GradeMax



Mark Scheme (Results)

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Pearson Edexcel IAS
In Economics (WBS02)
Paper 02 Business Structures and Processes

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Supported multiple choice

N.B. If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b).

Question Number	Question	Marks
1 (a)	Answer: **D** (Reduce the price of shoes with price elastic demand)	1
1 (b)	**Explain why this answer is correct:** • Definition of sales revenue e.g. income earned from selling a product/service **(1)** • A small change in price of a price elastic pair of shoes will lead to a proportionately greater increase in quantity sold **(1)** • The loss of revenue from the reduction in price will be more than made up by the increase in sales, therefore increasing revenue **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because this may result in less awareness of Sandra's Shoes which could reduce the number of shoes sold and therefore overall revenue falls **(1)** • B is wrong because this will not increase sales revenue as customers are less sensitive to a price reduction and will only increase the amount they purchase by a small percentage **(1)** • C is wrong because this may result in less sales for Sandra as customers have less opportunity to shop **(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 marks **(Total 4)**

Question Number	Question	Marks
2 (a)	Answer: **D** (£300 favourable)	1
2 (b)	**Explain why this answer is correct. (Show your working.)** The actual cost: £100 + £900 + £400 = £1 400 **(1)** The budgeted cost: £100 + £1 200 + £400 = £1 700 **(1)** Formula for cost variance = Actual – Budget OR £1 400 – £1 700 **(1)** Any acceptable calculation method that shows selective knowledge/understanding. **N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.**	1-3 marks **(Total 4)**

Question Number	Question	Marks
3 (a)	Answer: **C** (Increase the workforce productivity)	1
3 (b)	**Explain why this answer is correct:** • Definition of capacity utilisation e.g. the amount of actual output expressed as a percentage of the maximum possible output **OR** • Gives the formula: $\frac{\text{Current Output}}{\text{Maximum possible output}} \times 100$ **(1)** • An increase in productivity will enable *Apple*'s existing workforce to produce more iPhones per worker **(1)** • The output of iPhones is therefore increased from using the same facilities **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because an increase in prices results in less demand/consumers may switch to cheaper rivals, both will lead to a fall in production and therefore capacity utilisation **(1)** • B is wrong because less advertising may lead to a fall in demand for *Apple* and a fall in production which will cause capacity utilisation to fall even more **(1)** • D is wrong because reducing inventory levels also means that there is more unused space i.e. capacity utilisation decreases **(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 marks **(Total 4)**

Question Number	Question	Marks
4 (a)	Answer: **A** (a reduction in the level of buffer inventory)	1
4 (b)	**Explain why this answer is correct:** • Definition of JIT e.g. inventory system that does away with the need to hold large quantities of components **(1)** • This results in *Harley Davidson* only holding just enough components for the current production of motorcycles **(1)** • The need for buffer stock is reduced because supplies are delivered for specific production runs/delivered as needed **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • B is wrong because there should be a decrease in working capital as less inventory is held **(1)** • C is wrong because JIT normally requires smaller delivery quantities, more often and this will cost more **(1)** • D is wrong because reorder quantities are likely to decrease as fewer motorcycles are produced and delivered at a time **(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 marks **(Total 4)**

Question Number	Question	Marks
5(a)	Answer: **D** (Increased motivation amongst staff)	1
5(b)	**Explain why this answer is correct:** • Definition of decentralised organisational structure e.g. some decisions are made at headquarters and some are taken by local managers **(1)** • Each hotel manager is empowered to make decisions in each of the hotels, reacting to local market changes **(1)** • This may result in staff feeling more valued leading to better customer service in the long term **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because it is more difficult to coordinate overall strategy as each hotel might make different decisions and these are not made by the senior management **(1)** • B is wrong because as more decisions are being made away from the centre of the business by local managers it is inevitable that some consistency will be foregone between the 3 hotels **(1)** • C is wrong because economies of scale are less easy to achieve as each hotel controls what is stocked or sold in their hotels reducing purchasing economies **(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 marks **(Total 4)**

Question Number	Question	Marks
6 (a)	Answer: **C** (sales forecasting)	1
6 (b)	**Explain why this answer is correct:** • Definition of sales forecasting e.g. an estimate of future sales **(1)** • *Kylie Cosmetics* must have underestimated the levels of demand for the lip kits **(1)** • This resulted in *Kylie Cosmetics* not having enough inventory to meet demand in the US **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is wrong because the product quality must have been very good if all the lip kits have been purchased in minutes **(1)** • B is wrong because customers must have been made aware of the lip kits in order to purchase them which resulted in all of the inventory selling out **(1)** • D is wrong because *Kylie Cosmetics* must have a strong brand image for the lip kits to sell out so quickly **(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 marks **(Total 4)**

Section B: Data response

Question Number	Question	
7	Explain **two** likely reasons why Amazon uses different distribution methods	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for defining distribution methods e.g. methods by which a business gets its products **(1)** to its customers **(1)** **OR** Stating 2 reasons e.g. maximise revenue **(1)** more customer choice/convenience **(1)** **Application:** up to 2 marks for contextualised answers to *Amazon* e.g. *Amazon* has 30 million users who use the app to order products through the post **(1)** e.g. Instant Pickup uses a combination of online and physical retailing **(1)** **Analysis:** up to 2 marks for giving a reason/cause/consequence to *Amazon* e.g. Having a wider range to distribute goods offers more ways for customers to buy *Amazon* products resulting in an increase in sales and profitability **(1)** e.g. some consumers are prepared to pay more for the convenience of being able to pick up goods immediately and do not want to wait for goods to be delivered **(1)** **(3+3) One reason only – cap at 3 marks**	1-2 1-2 1-2

Question Number	Question	
8 (a)	Explain **two** methods *Amazon* could use to promote its new Instant Pickup points.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for defining promotion e.g. methods which communicate information **(1)** about the product, brand or service to the user **(1)** **OR** stating two methods e.g. social media **(1)** TV advertising **(1)** **Application:** up to 2 marks are available for contextualised answers to *Amazon* e.g. Amazon is already established with a major online presence **(1)** e.g. Amazon has over 300 million users **(1)** **Analysis:** up to 2 marks are available for a reason/cause/consequence for *Amazon* e.g. *Amazon* has easy access via the internet to a large number of potential customers which they can use to publicise the new venture **(1)** e.g. TV advertising can be used to promote the Instant Pickup points to a wider audience across the US in order to increase demand/awareness **(1)** **(3+3) one method only – cap at 3 marks**	1-2 1-2 1-2

Question Number	Question	
8(b)	Explain **two** possible reasons why *Amazon* makes donations to charity.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for stating two reasons e.g. build a brand image **(1)** increase sales **(1)** **Application:** up to 2 marks for contextualised answers to *Amazon* e.g. donating £1.2m of products to 1,700 charities across the UK **(1)** e.g. providing computer training and job placements to 1,000 young people and retired people **(1)** **Analysis:** up to 2 marks for giving a reason/cause/consequence to *Amazon* e.g. being charitable may help *Amazon* to gain brand loyalty from customers who want to support worthy causes **(1)** e.g. *Amazon* may see sales increase if customers think that they helping others thereby gaining a competitive advantage over competitors **(1)** **(3+3) One reason only – cap at 3 marks**	1-2 1-2 1-2

Question Number	Question	
9 (a)	Explain **one** factor that might increase the productivity in *Amazon*'s distribution warehouses.	(4 marks)
	Answer	Mark
	(Knowledge 1, Application 1, Analysis 2) **Knowledge/understanding:** up to 1 mark is available for stating a factor e.g. technology/ physical capital/ process innovation/ human capital/ organising resources/ access to finance **(1)** **Application:** up to 1 mark is available for a contextualised response to *Amazon* e.g. *Amazon* uses robots which can distribute 35 items per second **(1)** **Analysis**: up to 2 marks are available for developing the above, e.g. robots may be quicker than humans which may increase *Amazon*'s output per day **(1)** thereby lowering average costs **(1)**	1 1 1-2

Question Number	Question	
9(b)	Assess the likely benefits to *Amazon* of operating a Kaizen programme.	(8 marks)

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of Kaizen	e.g. the Japanese method of continuous improvement e.g. is an approach of constantly introducing small incremental changes
2	3-4	Application must be present, i.e. the answer must be contextualised to *Amazon*	e.g. Evidence C states that *Amazon* use Kaizen system and managers carry out a daily walk in the distribution warehouse e.g. employees and management work together to solve problems in the warehouse
3	5-6	Analysis in context must be present, i.e. in this case the candidate must identify and explain the reasons/causes/costs/consequences of *Amazon* having a Kaizen programme **NB if analysis is not in context limit to Level 2.**	e.g. improvements made in the warehouse may result in faster delivery and lower average costs that enable lower prices for *Amazon* customers. e.g. customers may benefit from better quality products overall because all *Amazon* warehouse employees are involved in suggesting improvements
4	7-8	Evaluation must be present and in context showing the impact of using a Kaizen programme for *Amazon* Award **7 marks** if one side only is in context Award **8 marks** if BOTH sides are in context **NB if evaluation not in context limit to Level 3.**	e.g. For Kaizen to be effective there must be a culture of trust between warehouse staff and managers which may not exist e.g. Warehouse employees can find the Kaizen programme to be an unwelcome pressure in addition to their jobs e.g. Asking warehouse employees for continuous improvements can lead to resentment unless there is appropriate recognition and reward for suggestions

Question Number	Question	
10	Assess the benefits to *Amazon* of using different motivational techniques to retain its employees.	12

Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of different types of motivational techniques such as financial and non-financial	e.g. financial - commission, bonus, profit share, performance related pay e.g. non-financial - delegation, consultation, empowerment, flexible working
2	3-4	Application must be present, i.e. the answer must be contextualised to *Amazon*	e.g. permanent employees working in the distribution warehouses also receive at least £1 000 worth of shares every year e.g. permanent employees receive a comprehensive benefits package, including private medical insurance, a company pension plan, life assurance, income protection, subsidised meals and an employee discount e.g. *Amazon* use consultation, and team working in their distribution warehouses as part of the Kaizen system
3	5-6	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of using different motivational techniques for *Amazon* **NB if analysis is not in context limit to Level 2.**	e.g. Financial incentives such as the £1 000 shares and a wage of £8.15 per hour may encourage employees to remain at *Amazon* as Taylor states that money motivates e.g. *Amazon* offer non-financial techniques such as consultation and team work in their distribution warehouses which may lead to a more motivated workforce because employees feel valued by *Amazon* e.g. both methods may result in less labour turnover for *Amazon* as warehouse employees feel valued and are rewarded for their hard work

4	7-12	**Low Level 4:** 7-8 marks Limited 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 the impact on *Amazon* **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. **NB if evaluation not in context limit to Level 3.**	e.g. different employees will be motivated by different incentives/techniques – operations managers may be motivated by different techniques to employees working in HR and IT specialists e.g. Herzberg disagreed about the effectiveness of pay as a motivator and may not lead to the retention of employees e.g. would need to compare the effectiveness of financial incentives and non-financial techniques to see which were the best methods to use to retain warehouse employees e.g. many other things affect motivation, such as leadership styles and organisational structure within *Amazon* which could impact on retention

Question Number	Question			
11	Evaluate whether internal or external recruitment should be used to recruit more employees for *Amazon*.			14
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of what is meant by internal recruitment and external recruitment *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. internal recruitment is when potential applicants are found within an organisation e.g. external recruitment is when potential candidates are found from outside the organisation either by advertising or using recruitment agencies	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to *Amazon* *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. *Amazon* could promote existing distribution warehouses operatives to the centre in Warrington e.g. *Amazon* are advertising locally in job centres as well as using recruitment agencies (Evidence D) for new staff e.g. Amazon is recruiting 1,200 full-time positions in Warrington	
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of difference recruitment methods for *Amazon* **NB if analysis is not in context limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. If *Amazon* use internal recruitment for warehouse jobs they may save money as there is less need for training as the staff are already familiar with their procedures e.g. prospects of internal promotion in departments such as IT at *Amazon* may be a strong motivator for existing staff e.g. If *Amazon* use external recruitment they may attract a wider range of potential candidates because their job	

			adverts can be seen by many potential candidates in the Warrington area e.g. recruitment agencies can be specialist and experienced in finding certain types of workers such as IT and HR specialists
4	9-14	**Low Level 4:** 9-10 marks. Evaluation must be present and in context **on one side only**, e.g. showing possible advantages and disadvantages of different recruitment methods **Mid Level 4:** 11-12 marks Evaluation must be present and in context **on both sides**, to show the impact of internal and external recruitment methods **High Level 4:** 13-14 marks Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion. **NB if evaluation not in context limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. *Amazon* may find that there is a limited number of applicants from inside the Warrington location so will reduce its choice e.g. An internal appointment will mean that another vacancy will be created so this will add to the cost of recruiting staff for the new distribution warehouses e.g. External recruitment can be more time consuming/expensive than internal as references have to be called for, costs of induction training and interview costs may be greater, especially as they are recruiting 1,200 employees e.g. External recruitment agencies can be very expensive and still may not find the ideal HR or warehouse candidate for the job. e.g. *Amazon* should use a combination of internal and external methods and it depends upon the nature of the vacancy within the new Warrington warehouse as to which is the best recruitment method to be used.

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