GradeMax



Mark Scheme (Results)

January 2018

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



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January 2018
Publications Code WBS01_01_1801_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	Question	Marks
1 (a)	UK fashion manufacturer *Sewport Ltd* needs a new machine costing £125 000 to cut fabric for its clothes production lines. Which **one** of the following would be the most appropriate source of finance? Answer: C (Leasing)	1
1 (b)	**Explain why this answer is correct:** • Definition of leasing, allows a company to rent/without owning an asset **(1)** • Leasing is the most suitable because *Sewport Ltd* will have the use of the cutting machine immediately **(1)** • *Sewport Ltd* will not have to find, borrow or pay out £125 000 **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect: because trade credit is designed for purchase of raw materials such as fabrics from suppliers rather than large items of capital equipment, such as a new machine **(1)** • B is incorrect: because overdrafts are usually given to help cash flow problems in the short term not for long term purchases of assets **(1)** • D is incorrect: debentures offer longer term finance usually to develop much larger capital projects, which is not what *Sewport Ltd* requires to purchase a piece of equipment costing £125 000 **(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)	*Sony* has launched the long awaited next generation PlayStation Pro games console, which uses newly developed technology. What is the most appropriate pricing strategy for the new PlayStation? Answer: B (Price skimming)	1
2 (b)	**Explain why this answer is correct:** • Definition of price skimming; a pricing strategy used by businesses to initially set a high price for a new product which will reduce over time **(1)** • Games players will pay higher prices to have the next generation equipment as soon as it is available **(1)** • This allows *Sony* to maximise its revenues in the early stages of the new PlayStation launch/Price skimming will allow Sony to recoup R&D costs and still make profit **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because *Sony* is introducing a new technology, not aiming to force rivals out by offering a price so low it will not recover costs such as research and development **(1)** • C is incorrect because using standard mark-up pricing will not take advantage of the introduction of new technologies and the long-awaited launch of a next generation PlayStation **(1)** • D is incorrect because *Sony's* new technology means there are no immediate competitive substitutes so they don't need to offer a competitive price 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
3 (a)	Shampoos are often differentiated by features such as 'with tea tree oil' or 'with sea algae and minerals'. The **most likely** reason for shampoo manufacturers to use product differentiation is to Answer: C (give a competitive advantage)	1
3 (b)	**Explain why this answer is correct:** • Definition of competitive advantage: a unique aspect of the product or business that competitors cannot easily imitate which can be based on features/benefits/quality/cost **OR** • Definition of product differentiation: Process of distinguishing a product or service from others in order to make it more attractive than its competitors **(1)** • Shampoo manufacturers can highlight the use of specialised ingredients such as 'sea algae and minerals' to differentiate from ordinary shampoos **(1)** • Customers who like exotic products or want certain treatments for their hair will buy the products that offer these perceived benefits, generating customer loyalty/prepared to pay more **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because adding extra ingredients to differentiate the shampoos will add to production costs rather than reduce them **(1)** • B is incorrect because by adding these ingredients the shampoo manufacturers are segmenting the market therefore not appealing to the mass market **(1)** • D is incorrect because the shampoo manufacturers are already selling their products not trialling new products to predict potential demand **(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)	In 2016, *Cineworld* cinema chain reported a worldwide increase in box office revenue of 7.9%, whilst its retail sales of popcorn increased by 8.5%. Which **one** of the following is the **most likely** reason for the increase in popcorn sales? Answer: D (It is a complementary product)	1
4 (b)	**Explain why this answer is correct:** • Definition of complementary products whose use is related to the use of an associated or paired product, where using more of one generates demand for the other **(1)** • People who visit the cinema will often buy popcorn which makes them complementary goods **(1)** • 7.9% increase in revenue suggests more people attended *Cineworld* cinemas, thus increasing sales of popcorn **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because ice cream is a substitute for popcorn and cheaper ice cream would reduce the demand for popcorn **(1)** • B is incorrect because if people are concerned for their health they would consume less popcorn **(1)** • C is incorrect because falling incomes could reduce cinema attendance/popcorn sales as people attempt to save money **(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)	*Samsung* announced a world-wide recall of every Galaxy Note 7 smartphone sold before September 2016 because of reported dangerous faults. Consumer protection legislation requires that goods and services sold must be Answer: D (fit for their intended purpose)	1
5 (b)	**Explain why this answer is correct:** • Consumer protection legislation is designed to give consumers rights if goods purchased do not meet certain requirements **(1)** • As a result manufacturers such as Samsung must provide goods that are fit for purpose for example not having dangerous faults **(1)** • When products are not fit for purpose, such as Galaxy Note 7, consumers are legally protected and manufacturers must take remedial measures such as recall/replacement/refund **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because most goods or services cannot be guaranteed for life, as over time goods will wear out and/or become obsolete **(1)** • B is incorrect because Fair Trade agreements are concerned with the rights of the supplier and not the consumer **(1)** • C is incorrect because while many goods are taxed, this is decided by separate government legislation and not by consumer protection legislation **(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
6 (a)	In July 2016, the pound sterling (£) depreciated against the euro (€) and the US dollar ($). The **most likely** impact of this depreciation on UK businesses would be Answer: B (export orders increase)	1
6 (b)	**Explain why this answer is correct:** • Definition of exchange rate, the value/price of one currency expressed in terms of another **OR** • Definition of depreciation of a currency is a decrease in the value of a country's currency relative to one or more foreign currencies **(1)** • The pound has depreciated meaning that European and American buyers need to exchange less of their own currency to buy the same number of pounds **(1)** • This means that UK exports are now cheaper in Europe and America so the demand for exports increases **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because export prices will now be cheaper for foreign buyers **(1)** • C is incorrect because imports will now be more expensive to the UK businesses and therefore orders will decrease **(1)** • D is incorrect because import prices will increase as more pounds have to be exchanged for the same amount of euros and dollars **(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 Srikanth Bolla has demonstrated.	(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.resilience **(1)** creativity **(1)** **Application:** Srikanth had to overcome his personal challenges of being blind to start his business **(1)** Farmers previously discarded the leaf sheaths of the Areca nut crops they harvested **(1)** **Analysis:** Overcoming his own disability has led him to go to a top university and develop a successful business **(1)** Srikanth's research showed the opportunity to use the leaf sheaths of the Areca nut instead of plastics to produce environmentally friendly tableware **(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** ways *Bollant Industries* is contributing to the circular economy.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** definition of a circular economy: the circular economy is an industrial economy that aims to produce no waste and no pollution by design or intention **(2)** **OR** identifies **two** separate ways and develops through to application and analysis e.g. containers from recycled paper **(1)** eco-friendly alternative to plastic tableware **(1)** **Application:** up to 2 marks for applying contextual answers: e.g. uses eco-friendly glues in the manufacturing process **(1)** using discarded leaf sheaths from the Areca nut **(1)** **Analysis:** up to 2 marks are available for a reason/cost/cause/consequence e.g. not using chemicals in the production process thereby reducing pollution **(1)** use of recycled raw materials have led to 700 tonnes less plastic waste in three years **(1)** **Two ways must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.** **Award for any relevant and developed response.**	1-2 1-2 1-2

Question Number	Question	
8 (b)	Explain **two** non-price factors that might affect the supply of raw materials to *Bollant Industries*.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for defining supply as the amount a producer is willing and able to supply at a given price in a given time period **(2)** **OR** Identifies two non-price factors such as weather **(1)** or technology **(1)** **Application:** up to 2 marks for applying contextual answers: the yield of Areca nuts is weather dependant **(1)** they use recycled paper to manufacture containers **(1)** **Analysis:** up to 2 marks. Poor weather could affect the yield of Areca nuts reducing the supply of the leaf sheaths to *Bollant Industries* affecting their ability to produce enough tableware **(1)** the improvements in technology make it easier to recycle paper for *Bollant Industries* thus reduces costs **(1)** **Two non-price factors must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.** **Award for any relevant and developed response.**	1-2 1-2 1-2

Question Number	Question	
9 (a)	The following information is available: • fixed costs for a production run of Areca tableware = Rs4 000 • average variable cost per unit = Rs1.5 • selling price per unit = Rs6.5 Using the information above, calculate the break-even output of Areca tableware. (Show your working.)	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 3) **Knowledge:** Correct formula for calculating Break Even units [Fixed costs / (Selling Price – Average Variable Cost) = Break Even Units] **(1)** **Application:** Rs4000 **(1)** /(Rs6.5-Rs1.5) **(1)** = 800 units **(1)** **Candidates who give correct answer without formula or calculation should gain full marks (knowledge implied).** **Answer must be expressed in units, if not maximum 3 marks.**	1 3

Question Number	Question	
9 (b)	Srikanth used funding from business angels to grow his company. Assess the suitability of this source of finance for *Bollant Industries*	(8 marks)

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of business angel funding 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. business angels are wealthy individuals who invest personal capital in start-up and growing companies in return for an equity stake e.g. Sources of finance used for starting or growing a business can be internal such as retained profits or sale of assets, or external such as family & friends, creditors, banks or venture capitalists.
2	3-4	Application of business angels 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. Ravi Mantha was so impressed by Srikanth that he decided to mentor him as well as invest in the company e.g. *Bollant Industries* attracted several other angel investors, including Kirin Grandhi of GMR Group and Ratan Tata of Tata Industries
3	5-6	Analysis in context must be present based on reasons/causes/costs/consequences of business angel funding **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. angel investors may take an advisory/hands on role and are prepared to wait longer for returns on their investments e.g. funding from angel investors delays the necessity of paying back investments, thus improving cash-flow and has enabled *Bollant Industries* to start construction of a new large factory in Sri City
4	7-8	Evaluation must be present and in context of other funding sources Award **7 marks** if one side only is in context.	e.g. accepting capital from business angels may involve some loss of control and compromise Srikanth's eco-friendly objectives

		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.*	e.g. venture capitalist firms usually want a quick profitable return and may not be prepared to wait as long for a return on their investment. e.g. venture capital firms may focus on a rapid exit and will not wait until the new large factory is built, operational and profitable e.g. will have to pay both venture capitalists and business angels a proportion of profits earned

Question Number	Question			
10	Assess the likely importance of profit maximisation to Srikanth when running *Bollant Industries*.			(12 marks)
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of profit maximisation 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 maximisation is when a business decision aims to make as much profit from the business operations as possible by increasing revenues or decreasing costs	
2	3-4	Application must be present, i.e. the answer must be contextualised applied to the commercial operations of Srikanth and *Bollant Industries* *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. *Bollant Industries* has developed its own line of alternative eco-friendly glues and adhesives e.g. *Bollant Industries* is a private limited company with shareholders and business angels	
3	5-6	Analysis in context must give reasons for deciding whether Srikanth or *Bollant Industries* are profit maximisers or profit saticficers (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.*	e.g. *Bollant Industries* need maximum profits to support research into using alternative materials and adhesives e.g. *Bollant Industries* is a private limited company with shareholders who will want to see the maximum return on their investment that will come from profits	
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	e.g. as an award winning social entrepreneur, Srikanth may be a profit satisficer and more concerned with an ethical stance rather than profit for *Bollant Industries*	

		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. *Bollant Industries* strongly reflects Srikanth's desires to make a difference to the disabled people in India, which may not support the maximisation of profits e.g. being environmentally friendly may increase costs thus reducing profit e.g. Srikanth is a millionaire which implies that profit is still a major priority of the business even if it is not maximised

Question Number	Question	
11	Employees and the Areca nut farmers are stakeholders in *Bollant Industries*. Assess the impact of *Bollant Industries* on these two stakeholder groups.	(14 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, such as owners, shareholders, investors, employees, customers, suppliers
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to the commercial operations of Srikanth and *Bollant Industries* *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. Srikanth launched *Bollant Industries* as a social enterprise and now has 60% disabled workers and 58% female workers e.g. *Bollant Industries* rely on the output of Areca nut farmers
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons for deciding what the impacts of *Bollant Industries* are on its 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. *Bollant Industries* has provided employment to disabled people and women who may not otherwise have found employment e.g. *Bollant Industries* expansion will provide greater employment opportunities and further guarantee the livelihoods and prospects of the existing workforce e.g. Areca nut farmers now have a secondary stable income from the sale of the leaf sheaths they used to throw away that improves their livelihoods, as promised e.g. the Areca nut famers will have an outlet for their

			waste material which previously they would have to dispose of themselves
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. however, a high percentage of disabled workforce may lead to a high sickness absence level and lower levels of productivity for *Bollant Industries* e.g. further expansion may mean that labour saving machinery can be introduced which would reduce the need for employees e.g. as *Bollant Industries* expand they may gain more power and offer less for the leaf sheaths reducing the income of Areca nut farmers e.g. if *Bollant Industries* developed alternative products which do not use leaf sheaths the Areca nut farmers could lose their secondary income e.g. if *Bollant Industries* pressurise the Areca nut farmers into maintaining the output of Areca nuts preventing them from diversifying into other crops

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