GradeMax



Mark Scheme (Results)

October 2017

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



GradeMax

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

October 2017
Publications Code WBS01_01_1710_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)	Ben Cohen and Jerry Greenfield originally set up *Ben & Jerry's Ice Cream* business as a partnership. Which **one** of the following is the **main advantage** of a business partnership? Answer: A (Shared ownership)	1
1 (b)	**Explain why this answer is correct:** • Definition of partnership: A business owned/set up by two or more people/2-20 people **(1)** • *Ben & Jerry's* was set up as a partnership by Ben Cohen and Jerry Greenfield who worked together to build the business **(1)** • This meant they could both contribute different areas of expertise in running the business and in sharing responsibility **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is incorrect because a partnership does not have limited liability **(1)** • C is incorrect because only a limited company can sell shares **(1)** • D is incorrect because unlimited liability means that either Ben Cohen or Jerry Greenfield could lose their homes/personal possessions therefore this is a disadvantage of a partnership **(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)	*McCormick* is a multinational company producing food products and spices. It regularly carries out test marketing on its new ranges of foods and drinks. What is the **main** reason for a business to carry out test marketing? Answer: D (Assess likely levels of demand)	1
2 (b)	**Explain why this answer is correct:** • Definition of test marketing e.g. launching a product on a limited scale/in a limited area to measure initial reactions **(1)** • *McCormick*'s can use the sales data to adapt or modify its new products before launching in the wider market **(1)** • This will increase the likelihood of successful sales when its new products are launched on a national or international scale **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because test marketing does not guarantee sales, *McCormick*'s are only measuring sales and they may be high or low **(1)** • B is incorrect because the margin of safety is dependent upon the difference between break-even output and actual output sold **(1)** • C is incorrect because *McCormick*'s test marketing is a method of primary research since it collects new data first-hand **(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)	*Nocturne*, has been creating hand-made lamps from hardwood, marble, stone and metal for five years. Which **one** of the following would be the **most suitable** source of finance for its purchase of raw materials? Answer: B (Trade credit)	1
3 (b)	**Explain why this answer is correct:** • Definition of Trade credit e.g. given by suppliers to a business to purchase materials with payment at a later date **(1)** • *Nocturne* will need to make regular purchases of raw materials, such as marble, stone and metal to manufacture its hand-made lamps **(1)** • Trade credit is the most suitable because it is a short term source of finance which enables *Nocturne* to produce and sell its lamps before payment for the raw materials is due **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because debentures offer longer term finance usually to develop larger capital projects, which is not what *Nocturne* requires to purchase raw materials to create hand-made lamps **(1)** • C is incorrect because *Nocturne* would not issue share capital as it is unlikely to sacrifice business ownership or share profits for simple revenue expenditure **(1)** • D is incorrect because a bank loan is a medium-term source of finance and not suitable for a short-term purchase of supplies **(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)	*Dream Bridal Wear* is one of the UK's largest retailers of bridal gowns, bridesmaid dresses and mother of the bride outfits. Which **one** of the following is the **main** market segment that *Dream Bridal Wear* is targeting? Answer: B (Gender)	1
4 (b)	**Explain why this answer is correct:** • Definition of a market segment is part of an overall market that can be identified by common defining characteristics **OR** Definition of market segmentation, the process of dividing an overall market into sections identified by common characteristics **(1)** • *Dream Bridal Wear* only carries stock for brides, bridesmaids and brides mothers **(1)** • This means its products are only aimed at female customers therefore the market is segmented by gender **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect as brides, bridesmaids and mothers of the brides will span a wide range of ages from children (bridesmaids), to adults (brides, bridesmaids and mothers) **(1)** • C is incorrect as there is no indication that *Dream Bridal Wear* offers either just luxury or value line bridal wear which means it doesn't seem to have segmented its target markets by income **(1)** • D is incorrect as *Dream Bridal Wear* has clearly targeted the wedding market rather than selling business suits or workwear so it has not segmented by occupation **(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)	*J Barbour & Sons* supply clothing to a wide range of retailers. • Break-even output per month = 350 units • Monthly sales revenue = £100 000 • Unit selling price = £250 Which **one** of the following is the monthly margin of safety for *J Barbour & Sons*? Answer: C (50)	1
5 (b)	Explain why this answer is correct: Formula for margin of safety = Total sales or current output – Break-even level of output **OR** <u>sales revenue</u> – Break-even level of output **(1)** Unit price (£100 000/ £250) = 400 **(1)** - 350 **(1)** = 50	1-3 **(Total 4)**

Question Number	Question	Marks
6 (a)	By 2025, the population of people in Japan aged 65 or over is expected to increase to 36%. *Siemens* has decided to increase its output of the hearing aids it produces in Japan. Which **one** of the following influences is **most likely** to have caused this decision? Answer: C (Demographic)	1
6 (b)	**Explain why this answer is correct:** • Demographics refers to the changes in and the nature of the population **(1)** • People aged over 65 are more likely to need hearing aids through age or work related deafness **(1)** • As the population in Japan continues to age, demand for *Siemens* hearing aid products will increase **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because ethical factors relate to the way *Siemens* runs its business and treats its stakeholders, not whether they manufacture hearing aids **(1)** • B is incorrect because environmental factors would influence the way *Siemens* manufacture hearing aids in terms of materials used and how waste is disposed of, not whether it increases its production of hearing aids **(1)** • D is incorrect because a legal requirement would mean that the hearing aids are fit for purpose and not whether *Siemens* should produce them or not **(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 demonstrated by Nina Devani when starting *DevaniSoft*.	(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 in order to start and run a successful business **(2)** **OR** Identifies **two** separate entrepreneurial characteristics and develops through to application and analysis e.g. creativity **(1)** perseverance **(1)** **Application:** In response to her father's problems with passwords she created her first app. **(1)** Being a young entrepreneur meant that less people took her seriously **(1)** **Analysis:** After developing two successful products, Nina's hard work is paying off and she is now developing an app for the banking industry.**(1)** Nina was rewarded for her perseverance when she became the youngest ever finalist for the *NatWest* Everywoman Awards which meant other business women were aware of her talents **(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** reasons why Nina may have had to use a venture capitalist to raise £10 000 to fund her start-up of *DevaniSoft*?	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** Definition of venture capitalist; e.g. an investor who provides capital to start-ups, small or risky businesses with growth potential who may not have access to other forms of finance **(2)** **OR** Identifies **two** separate reasons and develops through to application and analysis e.g. only adults (over 18 years) can raise a bank loan or credit **(1)** Many sources of finance will require previous financial records and/or security **(1)** **NB: Max of two marks for knowledge** **Application:** up to 2 marks for applying contextual answers: e.g. At 14 (or 16) years Nina was too young to raise a bank loan **(1)** *DevaniSoft* will not have a financial record/credit history **(1)** **Analysis:** up to 2 marks are available for a reason/cost/cause/consequence: e.g. Nina was able to raise £10 000 from a venture capitalist without having to wait until she was older and eligible for traditional sources of finance **(1)** Because of her age and lack of financial history Nina did not have many options to raise business finance so venture capital may have been the only way to start her business **(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 response.**	1-2 1-2 1-2

Question Number	Question	
8 (b)	Analyse **two** ways ICT can be used to help *DevaniSoft* carry out market research.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for defining/explaining that market research is the collection and analysis of information about consumer, competitors and the effectiveness of marketing programmes in selling products or services **(2)** **OR** Identifies two ways such as the use of websites **(1)** or social networks **(1)** **Application:** up to 2 marks for applying contextual answers: *DevaniSoft* has its own sales website **(1)** It could use social networks, such as Twitter, Google+ and Facebook to share and collect information **(1)** **Analysis:** up to 2 marks Information from *DevaniSoft*'s internal sales database can be used to analyse customer's buying habits in order to plan future products **(1)** Nina can use social media to ask direct marketing questions to customers about their wants and needs and opinions to gain cost effective, qualitative primary data **(1)** **Two ways must be covered for full marks (3+3). If only one way covered, maximum mark of 3.** **Award for any relevant and developed response.**	1-2 1-2 1-2

Question Number	Question	
9 (a)	Last year DevaniSoft's revenue was £141 600 with a gross profit of £117 600. Using these figures, calculate, to 2 decimal places the gross profit margin for *DevaniSoft*. (Show your working.)	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 3) **Knowledge:** 1 mark for: Gross Profit x 100 **(1)** Revenue **Application:** £117 600 **(1)** x 100 = 83.05% **(1)** £141 600 **(1)** NB if the only answer given without any working shown is 83.05% award 4 marks. If the only answer given without any working shown is 83.05 award 3 marks.	1 1-3

Question Number	Question			
9 (b)	Nina is currently working on a secure solution for the banking industry. This will be a new app and her third product. Assess whether penetration pricing is the most suitable pricing strategy to use when launching this new app.			(8 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of penetration pricing 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. penetration pricing is a practice of offering a low price for a new product or service during an initial offer in order to attract customers away from competitors, aims to raise customers' awareness of a new product due to lower price in market place relative to rivals	
2	3-4	Application of penetration pricing 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.*	e.g. her existing app 'Prompt Me Now' is proving to be popular with business clients e.g. there are hundreds of other app developers targeting business clients	
3	5-6	Analysis in context must be present based on reasons/causes/costs/consequences of penetration pricing **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. the benefit of penetration pricing to *DevaniSoft* is its ability to attract lots of new business clients every day e.g. *DevaniSoft* has high profit margins and low production costs making penetration pricing possible without incurring losses	
4	7-8	Evaluation must be present and in context of other pricing strategies 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.* **N.B. if evaluation is not in context, limit to Level 3.**	e.g. the extra security offered by the new banking app may offer perceived higher value more suited to premium pricing e.g. Nina has developed a good reputation from her previous apps and there may be no need for penetration pricing	

BLANK PAGE
PLEASE TURN OVER

Question Number	Question			
10	Evaluate the extent to which *DevaniSoft* is a product orientated business.			(12 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.*	e.g. market orientation is when a business focuses on discovering and meeting the stated or hidden needs and desires of its customers e.g. product orientation is when a business focusses 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 to *DevaniSoft* *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. Nina Devani designed an app to help her father remember his passwords e.g. Nina Devani is currently creating an app for the banking industry	
3	5-6	Analysis in context must give reasons for deciding whether *DevaniSoft* is a product or market orientated business (reasons/causes /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.*	e.g. *DevaniSoft* could be considered a product orientated business because Nina produced her first app without testing the market. e.g. *DevaniSoft* could be considered product orientated as it adapted its first product rather than creating new products for new markets	
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	e.g. *DevaniSoft* could be considered a market orientated business because Nina identified a consumer need when her father could not remember his passwords and thought other people would have the same problem	

		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. *DevaniSoft* operates in a market where product and market orientation have to be closely linked due to rapid changes in technology requiring apps that have to be developed in line with what *DevaniSoft* customers will need e.g. *Devanisoft* appears to have been able to achieve its product development to meets customer needs, which its customers appear to agree with by outselling hundreds of other app developers

Question Number	Question			
11	Evaluate the impact of e-commerce on *DevaniSoft*.			(14 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of e-commerce *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. e-commerce is the buying and selling of products and services by businesses and consumers through electronic media such as the internet. (Also known as electronic commerce.)	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to the commercial operations of *DevaniSoft* *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. *Devanisoft* only sell its products online via its own website. e.g. *DevaniSoft* own products are all digitally produced, no physical products.	
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons for deciding what the impacts of e-commerce are for *Devanisoft.* (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. *DevaniSoft* could not exist without the digital economy e.g. *DevaniSoft* conducts all of its sales transactions online which means payments are made directly into its bank account giving instant positive cash flows. e.g. *DevaniSoft* delivers all of its products instantly via downloads to customers' tablets, PC's or mobile phones. e.g. *DevaniSoft* can deliver its products to customers all over the globe, without having to consider warehouse storage and delivery logistics e.g. the worldwide growth of e-commerce could assist the expansion of her business	

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. sales only take place through *DevaniSoft*'s own website, which means if the website goes down for any length of time, sales and reputation could be lost e.g. places and countries with restricted or no internet access are not accessible to *DevaniSoft* restricting potential for growth in these areas e.g. *DevaniSoft* customers can compare and switch to similar products and services very easily and quickly online e.g. her website may be hacked and client data stolen and sold on e.g. her website may be compromised making it impossible for her to trade

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