

Mark Scheme (Results)

January 2014

International A Level Business
Studies (WBS01/01)

Unit 1: Business Enterprise

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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

NB: 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: B (commercial bank loan)	1 mark
1(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines external source of finance e.g. money that is provided from outside of the business/ a commercial bank loan is when finance is borrowed from an external source such as bank and is repaid over a period of time with interest (1 mark) • A bank loan is a medium term source of finance and is therefore suitable for purchasing an asset such as a van (1 mark) • Interest and capital would be paid over a period of time and Mark would be able to plan for this (1 mark) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because an Overdraft, although an external source of finance, is used as a flexible short-term method of finance, usually used for cash-flow problems and not to purchase an asset (1 mark) • C is wrong because retained profits are an internal source of finance (1 mark) • D is wrong because Mark Jennings is a sole trader and therefore cannot issue share capital as this method of finance is only available for limited companies (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p>	<p>1-3 marks</p> <p>(Total 4 marks)</p>

Question Number	Question	Marks
2(a)	Answer: D (Indecisive)	1 mark
2(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines an entrepreneur e.g. someone who combines the factors of production in order to create a business/willingness to take risks involved in running a business (1 mark) • Many successful entrepreneurs have to be able to make many quick decisions for the survival of their business (1 mark) • If decisions are not made quickly vital opportunities would be lost thereby risking the success of the business (1 mark) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because an entrepreneur has to be self-confident and believe in their ideas and decision making, particularly when faced with difficult choices/decisions (1 mark) • B is wrong because entrepreneurs do take risks which are balanced against rewards (1 mark) • C is wrong because resilience means not giving up, which is crucial for a successful entrepreneur as businesses often struggle/fail, especially in the first year (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p>	<p>1-3 marks</p> <p>(Total 4 marks)</p>

Question Number	Question	Marks
3(a)	Answer: C (assess the likely levels of demand)	1 mark
3(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines product trials e.g. launching a product on a limited scale to measure initial reactions (1 mark) • Feedback from customers can be used to adapt or modify the product (1 mark) • This will increase the likelihood of successful sales when the product is launched on a national basis (1 mark) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because product trials do not guarantee sales as they do not take other factors into consideration e.g. competition (1 mark) • B is wrong because product trials should increase the margin of safety not reduce it because consumers are more likely to purchase a product if they have already tried it as a free sample (1 mark) • D is wrong because products trials are a method of primary research because they collect first hand information (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p>	<p>1-3 marks</p> <p>(Total 4 marks)</p>

Question Number	Question	Marks
4(a)	Answer: A (more effectively target its market)	1 mark
4(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines market segmentation e.g. is the process of dividing a market up into different groups of customers (1 mark) • In a segmented market, customers are more likely to buy products that are made to match their needs. Thus increasing Nike's sales. (1 mark) • This increases profitability and reduces the threat of direct competition (1 mark) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because Nike will still need to carry out market research into what the different market segments would require (1 mark) • C is wrong because Nike will still need to advertise in order to increase awareness of its products to different segments (1 mark) • D is wrong because market segmentation increases the range of products as the needs of different segments are identified and provided for (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4 marks)</p>

Question Number	Question	Marks
5(a)	Answer: A (Patents protect Apple from other businesses)	1 mark
5(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of a patent e.g. is a legal document guaranteeing the holder the exclusive right to use or license inventions/innovations (1 mark) • It will help Apple to protect their technology being copied by rivals such as Samsung (1 mark) • This will allow Apple to exploit its inventions/innovations and gain a competitive advantage over rivals (1 mark) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because a patent cannot guarantee commercial success of a mobile phone because this will depend upon consumer demand, price and competitor actions (1 mark) • C is wrong because whilst patents may be a sensible precaution they are not a legal requirement to produce mobile phones (1 mark) • D is wrong because patents are only enforceable in the country in which they are issued (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p>	<p>1-3 marks</p> <p>(Total 4 marks)</p>

Question Number	Question	Marks
6(a)	Answer: C (shift in the supply curve of potatoes to the left)	1 mark
6(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines supply e.g. supply is the amount of goods and/or services a firm is able and willing to produce/provide at a given price and at a given time (1 mark) • This is because the bad weather had damaged the crops and therefore potatoes became scarce (1 mark) • The supply curve will shift left because the number of potatoes available will be reduced no matter what price people pay (1 mark) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because decrease in the price of potatoes would only happen if there had been an increase in supply (1 mark) • B is wrong because shift in the supply curve of potatoes to the right implies that there has been an increase in the supply of potatoes due factors such as good weather, improvements in agricultural technology (1 mark) • D is wrong because movement along the supply curve for potatoes would have only happened if there had been a change in the price of potatoes rather than a non-price factor such as the weather (1 mark) <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p>	<p>1-3 marks</p> <p>(Total 4 marks)</p>

Section B: Data response

Question Number	Question	Marks
7	Explain two non-price factors that could affect the demand for Pyranha's kayaks.	(6 marks)
	Answer	Mark
	<p align="center">(Knowledge 2, Application 2, Analysis 2)</p> <p>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 at a given price, at a given time (2 marks) OR lists two non-price factors e.g. tastes and fashions/income/price of substitutes/innovation/safety/brand/advertising and complements/demographics/seasonality/external shocks (2 marks)</p> <p>Application: up to 2 marks for contextualising answers to demonstrate factors affecting demand for Pyranha's kayaks e.g. the income of people who kayak (1 mark), the number of people wanting to participate in kayaking (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. If there is a recession then incomes may fall and the demand for innovative kayaks may also decrease as these are a luxury product (1 mark), if there is an increase in the number of people participating in kayaking then demand may increase and the sales of Pyranha's kayaks may also increase (1 mark)</p> <p>Both factors needed for full marks (max 3 marks for one factor explained)</p>	<p align="center">1-2 marks</p> <p align="center">1-2 marks</p> <p align="center">1-2 marks</p>

Question Number	Question	Marks
8a	Explain why Pyranha uses a premium pricing strategy.	(6 marks)
	Answer	Mark
	<p align="center">(Knowledge 2, Application 2, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks are available for defining what is meant by a premium pricing strategy e.g. involves setting the price of a product higher than similar products (2 marks) OR gives a reason(s) for using this strategy e.g. to make more profit/branding/quality (2 marks)</p> <p>Application: up to 2 marks for contextual answers demonstrating why Pyranha uses premium pricing e.g. Pyranha have a long held reputation that supports premium pricing (1 mark), Pyranha use high quality materials to produce high quality kayaks aimed at all paddlers (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. Pyranha are the leading brand in the industry so charging a higher price reinforces this brand image (1 mark) Pyranha have to cover their R&D costs because they are innovative in the market making use of high quality and new materials and processes the costs of which are covered by premium pricing (1 mark)</p>	<p align="center">1-2 marks</p> <p align="center">1-2 marks</p> <p align="center">1-2 marks</p>

Question Number	Question	Marks
8b	Explain why it is important for Pyranha to maintain a close relationship with suppliers such as Resinex.	(6 marks)
	Answer	Mark
	<p>(Knowledge 2, Application 2, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks are available for defining/understanding of what is meant supplier e.g. a business or is a person that provides goods and/or services to other businesses/companies (2 marks) OR close relationships involve effective communications/improved service/better understanding/access to trade credit (2 marks)</p> <p>Application: up to 2 marks are available for applying to Pyranha e.g. high quality products (1 mark) require high quality materials/service from suppliers (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. a break down in relationships between Pyranha and Resinex may delay delivery of plastic which could disrupt production of kayaks (1 mark), sub-standard materials/service could damage Pyranha's reputation and therefore overall sales/profits (1 mark)</p>	<p>1-2 marks</p> <p>1-2 marks</p> <p>1-2 marks</p>

Question Number	Question	Marks
9a	Using the above data, calculate how many of these kayaks do Pyranha need to sell in order to break-even.	(4 marks)
	Answer	Mark
	<p align="center">(Knowledge 1, Application 3)</p> <p>Knowledge: Defines Break-Even Point e.g. when $TR=TC$ (1 mark) OR Fixed costs/Contribution (1 mark)</p> <p>Application: $BE = 24\ 000$ (1 mark) $/600$ (1 mark) $= 40$ kayaks (1 mark)</p> <p>NB if the response is just 40 give four marks</p>	<p>1 mark</p> <p>1-3 marks</p>

Question Number	Question			Marks
9b	Assess why Pyranha chooses to act ethically.			8 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of Acting ethically must be present	<p>e.g. ethics is about doing the right thing.</p> <p>e.g. ethical behaviour requires firms to act in ways that stakeholders consider to be both fair and honest</p>	
2	3-4	Application must be present, i.e. the answer must be contextualised to Pyranha	<p>e.g. Using energy efficient ovens reduces their impact on the environment</p> <p>e.g. Part of their ethical policy is recycling which they first introduced in 1990 long before other businesses</p>	
3	5-6	<p>Analysis in context must be present, i.e. in this case the candidate must identify and explain the reasons/causes/costs/consequences of Pyranha having an ethical policy</p> <p>NB if analysis is not in context limit to Level 2.</p>	<p>e.g. Many consumers will choose to purchase Pyranha products because they have an ethical policy</p> <p>e.g. The ethical policy stems from personal ethos of Graham and his co-workers</p>	
4	7-8	<p>Evaluation must be present and in context showing arguments for and against Pyranha acting ethically</p> <p>Award 7 marks if one side only is in context</p> <p>Award 8 marks if BOTH sides are in context</p> <p>NB if evaluation not in context limit to Level 3</p>	<p>e.g. many customers who purchase kayaks may not care if a Pyranha acts ethically and want to pay as little as possible for their kayak</p> <p>e.g. Many owners of businesses believe that acting ethically increases costs and so reduces profits as businesses have to pay for recycling costs, higher wages</p>	

Question Number	Question			Marks
10	Assess the likely importance of profit maximisation to Pyranha			12 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of profit maximisation must be present	<p>e.g. profit is total revenue minus total costs</p> <p>e.g. profit maximisation is when a business wants to make the most profit possible from a given amount of resources.</p>	
2	3-4	Application must be present, i.e. the answer must be contextualised to Pyranha	e.g. profit is important to Pyranha because of the cost of R&D and their ethical policy	
3	5-6	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of Pyranha profit maximising profits</p> <p>NB if analysis is not in context limit to Level 2.</p>	<p>e.g. Pyranha Ltd is a private limited company with shareholders who want the maximum return for their investment</p> <p>e.g. Pyranha Ltd need profit maximisation to continue the very high levels of product development and innovation</p>	
4	7-12	<p>Low Level 4: 7-8 marks Evaluation must be present and in context on one side, i.e. the candidate must present an argument for or against Pyranha profit maximising</p> <p>Mid Level 4: 9-10 marks Evaluation must be present and in context on both sides to illustrate the impact on Pyranha of profit maximising</p> <p>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.</p> <p>NB if evaluation not in context limit to Level 3.</p>	<p>e.g. there are other motives such as ethical stance, not for profit, to work independently and social purposes which might be important to Pyranha which are clearly highlighted in the Evidence B</p> <p>e.g. Pyranha is run by kayak enthusiasts who enjoy the sport and may not be interested in profit maximisation – 'by enthusiasts for enthusiasts'</p> <p>e.g. Profit maximisation may not be Graham's personal priority but he has a responsibility to run the business profitably</p>	

Question Number	Question		Marks
11	Evaluate the extent to which exchange rates might affect Pyranha.		14 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of Exchange rates must be present</p> <p><i>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.</i></p>	<p>e.g. exchange rates are the value of one currency against another currency</p>
2	3-4	<p>Application must be present, i.e. the answer must be contextualised and applied to the impact on Pyranha</p> <p><i>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.</i></p>	<p>e.g. Pyranha imports some of the materials which used to make the kayaks</p> <p>e.g. Pyranha exports its kayaks to 50 countries.</p>
3	5-8	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of exchange rates for Pyranha</p> <p>NB if analysis is not in context limit to Level 2.</p> <p><i>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</i></p>	<p>e.g. exchange rates may affect the price of imported materials and components and affect the price foreign buyers will pay for Pyranha kayaks depending upon whether there has been an appreciation or depreciation of the £ sterling</p> <p>e.g. if the pound strengthens against other currencies then this might lead to an increase in profit for Pyranha as there will be a fall in costs or vice versa</p> <p>e.g. if the £ sterling depreciates against other currencies then Pyranha may see an increase in the number of exports as kayaks will be more competitive</p>

4	9-14	<p>Low Level 4: 9-10 marks. Evaluation must be present and in context on one side, i.e. the candidate must present an argument for how Pyranha will be positively or negatively affected by exchange rates</p> <p>Mid Level 4: 11-12 marks Evaluation must be present and in context on both sides, to show the impact of exchange rates on Pyranha</p> <p>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.</p> <p>NB if evaluation not in context limit to Level 3.</p> <p><i>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.</i></p>	<p>e.g. However, quality may also be a more important factor than the price of the kayaks in which case the exchange rate is not a major factor affecting demand</p> <p>e.g. the impact on Pyranha may not be significant as it does depend upon the extent of the currency fluctuation</p> <p>e.g. Much will depend upon the relative proportion of output that is exported compared to home sales.</p>
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Assessment Objectives

QUESTION	Content	Knowledge	Application	Analysis	Evaluation	Total
1	4.1	1	1	1	1	4
2	1.1	1	1	1	1	4
3	2.4	1	1	1	1	4
4	2.1	1	1	1	1	4
5	6.1	1	1	1	1	4
6	3.2	2		1	1	4
7	3.1	2	2	2		6
8a	5.1	2	2	2		6
8b	1.4	2	2	2		6
9a	5.2	1	3			4
9b	6.3	2	2	2	2	8
10	1.2, 5.3	2	2	2	6	12
11	6.2	2	2	4	6	14
TOTAL		20	20	20	20	80

