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Mark Scheme (Results)

November 2020

Pearson Edexcel International GCSE
In Business (4BS1)
Paper 1: Investigating Small Businesses

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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.

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Question Number	Answer	Mark
1 (a) (i)	**AO1 = 1 mark** **The only correct answer is B – Income tax** A is not correct because sales tax is not a tax C is not correct because it is a tax paid by limited businesses D is not correct because it is not a tax	**(1)**
Question Number	Answer	Mark
1 (a) (ii)	**AO1 = 1 mark** **The only correct answer is D – Packaging** A is not correct because it is a fixed cost B is not correct because it is a fixed cost C is not correct because it is a fixed cost	**(1)**
Question Number	Answer	Mark
1 (a) (iii)	**AO1 = 1 mark** **The only correct answer is C – Focus groups** A is not correct because it is a method of secondary market research B is not correct because it is a method of secondary market research D is not correct because it is a method of secondary market research	**(1)**

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Question Number	Answer	Mark
1 (a) (iv)	**AO1 = 1 mark** **The only correct answer is A –** **Total cash inflow – total cash outflow** B is not correct because it is the incorrect calculation C is not correct because it is the incorrect calculation D is not correct because it is the incorrect calculation	**(1)**
Question Number	Answer	Mark
1 (a) (v)	**AO2 = 1 mark** **The only correct answer is D - €86.25** A is not correct because this is worked out by multiplying five lessons by the exchange rate of €1.15 B is not correct because this is the cost of the lesson C is not correct because this is worked out by multiplying the cost of each lesson at £15 by five lessons	**(1)**
Question Number	Answer	Mark
1 (a) (vi)	**AO2 = 1 mark** **The only correct answer is A – A decrease in cash outflows** B is not correct because this is not an impact of a decrease in the exchange rate C is not correct because this is not an impact of a decrease in the exchange rate D is not correct because this is not an impact of a decrease in the exchange rate	**(1)**

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Question Number	Answer	Mark
1 (b)	**AO1 = 1 mark** Award 1 mark for a correct definition of fixed costs. • Costs that do not vary with the level of output (1).	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 = 1 mark** Award 1 mark for the correct definition of stakeholder. • An individual or a group with an interest in the business (1).	**(1)**

Question Number	Answer	Mark
1 (d)	**AO2 = 1 mark** Award 1 mark for a valid response that relates to investing in computer technology in the context of the business. • *TADS* could improve the quality of the sound that the drums make (1).	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**AO2 = 2 marks** (350 – 190) / 190 x 100 (1) = 84.21% (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

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Question Number	Answer	Mark
1 (f)	**AO1 = 3 marks** Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining how this will affect a business for a maximum of 3 marks. • Partners may disagree and fall out (1) meaning decision making can take longer (1) stopping the business moving forward with new ideas (1). **Accept any other appropriate response.**	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *TADS* is located in a wealthy area near to people with more disposable income. • *TADS* needs to be far away from competitors in the music school industry. **AO3** • It is important to be located close to the target market as parents may not want to travel far for the lessons for their children. • As the service provided is specialised it is best to be far away from other drumming schools as not everyone will want to play them.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)

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Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Answer	Mark
2 (a)	**AO2 = 1 mark** Award 1 mark for a valid reason of business failure in the context of the business. • Ollie may not have enough experience of other musical instruments so costs could increase as he may have to employ a specialist musician (1). • An increase in the economy could lead to an increase in the demand of leisure activities and Ollie may not be able to cope with the demand (1). **Accept any other appropriate response.**	**(1)**

Question Number	Answer	Mark
2 (b)	**AO2 = 1 mark** Award 1 mark for a valid benefit of employing casual staff in the context of the business. • If *TADS* is successful it can employ music teachers for instruments other than drums when needed (1). • When *TADS* has quieter periods of business it can reduce the hours of the specialist teachers (1).	**(1)**

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Question Number	Answer	Mark
2 (c)	**AO1 = 3 marks** Award 1 mark for identification of a purpose of market research, plus 2 further marks for explaining this purpose for a business, for a maximum of 3 marks. • A purpose of market research can be to identify your customers' needs (1) this will help you to design your products to meet those needs (1) and allow the business to be more successful (1). NB Answers that list three purposes with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**
Question Number	Answer	Mark
2 (d)	**AO1 = 3 marks** Award 1 mark for identification of a measure of business success, plus 2 further marks for explaining this measure for a business, for a maximum of 3 marks. • A measure can be through customer satisfaction (1). If customers are happy with the products/services they are likely to revisit the business (1) and this could lead to them recommending the business to friends and family (1). NB Answers that list three measures with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**

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Question Number	Answer	Mark
2 (e)	**AO1 = 3 marks** Award 1 mark for the identification of an impact of an increase in interest rates, plus 2 further marks for explaining that impact, for a maximum of 3 marks. • An increase in interest rates could lead to higher costs for a business (1). This can lead to a reduction in profits because each month the business must pay back part of the debt (1) and the interest charged on the loan will be higher (1). Answers that list three impacts of an increase in interest rates with no explanation will get a maximum of 1 mark. NB No marks are awarded for a definition. **Accept any other appropriate response.**	**(3)**

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Question Number	Indicative content	Mark
2 (f)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • Option 1 – By using commission *TADS* would encourage its teachers to find new pupils who want to learn music. • Option 2 – Increasing the hourly rate would encourage music teachers to work for longer hours. **AO3** • Option 1 – By recruiting more pupils teachers will be paid a commission on top of their hourly rate for teaching. • Option 2 – Teachers are more likely to remain with *TADS* as they believe they are being paid well for the work they do. **AO4** • Option 1 – However, the commission is a one-off payment and once paid the teachers would only receive their hourly rate, which may not be sufficient to continue to be employed by *TADS*. • Option 2 – However, if *TADS* cannot increase the number of pupils it may not be able to retain all of the teachers it currently employs.	**(9)**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4–6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7–9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

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Question Number	Answer	Mark
3 (a)	**AO1 = 1 mark** Award 1 mark for the correct definition of liquidity. • Liquidity is how easily a business can change its assets into cash (1).	**(1)**

Question Number	Answer	Mark
3 (b)	**AO2 = 2 marks** Award 1 mark for identifying a possible financial objective *TADS* might have. One further mark for outlining it in the context of the business. • Ollie is looking to increase his profits (1). He could do this by increasing the number of instruments taught (1).	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**A02 – 2 marks** Net cash flow = 7 000 – 3 000 = 4 000 (1) Closing balance = 4 000 + 4 000 = 8 000 (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

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Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **A02** • If *TADS* has sufficient cash it can pay its electricity bills for the music studio. • If *TADS* runs out of cash it means it cannot pay its music teachers. **A03** • If *TADS* cannot afford to pay its bills, then the electricity would be cut and no lessons could take place. • If *TADS* can no longer pay its teachers, it cannot offer any music lessons.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

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Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO2** • Option 1 – Teaching other musical instruments will bring in new music students and revenue. • Option 2 – By offering online lessons more students will be able to take drum lessons and therefore increase revenue. **AO3** • Option 1 – This would increase its target market due to the wider range of musical instruments being offered leading to an increase in revenue. • Option 2 – This would increase revenue as more students can be taught at the same time in different locations around the country and the world. **AO4** • Option 1 – However, although this may lead to more revenue for the business it would need to find and pay additional teachers to provide this service. • Option 2 – However, there could be technical issues that might lead to lessons being interrupted and not delivered, giving *TADS* a bad reputation.	**(9)**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4–6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7–9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

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Question Number	Answer	Additional guidance	Mark
4 (a)	**AO2 = 2 marks** 7.70 x 0.025 = 0.1925 (1) 0.1925 + 7.70 = 7.89 (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

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Question Number	Indicative content	Mark
4 (b)	**AO2 = 3 marks AO3 = 3 marks** **A02** • *TADS* could use sales promotions such as coupons in the local newspaper that Ollie writes a column for. • *TADS* could go to music festivals to showcase the skills of its students. **A03** • Coupons in the newspaper may lead to local readers using them thus increasing the number of students. • By doing this spectators will see the skills that have been taught and be encouraged to learn to play a new musical instrument.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

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Question Number	Indicative content	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **A01** • A private limited company is a suitable type of ownership for small and medium-sized businesses. • In a private limited company, the shareholders can only lose the money they invest. **A02** • As a one-man business becoming a private limited company means Ollie could raise more funds from family and friends. • *TADS* will have a separate legal identity meaning the business could carry on if anything happened to Ollie. **A03** • If *TADS* opts for a private limited company then Ollie can control who the other owners will be allowing him to choose people who have an interest in music and can invest in the business. • Having Ltd status means that Ollie's personal possessions are protected as are those of his shareholders. The benefit of this is that the risk for shareholders is reduced. **A04** • However, Ollie may not get a lot of interest so cannot raise large amounts of money and this can slow down his expansion plans. He may find it easier to opt for another source of finance such as a bank loan rather than change the legal ownership of the business, so he does not lose any control of the business. • However, becoming a Ltd will involve an increase in paperwork and some information will have to be shared publicly and this could be of some interest to Ollie's competitors.	**(12)**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5–8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9–12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

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