definition of a risk taker e.g. someone prepared to risk loss in order to gain profit **(1)** • Gautam Lulla decided to go up against existing competitors with his new online hotel booking platform **(1)** • This shows risk taking because many people would not have invested time and money in developing a new online platform where there were existing competitors **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because computer literate is a general skill and not just applicable to entrepreneurs alone **(1)** • B is incorrect because a social entrepreneur is motivated by ethical reasons for being in their own business and it is not an entrepreneurial characteristic **(1)** • C is incorrect because competition may be based on price which would reduce profits **(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
2 (a)	Answer: B (secondary research data)	1
2 (b)	**Explain why this answer is correct:** • Definition of secondary research: involves using existing data that has been compiled for another purpose **(1)** • The ONS compiles and reports statistics on behalf of the government **(1)** • Building companies can use this data to help plan future building projects **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because primary research is collected first hand, but the report in question has already been compiled by the ONS **(1)** • C is incorrect because the data collected is about building materials, not people or populations **(1)** • D is incorrect because the report is about statistical data which is quantitative not qualitative **(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
3 (a)	Answer: D (Raw materials)	1
3 (b)	**Explain why this answer is correct:** • Definition of variable costs; e.g. costs to a business that vary with output **(1)** • Raw materials such as milk, flavourings, will be used to produce the ice cream the café sells **(1)** • The more ice cream the café sells the more raw materials it will purchase **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because the salary of the manager is an annual sum paid out in equal monthly amounts **(1)** • B is incorrect because the rent has to be paid **(1)** • C is incorrect because the insurance is usually paid once a year in advance **(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
4 (a)	Answer: C (for expansion)	1
4 (b)	**Explain why this answer is correct:** • Definition of profit: is total revenue minus total costs **(1)** • Jenny is a sole trader and at the moment it is just a small business **(1)** • Jenny is likely to want to expand her business to ensure survival or to increase profit **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because as a sole trader Jenny will not have shareholders **(1)** • B is incorrect because *Paws for Thought's* utility bills will have to paid regularly from revenues, before profit is calculated **(1)** • D is incorrect because staff wages are paid weekly or monthly from sales revenues and staff would not be able to afford to wait until the end of the financial year to be paid out of profits **(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 (Debenture)	1
5 (b)	**Explain why this answer is correct:** • Definition of debenture: a long-term loan for large amount of money **(1)** • Debentures are used by large companies such as PLCs/MNCs e.g. *Tata Power* **(1)** • The private investor will know the length of the loan and the interest rate agreed for the repayment **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is incorrect because the investor is not supplying raw materials to *Tata Power* **(1)** • C is incorrect because venture capital is not a loan/often used for small or risky businesses which is not the case for *Tata Power* **(1)** • D is incorrect because the private investor is not providing *Tata Power* with any equipment **(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: A (Increase in costs of supplies)	1
6 (b)	**Explain why this answer is correct:** • Definition of inflation: an increase in the aggregate/general level of prices in an economy over a period of time/ fall in the value of money **(1)** • *Tyneside Safety Glass* is manufacturing business and needs supplies of raw materials and components **(1)** • Because its suppliers are facing an increase in costs due to inflation, they will increase prices to *Tyneside Safety Glass* **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is incorrect because inflation reduces competitiveness and therefore export orders are likely to fall not increase **(1)** • C is incorrect because inflation increases uncertainty and will discourage investment **(1)** • D is incorrect because business confidence will be reduced in the face of falling export orders and increasing costs of production **(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		
7	Explain **two** benefits to Arthur Kay of *bio-bean ltd* being a private limited company.	(6 marks)
		Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for defining private limited companies (Ltd): a business owned by shareholders where their liability for company debts is limited **(1)** which means that shareholders can only lose the money they have invested **(1)** **OR** stating two benefits to Arthur Kay of being a private limited company: he cannot lose personal possessions **(1)** Arthur has control of *bio-bean ltd* **(1)** **Application:** up to 2 marks are available for applying contextual answers e.g. *bio-bean ltd* is a new business based on an innovative idea **(1)** the environment is important to Arthur and *bio-bean ltd* **(1)** **Analysis:** up to 2 marks are available for a reason/cost/cause/consequence e.g. this gives Arthur peace of mind and security when planning further business expansion **(1)** Arthur can ensure *bio-bean ltd*'s environmental aims remain to the fore **(1)** **Two benefits must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.** **Award for any relevant and developed benefits**	1-2 1-2 1-2

Question Number		
8 (a)	Explain **two** non-price factors that could increase the demand for *bio-bean's* services.	(6 marks)
		Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for defining or showing understanding of what is meant by demand e.g. the amount of a good or service that people are willing and able to buy **(1)** at a given price, at a given time **(1)** **OR** identifying two non-price factors e.g. income **(1)** tastes and fashions **(1)** **Application:** up to 2 marks are available for contextualising answers to demonstrate factors that will increase demand for *bio-bean*'s services e.g. a rise in disposable income leads to greater coffee consumption **(1)**, changes in the trend (fashion) for eco-friendly businesses **(1)** **Analysis:** up to 2 marks are available for a reason/cost/cause/consequence: e.g. the more coffee bought the more waste is produced increasing the demand for *bio-bean* services **(1)** current trends for greener, more ethical companies are likely to increase demand for recycling services such as those offered by *bio-bean* **(1)** **Two non-price factors must be covered for full marks (3+3). If only one factor covered, maximum mark of 3.** **Award for any relevant and developed non-price factors**	1-2 1-2 1-2

Question Number		
8 (b)	Explain **two** reasons why *bio-bean* would want to obtain patents.	(6 marks)
		Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for defining/explaining that a patent is a legal document **(1)** that guarantees the holder exclusive rights to use or licence inventions and/or innovations **(1)** **OR** giving two reasons e.g. protects brand name **(1)**; prevents other companies from stealing its ideas **(1)** **Application:** up to 2 marks are available for applying contextual answers: *bio-bean* has already secured the EU and US patents **(1)** the EU and US have many established coffee chains and businesses **(1)** **Analysis:** up to 2 marks are available securing EU and US patents means *bio-bean* can invest confidently knowing that its brand name cannot be used by other businesses **(1)** *bio-bean* already has its equipment and processes protected by patents therefore, other businesses will not be able to steal its ideas **(1)** **Two reasons must be covered for full marks (3+3). If only one reason covered, maximum mark of 3.** **Award for any relevant and developed reasons**	1-2 1-2 1-2

Question Number		
9 (a)	Calculate, to 2 decimal places, *bio-bean*'s projected profit for the year margin.	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 3) **Knowledge:** 1 mark for: Profit for the year (revenue – cost of goods sold- expenses) ---------- x100 (1) Revenue **Application:** £239 800 (1) -------- x100 = 36.89% (1) £650 000 (1) **NB** • if the answer given is 36.89% award 4 marks. • if the answer given is 36.89 award 3 marks.	1 1-3

Question Number				
9 (b)	Assess the likely impact of *bio-bean*'s trading operations on **two** stakeholders.			(8 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of stakeholders 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*	e.g. stakeholders are any party that has an interest in the outcome of a business decision or action. Usually shareholders/ investors, employees, customers, suppliers	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to the impact of *bio-bean* on stakeholders *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. London alone produces over 200,000 tonnes of coffee waste each year e.g. *bio-bean* suppliers are the wholesalers and coffee shops it collects its used coffee grounds from	
3	5-6	Analysis in context must be present based on *bio-bean*'s impact on stakeholders 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.*	e.g. *bio-bean*'s environmental actions may benefit the local community and London as there is less waste being dumped e.g. suppliers may benefit as their own corporate social objectives can be supported through working with *bio-bean*	
4	7-8	Evaluation must be present and in context, to *bio-bean*'s stakeholders Award **7 marks** if one side only is in context. Award **8 marks** if BOTH sides are in context **N.B. if analysis 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*	e.g. if *bio-bean* uses its own fleet of collection vans to collect the coffee waste, the environment may not benefit due to increased fuel emissions from even more vehicles on the roads e.g. suppliers may be paying additional money to have the coffee waste removed by *bio-bean*, rather than local government collections included in business rates	

Question Number				
10	Assess the likely importance to Arthur of making a profit from running *bio-bean ltd*.			(12 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of profit 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*	e.g. profit is total revenue minus total costs e.g. profit satisficing is when a business decision aims to make sufficient or adequate profits to keep the business running e.g. profit maximising is when a business wants to make the most profit possible from a given amount of resources	
2	3-4	Application must be present, i.e. the answer must be contextualised to *bio-bean* 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*	e.g. Arthur set *bio-bean* up as a social enterprise e.g. Arthur launched *bio-bean* to counteract rising waste collection and disposal problems, and the need for cleaner, affordable energy	
3	5-6	Analysis in context must be present, i.e. candidate will explain reasons/causes/consequences/costs of *bio-bean*`s activities on profits **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. as a limited company, *bio-bean* has shareholders who will want a return on their investment in the form of dividends from profits e.g. without profit *bio-bean* has no long term future	
4	7-12	**Low Level 4:** 7-8 marks. Evaluation must be present and in context on one side	e.g. profit may be less important to Arthur than running bio-bean to be an eco-friendly, green energy business	

		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*	e.g. Arthur has won thousands of Euros/pounds/dollars and this has reduced the need to rely on profits to fund future growth e.g. this does not mean that profit is unimportant, bio-bean will still need to make a profit to support its ethical objectives in the longer term

Question Number			
11	Evaluate the extent to which *bio-bean ltd* contributes to a circular economy.		(14 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of a circular economy *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 circular economy is an industrial economy that aims to produce no waste and no pollution by design or intention e.g. a circular economy aims for more effective use of materials to ensure goods are recyclable
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to *bio-bean* operating in a circular economy *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. *bio-bean's* future plans include making use of waste as a resource e.g. Arthur Kay wants *bio-bean* to help kick start the circular economy in the UK e.g. 200,000 tonnes of London's coffee waste is collected by *bio-bean*
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons for deciding whether *bio-bean* is a circular economy based 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*	e.g. *bio-bean* could be considered to be operating a circular economy because its core business is to collect and recycle coffee waste e.g. *bio-bean* undertakes a key concept of the circular economy, by giving additional value to waste by re-processing the used coffee grounds into biofuels rather than send to landfill. e.g. *bio-bean* could be considered as operating in a circular economy because it produces biofuels used for transport and heating industries, further reducing the reliance on oil based fuels

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. *bio-bean* is just one small company working in a huge international economy and they may not be making much of an impact in reality e.g. *bio-bean* may not be contributing fully to a circular economy as its suppliers, (coffee wholesalers and coffee shops), may still be using traditional, wasteful industry processes e.g. *bio-bean* will need to ensure its own recycling processes to produce the biofuel products, does not go against the ideals of the circular economy of no waste and no pollution e.g. *bio-bean* appears to have been able to reduce the equivalent of 729,600 tonnes of CO2 but if other countries (like China) are producing increasing levels of CO2 the impact of *bio-bean* may be negligible e.g. although *bio-bean*'s contribution to the idea of a circular economy may be small it could be seen as an example for other companies to follow

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