

# GCSE (9-1) Business



## Sample Assessment Materials

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**Pearson Edexcel Level 1/Level 2 GCSE (9-1) in Business (1BS0)**

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*First teaching from September 2017*

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*First certification from June 2019*

Issue 1

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# Introduction

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The Pearson Edexcel Level 1/Level 2 GCSE (9-1) in Business is designed for use in schools and colleges. It is part of a suite of GCSE qualifications offered by Pearson.

These sample assessment materials have been developed to support this qualification and will be used as the benchmark to develop the assessment students will take.



# General marking guidance

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- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked **unless** the candidate has replaced it with an alternative response.

## Marking guidance for levels based mark schemes

### How to award marks

The indicative content provides examples of how students will meet each skill assessed in the question. The levels descriptors and indicative content reflect the relative weighting of each skill within each mark band.

### Finding the right level

The first stage is to decide which level the answer should be placed in. To do this, use a 'best-fit' approach, deciding which level most closely describes the quality of the answer. Answers can display characteristics from more than one level, and where this happens markers must use the guidance below and their professional judgement to decide which level is most appropriate.

### Placing a mark within a level

After a level has been decided on, the next stage is to decide on the mark within the level. The instructions below tell you how to reward responses within a level. However, where a level has specific guidance about how to place an answer within a level, always follow that guidance. Statements relating to the treatment of students who do not fully meet the requirements of the question are also shown in the indicative content section of each levels based mark scheme. These statements should be considered alongside the levels descriptors.

Markers should be prepared to use the full range of marks available in a level and not restrict marks to the middle. Markers should start at the middle of the level (or the upper-middle mark if there is an even number of marks) and then move the mark up or down to find the best mark. To do this, they should take into account how far the answer meets the requirements of the level:

- If it meets the requirements fully, markers should be prepared to award full marks within the level. The top mark in the level is used for answers that are as good as can realistically be expected within that level
- If it only barely meets the requirements of the level, markers should consider awarding marks at the bottom of the level. The bottom mark in the level is used for answers that are the weakest that can be expected within that level
- The middle marks of the level are used for answers that have a reasonable match to the descriptor. This might represent a balance between some characteristics of the level that are fully met and others that are only barely met.

## **Definitions of business terms**

Below are definitions of key business terms that have been used in the mark schemes for this qualification, to show how they are being used in the context of GCSE Business.

### **Concepts**

Concepts are business models or ideas that relate to business activity, influences on business, business operations, finance, marketing and human resources.

### **Issues**

Issues in the context of this this qualification means any external or internal event which will impinge on the environment of an organisation. They are aspects of subject content, and may include causes and consequences – that is internal and external changes and the results of these, problems, and/or opportunities.

### **Business information**

Business information is qualitative or quantitative information that relates to business, either directly or indirectly. It could include, but is not limited to, financial data, marketing data or market data or any other internal or external information that may have a bearing on business activity.

Full descriptions of the skills required to access the Assessment Objectives can be found in the mark schemes within this document.



Write your name here

Surname

Other names

Centre Number

Candidate Number

**Pearson Edexcel**  
**Level 1/Level 2 GCSE (9–1)**

# Business

## Paper 1: Investigating small business

Sample assessment material for first teaching  
September 2017

**Time: 1 hour 30 minutes**

Paper Reference

**1BS0/01**

**You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are **three** sections in this paper.
- Answer **all** questions in each section.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

### Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**SECTION A**

**Answer ALL questions. Write your answers in the spaces provided.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

**1** (a) Which **one** of the following is an example of a variable cost?

Select **one** answer:

(1)

- A** Rent
- B** Raw materials
- C** Insurance
- D** Advertising

(b) Which **one** of the following describes the role of an entrepreneur?

Select **one** answer:

(1)

- A** Being employed by a large organisation
- B** A willingness to take risks
- C** Having sufficient money to start a new business
- D** Being able to work alone

(c) Explain **one** benefit to a business of using a market map.

(3)

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(d) Explain **one** disadvantage to a sole trader of having unlimited liability.

(3)

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**(Total for Question 1 = 8 marks)**

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2 (a) Which **two** of the following are examples of primary market research?

Select **two** answers:

(2)

- A** Internet research
- B** Market reports
- C** Customer survey
- D** Government statistics
- E** Focus group

(b) Which **two** of the following are examples of services?

Select **two** answers:

(2)

- A** Train journey
- B** Magazine
- C** Headphones
- D** Haircut
- E** Mobile phone

The table below shows the cash-flow forecast for a small business.

(c) Complete the table with the **two** missing figures.

(2)

	August (£)	September (£)
Receipts	17 400	21 770
Raw materials	8 050	9 340
Fixed costs	2 120	2 340
Total payments	10 170	(ii)
Net cash flow	(i)	10 090
Opening balance	5 300	12 530
Closing balance	12 530	22 620

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(d) Explain **one** method a business could use to add value to its product.

(3)

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(e) Explain **one** reason why an entrepreneur would produce a business plan.

(3)

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**(Total for Question 2 = 12 marks)**

- 3 (a) Which **one** of the following is an example of a non-financial objective for an entrepreneur starting a new business?

Select **one** answer:

(1)

- A** Survival
- B** Profit
- C** Market share
- D** Independence

- (b) Using the information below calculate the total costs for the business. You are advised to show your workings.

Number of units sold: 240

Fixed costs: £1 100

Variable costs per unit: 45 pence

(2)

£ .....

- (c) Explain **one** possible conflict that can exist between stakeholders of a business.

(3)

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(d) Explain **one** disadvantage to a business of operating in a competitive environment. (3)

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(e) Discuss what a small business owner should consider when deciding upon the location for their business. (6)

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**(Total for Question 3 = 15 marks)**

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**TOTAL FOR SECTION A = 35 MARKS**

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## SECTION B

Answer ALL questions.

Look at Figures 1 and 2, read the following extract carefully, then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.

Neil and Sue Chatterton own and run *Meringue* bakery and cafe. This is located close to a town centre and has lots of passing trade. *Meringue* produces high-quality bread and pastries using traditional methods and high-quality ingredients. Since opening 12 months ago sales have grown strongly. At busy times a queue builds up at the counter as customers wait to pay. Online reviews indicate that this is something that needs to improve.

Neil and Sue are now planning to make greater use of technology to promote the business, and to reduce the time that customers have to wait to pay their bills.



Figure 1

The website has been redesigned to allow customers to order their food before they arrive at the cafe. A contactless payment system will allow customers to pay securely by tapping their smart phones on a reader.

Figure 2 shows a TripAdvisor® review for *Meringue*:



borrowedtheboots  
derbyshire

Level 5 Contributor

57 reviews

27 restaurant reviews

46 helpful votes

“Very good but.....”

Reviewed 21 October 2013

Excellent food and very friendly staff. This was our first visit and we were made to feel very welcome. Our only complaint, and the reason why we didn't award 5 stars, is due to the time it took to pay for our food when we had finished. Long queue and only one till! Took us 20 minutes...

More ▾

Helpful?

Thank borrowedtheboots

Report

Figure 2

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DO NOT WRITE IN THIS AREA

4 (a) Outline **one** method of promotion that would be appropriate for *Meringue*. (2)

Dotted lines for writing the answer to part (a).

(b) Analyse the impact on *Meringue* of allowing customers to order their food online in advance. (6)

Dotted lines for writing the answer to part (b).

**(Total for Question 4 = 8 marks)**

5 As a result of the queues in the shop, Neil and Sue have decided to implement a contactless payment system at *Meringue*.

(a) Outline **one** impact on *Meringue* of lengthy queues as customers wait to pay.

(2)

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The cost of the contactless payment system is £4 500. Neil and Sue plan to borrow the money from their bank. They will repay the loan over three years. Their monthly repayment is £136.50.

(b) Calculate the total interest Neil and Sue will pay for this loan as a percentage of the total amount borrowed. You are advised to show your workings.

(2)

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(c) Analyse the impact on *Meringue* of using a bank loan to pay for the contactless payment system.

(6)

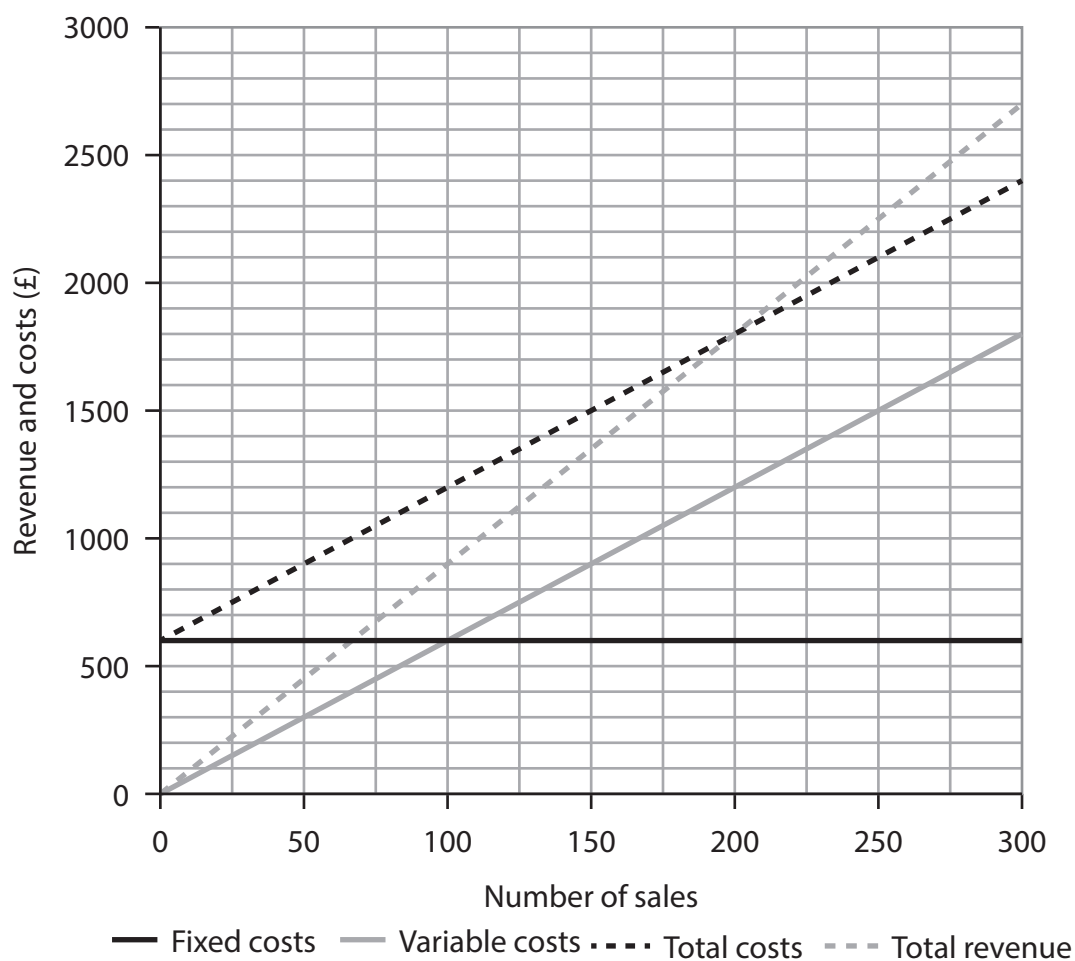
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**(Total for Question 5 = 10 marks)**

- 6 Neil and Sue have produced the following break even diagram, showing the costs and revenue for their business.



**Figure 3**

- (a) Identify the total number of sales that Neil and Sue will need to break even. (1)
- 
- (b) Identify the profit made by *Meringue*, by shading the correct region of the graph in Figure 3. (1)
- (c) State one benefit to *Meringue* of having a low break even level of output. (1)
- 
-

Neil and Sue are considering two options to reduce the amount they need to sell to break even.

**Option 1:** Increasing average prices by 10%

**Option 2:** Reducing the cost of ingredients by using a cheaper supplier

(d) Justify which **one** of these two options Neil and Sue should choose.

(9)

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**(Total for Question 6 = 12 marks)**

**TOTAL FOR SECTION B = 30 MARKS**

## SECTION C

**Answer ALL questions.**

**Look at Figures 4, 5 and 6, read the following extract carefully, then answer Question 7.**

**Write your answers in the spaces provided.**

Sally is a fitness instructor at a local sports centre (Figure 4). She is now considering setting up her own business as a personal trainer (Figure 5). Sally's research shows that people are more interested in health and fitness. Although there are a number of gyms in her local area, there are not many personal trainers.



**Figure 4**



**Figure 5**

	Price per hour session	Strength	Weakness
<b>Competitor 1:</b> 'Vitality' personal instructor	£22	Experienced personal trainer with good local reputation	Operates in only a small geographical area
<b>Competitor 2:</b> 'Bootcamp' personal trainer	£220 for an 11-session block	Ex-soldier using military training methods	Limited number of training methods used

**Figure 6**

Sally will charge £25 per hour. She is flexible in terms of the location of her customers and will travel within a 10-mile radius. She hopes to attract a younger market segment by using social media and online promotion. She aims to differentiate her service in a number of ways:

- Using social media to communicate directly with her customers, offering daily motivational reminders.
- Filming parts of the customer's training session and posting it online for them to evaluate their performance on their own device.

Sally is currently well paid and has saved up enough money to start up on her own. She is considering buying a franchise. There are a number of national franchise operators that she could use. However, she is concerned about the current economic climate. She has seen reports that unemployment is rising and that consumer incomes are falling.

7 (a) State **one** risk that Sally faces in starting this business. (1)

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(b) Identify which of Sally's competitors is the most expensive per hour. (1)

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(c) Outline **one** way in which the economic climate might impact on Sally's business. (2)

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Sally is considering whether or not to buy a franchise to start up on her own.

(d) Justify whether or not Sally should buy a franchise.

(9)

Area with horizontal dotted lines for writing the answer.

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(e) Evaluate whether Sally's business idea is likely to be a success. You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)

**TOTAL FOR SECTION C = 25 MARKS**  
**TOTAL FOR PAPER = 90 MARKS**

## Paper 1: Investigating small business mark scheme

### Section A

Question number	Answer	Mark
1(a)	B	(1) AO1a

Question number	Answer	Mark
1(b)	B	(1) AO1a

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit, up to a total of 3 marks.</p> <p>The market map will help to identify key features of competitors (1), which allows the business to spot a gap in the market (1) so they can focus on features to make themselves different (1).</p> <p>A market map can help a business make decisions about its products (1) so that the features of the products are different from their competitors (1), which makes it likely that they will get more customers (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
1(d)	<p>Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.</p> <p>Unlimited liability will increase the personal financial risks (1) for a sole trader. This is because they become responsible for all losses made by the business (1), which could result in them having to sell personal assets to pay any losses (1).</p> <p>The sole trader could lose personal possessions (1). As there is no distinction between the business and the individual (1), losses made by the business have to be paid by the individual (1).</p> <p>Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(a)	C, E	(2) AO1a

Question number	Answer	Mark
2(b)	A, D	(2) AO1a

Question number	Answer	Additional guidance	Mark
2(c)(i)	7,230	Do not accept any other answer	(1) AO2

Question number	Answer	Additional guidance	Mark
2(c)(ii)	11,680	Do not accept any other answer	(1) AO2

Question number	Answer	Mark
2(d)	<p>Award 1 mark for identification of a method, plus 2 further marks for explaining how this method will add value, up to a total of 3 marks.</p> <p>One method is by having a unique selling point (USP) (1). This will help the product to stand out against competitors by having something they do not have (1). As a result customers will be willing to pay more for a product they see as more original (1).</p> <p>One method to add value is by having a distinct brand image (1). This will help the business to be easily recognised by customers (1). As a result, customers are more prepared to pay a higher price for a product as they recognise and trust the name (1).</p> <p>Accept any other appropriate response. Answers that list more than one method with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(e)	<p>Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason, up to a total of 3 marks.</p> <p>To provide information for the bank when applying for a loan (1). The bank will be able to see important information about how the business will operate (1), and can therefore make a judgement about the ability of the business to repay the loan (1).</p> <p>To enable the entrepreneur to collect information about the business to plan ahead (1). Projections of sales and costs help the entrepreneur to make decisions about buying stock (1) so that the business can meet customer needs (1).</p> <p>Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.</p>	<p><b>(3)</b>  <b>AO1a=1</b>  <b>AO1b=2</b></p>

Question number	Answer	Mark
3(a)	D	<p><b>(1)</b>  <b>AO1a</b></p>

Question number	Answer	Additional guidance	Mark
3(b)	<p>Substitution into correct formula:</p> <p>Total costs = £1 100 + (240 × 0.45)  (1)</p> <p>Answer: £1 208 (1)</p>	<p>Award full marks for correct numerical answer without working.</p>	<p><b>(2)</b>  <b>AO2</b></p>

Question number	Answer	Mark
3(c)	<p>Award 1 mark for identification of a possible conflict, plus 2 further marks for explaining why this conflict exists, up to a total of 3 marks.</p> <p>Conflict can exist between workers and owners (1). This is because workers typically want more pay (1), whereas owners often want to increase their profits (1).</p> <p>Conflict can exist between owners and suppliers (1). This is because suppliers want to be paid on time to preserve their cash flow (1), but businesses want to retain cash as long as possible (1).</p> <p>Accept any other appropriate response. Answers that list more than one conflict with no explanation will be awarded a maximum of 1 mark.</p>	<p><b>(3)</b>  <b>AO1a=1</b>  <b>AO1b=2</b></p>

Question number	Answer	Mark
3(d)	<p>Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.</p> <p>There will be a lot of competitors (1). Therefore the business may have to charge a lower price (1). This may mean that the business does not generate as high a profit (1).</p> <p>Competitors put pressure on a business to provide a high-quality product (1). If it does not do this, customers will choose one of the rivals (1). As a result of this, sales and revenue are likely to fall (1).</p> <p>Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.</p>	<p><b>(3)</b>  <b>AO1a=1</b>  <b>AO1b=2</b></p>

Question number	Indicative content	Mark
3(e)	<ul style="list-style-type: none"> <li>Proximity to market (AO1b).</li> <li>The amount of competition in the area (AO1b).</li> <li>This increases the likelihood of being visible to potential customers so the business can attract more passing trade (AO3a).</li> <li>This might impact on the pricing strategy of the business as they may have to charge lower prices to be competitive (AO3a).</li> </ul>	<p><b>(6)</b>  <b>AO1b=3</b>  <b>AO3a=3</b></p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	<ul style="list-style-type: none"> <li>Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

## Section B

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable method of promotion for <i>Meringue</i>. Award a maximum of 1 mark if points are not linked.</p> <p>By offering free food samples to passers-by (1) potential customers can taste the high quality ingredients (1).</p> <p><i>Meringue</i> can print a voucher offering a discount in a local newspaper (1) to encourage customers to come in on quieter days (1).</p> <p>Do not accept methods of promotion that would not be appropriate for a small town centre bakery and cafe such as <i>Meringue</i>, for example a national TV advertising campaign.</p>	(2) AO2

Question number	Indicative content	Mark
4(b)	<ul style="list-style-type: none"> <li>Ordering in advance allows customers to spend less time queuing in the shop as they will not need to wait for the food to be prepared (AO2).</li> <li>As customers are not having to queue for as long as before, the chance of getting negative TripAdvisor® reviews, such as in Figure 2, is reduced (AO2).</li> <li>The slow service appears to be the only negative aspect, so by addressing this, the owners are helping to meet the needs of their customers and will gain repeat purchase as a result (AO3a).</li> <li>This improves the convenience for customers, who are unhappy at the time it can take to queue to pay (AO3a).</li> </ul>	(6) AO2=3 AO3a=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

Question number	Answer	Mark
5(a)	<p>Award up to 2 marks for linked points outlining an impact of lengthy queues on <i>Meringue</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Long queues may lead to customers not returning to <i>Meringue</i> (1), preferring to visit competing cafes where paying for food is more efficient (1).</p> <p>Long queues may deter customers who are passing and look into the cafe (1), which may mean that they go elsewhere and <i>Meringue</i> loses potential sales (1).</p> <p>Do not accept impacts that would not be appropriate for the context of a small town centre bakery and cafe such as <i>Meringue</i>, for example going to another branch.</p>	(2) AO2

Question number	Answer	Additional guidance	Mark
5(b)	<p>Loan = £4,500</p> <p>Total repayments = <math>36 \times \text{£}136.50</math> = £4 914</p> <p>Interest = £4 914 – £4,500 = £414</p> <p>Substitution into correct formula: Total interest = <math>414/4500 \times 100</math> (1)</p> <p>Answer: 9.2% (1)</p>	Award full marks for correct numerical answer without working.	(2) AO2



Question number	Indicative content		Mark
5(c)	<ul style="list-style-type: none"> <li>The owners of <i>Meringue</i> have a number of priorities, including the development of the website, and therefore need to use some external finance to fund the work, which will increase their costs (AO2).</li> <li>Higher fixed costs will increase the amount of food and drink that needs to be sold to break even (AO2).</li> <li>This will mean that monthly fixed costs for the business will increase, which might affect profitability. However, if the contactless system helps to improve customer experience, <i>Meringue</i> is likely to see increased customer numbers, which will offset the increased costs (AO3a).</li> <li>Neil and Sue need to ensure that the size of the monthly payment does not result in a break-even level of sales that is unrealistic. Competition from local cafes is present and any increase in costs may result in the need to charge higher prices, which could be damaging (AO3a).</li> </ul>		(6) AO2=3 AO3a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>	
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>	
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>	

Question number	Answer	Mark
6(a)	200	(1) AO2

Question number	Answer	Mark
6(b)	<p>Award 1 mark for shading the region where the total revenue line is above the total costs line (as indicated below).</p> <p>Revenue and costs (£)</p> <p>Number of sales</p> <p>— Fixed costs — Variable costs - - - Total costs ··· Total revenue</p>	(1) AO2

Question number	Answer	Mark
6(c)	<p>Award 1 mark for stating a benefit to <i>Meringue</i> of having a low break-even level of output.</p> <p>Need to sell fewer sandwiches to make a profit (1). More profit to invest in their website redesign (1).</p> <p>Accept any other appropriate response. Do not accept benefits that would not be appropriate for a small town centre bakery and cafe such as <i>Meringue</i>, for example being able to pay higher dividends to shareholders.</p>	(1) AO2

Question number	Indicative content		Mark
6(d)	<ul style="list-style-type: none"> <li>Neil and Sue's competitive advantage comes from non-price factors, such as quality (AO2).</li> <li>Raising price may be risky as <i>Meringue</i> is located in the town centre, close to competing cafes (AO2).</li> <li>Non-price factors mean most customers will stay loyal despite price increases. This will mean that total revenue will increase despite the increase in price and therefore will reduce the amount they need to sell to break even (AO3a).</li> <li>Competition may result in a loss of customers as higher prices deter existing customers preferring cheaper alternatives (AO3a).</li> <li>The most appropriate option for Neil and Sue is to raise prices. The main feature of the business is 'quality' and anything that puts this at risk must be avoided. Lower-priced ingredients could impact on quality (AO3b).</li> <li>The break-even chart shows that the cost of ingredients is a very small proportion of total costs for Neil and Sue. This means that it will have a very small impact on their ability to break even. Therefore, an increase in price would be the most effective option to reduce the amount they have to sell (AO3b).</li> </ul>		<b>(9)</b> <b>AO2=3</b> <b>AO3a=3</b> <b>AO3b=3</b>
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 2	4-6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 3	7-9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	

## Section C

Question number	Answer	Mark
<b>7(a)</b>	<p>Award 1 mark for stating one risk Sally will face when starting her business.</p> <p>Financial risks as she is giving up her current paid employment (1). Insecurity of sales due to falling consumer incomes (1).</p> <p>Accept any other appropriate response. Do not accept risks that would not be appropriate for a personal trainer business such as Sally's, for example not being able to source trade credit.</p>	<b>(1)</b> <b>AO2</b>

Question number	Answer	Mark
<b>7(b)</b>	Competitor 1: 'Vitality' personal instructor	<b>(1)</b> <b>AO2</b>

Question number	Answer	Mark
<b>7(c)</b>	<p>Award up to 2 marks for linked points outlining one impact of the economic climate on Sally's business. Award a maximum of 1 mark if points are not linked.</p> <p>If unemployment is rising, people will have less disposable income (1). This will mean that luxuries, such as Sally's personal trainer service, are more likely to become less popular (1).</p> <p>Do not accept economic factors that would not be appropriate for a personal trainer business such as Sally's, for example changes in exchange rate.</p>	<b>(2)</b> <b>AO2</b>

Question number	Indicative content	Mark
<p><b>7(d)</b> <b>Justify</b></p>	<ul style="list-style-type: none"> <li>• Sally has saved enough money to start her business and can therefore afford the costs associated with a franchise. (AO2).</li> <li>• Starting up on her own without buying a franchise will give Sally more freedom. She has her own ideas for differentiating her service, for example by the use of social media, and a franchise may not allow her to pursue some or all of them (AO2).</li> <li>• Becoming a franchisee means she could benefit from the established name that comes with taking out a franchise and will not have to spend time and money establishing her own name. There are established competitors in the market and a franchise name may help (AO3a).</li> <li>• If the franchise does not allow Sally to implement some of her ideas to target a younger target market, her service may not be differentiated from rival personal trainers, such as 'Vitality' (AO3a).</li> <li>• Establishing a new business, especially in a market where competition exists, requires strong brand recognition. Sally is likely to get this from a franchise in a way that she is unlikely to gain by herself. Despite the costs involved, this appears to be the most suitable option for Sally at this time, especially given the worsening economic climate, which will only add to the uncertainty in this market (AO3b).</li> <li>• Starting up on her own without buying a franchise appears to be the best option for Sally. Although the franchise option would provide reassurance of an established name, the market she is entering does not have much competition (just two rivals). Her ideas for differentiating her business will undoubtedly help her to stand out in a fairly small but growing market. Freedom is more important than brand name at this stage (AO3b).</li> </ul>	<p><b>(9)</b> <b>A02=3</b> <b>A03a=3</b> <b>A03b=3</b></p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>
Level 2	4-6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>
Level 3	7-9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>

Question number	Indicative content	Mark
<p><b>7(e)</b> <b>Evaluate</b></p>	<ul style="list-style-type: none"> <li>• Entrepreneurs use market research to identify gaps in the market (AO1b).</li> <li>• Some small businesses can suffer at times when consumer income is falling (AO1b).</li> <li>• Sally has conducted some primary research into competitors in her local area (as evidenced in Figure 6) and identified a gap in the market identified for personal trainers (AO2).</li> <li>• As unemployment is rising and consumer income is falling, Sally’s potential customers are likely to spend less on fitness and other non-essential services (AO2).</li> <li>• Sally plans to differentiate her business through the use of social media and technology. This will help her to create a USP which would appeal to younger market segments and help her business stand out from competitors (AO3a).</li> <li>• Sally currently has the security of a well-paid job but if she did not get enough customers in the short term she may find that she does not have enough income. If she chooses to be a sole trader, unlimited liability will mean her personal possessions are at risk (AO3a).</li> <li>• As there are just two main competitors in this market, Sally’s business idea has a good chance of success. By creating a USP based around technology, she has a good opportunity to differentiate her business from rival personal trainers (AO3b).</li> <li>• The success of the business idea depends on some factors that are beyond Sally’s control. However, if Sally gains a reputation as an excellent personal trainer the degree to which these factors will reduce her success are limited (AO3b).</li> </ul>	<p><b>(12)</b> <b>AO1b=3</b> <b>AO2=3</b> <b>AO3a=3</b> <b>AO3b=3</b></p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> <li>• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>• Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>• Draws a conclusion based on sound evaluation of business information and issues (AO3b).</li> </ul>
Level 3	9–12	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>• Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).</li> </ul>



Write your name here

Surname

Other names

Centre Number

Candidate Number

**Pearson Edexcel**  
**Level 1/Level 2 GCSE (9–1)**

# Business

## Paper 2: Building a business

Sample assessment material for first teaching  
September 2017

**Time: 1 hour 30 minutes**

Paper Reference

**1BS0/02**

**You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are **three** sections in this paper.
- Answer **all** questions in each section.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution**.

### Information

- The total mark for this paper is 90.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**SECTION A**

**Answer ALL questions. Write your answers in the spaces provided.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

**1** (a) Which **one** of the following is an element of the marketing mix?

Select **one** answer.

(1)

- A** Perseverance
- B** Profit
- C** Place
- D** Persuasion

(b) Which **one** of the following is an element of the design mix?

Select **one** answer.

(1)

- A** Cost
- B** Quality
- C** Promotion
- D** Price

(c) Explain **one** benefit to a business of producing a high-quality product.

(3)

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(d) Explain **one** advantage to a business of providing ongoing training to its employees.

(3)

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**(Total for Question 1 = 8 marks)**

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- 2 (a) Which **two** of the following documents would be used by a business as part of its recruitment process?

Select **two** answers.

(2)

- A** Person plan
- B** Job specification
- C** Person specification
- D** Job description
- E** Job plan

- (b) Which **two** of the following are advantages to a business of using just in time (JIT) production?

Select **two** answers.

(2)

- A** Improved cash flow
- B** Increased ability to meet an unexpected order
- C** Increased ability to exploit economies of scale
- D** Stock is less likely to become out of date
- E** Improved product range

Table 1 contains information about a business.

Sales revenue	£300 000
Cost of sales	£210 000
Gross profit	£90 000

**Table 1**

(c) Using the information in Table 1 calculate the gross profit margin. You are advised to show your workings.

(2)

(d) Explain **one** impact of excessive communication within a business.

(3)

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(e) Explain **one** disadvantage to a business of providing poor customer service.

(3)

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**(Total for Question 2 = 12 marks)**

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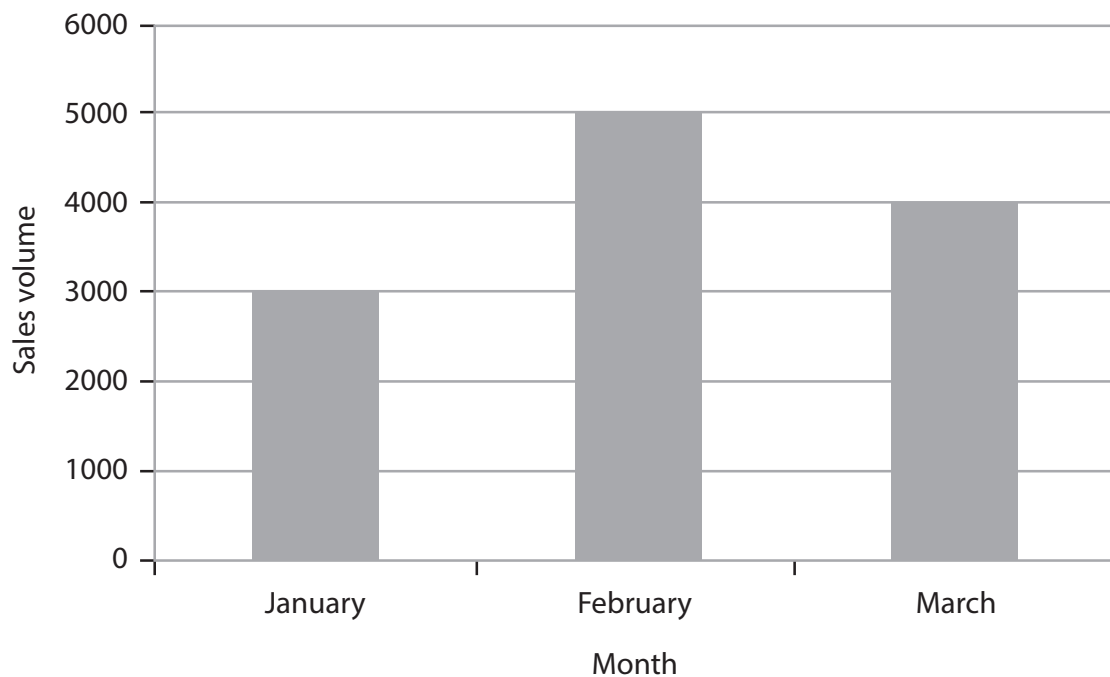
3 (a) Which **one** of the following is an internal source of finance?

Select **one** answer.

(1)

- A** Share capital
- B** Loan capital
- C** Sales revenue
- D** Selling assets

Figure 1 shows sales volumes for a business during the first three months of 2016.



**Figure 1**

The selling price of the product is £500.

(b) Using the information in Figure 1, calculate the sales revenue of the business for the first three months of 2016. You are advised to show your workings.

(2)

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(c) Explain **one** reason why a business may decide to pay its workers a bonus.

(3)

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(d) Explain **one** drawback to a business of not being able to retain its employees.

(3)

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(e) Discuss the likely benefit to a business of having a decentralised organisational structure.

(6)

A series of horizontal dotted lines provided for writing the answer to question (e).

**(Total for Question 3 = 15 marks)**

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**TOTAL FOR SECTION A = 35 MARKS**

## SECTION B

Answer ALL questions.

Look at Figure 2, read the following extract carefully, then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.

Fender® is an American company which produces musical instruments, such as electric guitars. Its most famous brands of guitars have been used by popular musicians such as Bruno Mars. Fender's most expensive guitars are manufactured using the finest raw materials such as wood from ash trees. These hand-made guitars are seen as some of the finest musical instruments in the world and are unique to each individual musician. As a result of using job production for its guitars, Fender is able to charge prices as high as £10 000 per guitar.

In 2012 Fender started using 3D printing, a process of making three-dimensional (3D) solid objects from a digital model. Fender uses 3D printers to trial new designs for its guitars. Ideas for new guitar models can now be printed-off in Fender's factory, instead of using a specialist model-building company.

### CONNECT WITH FENDER

Home / Connect with Fender

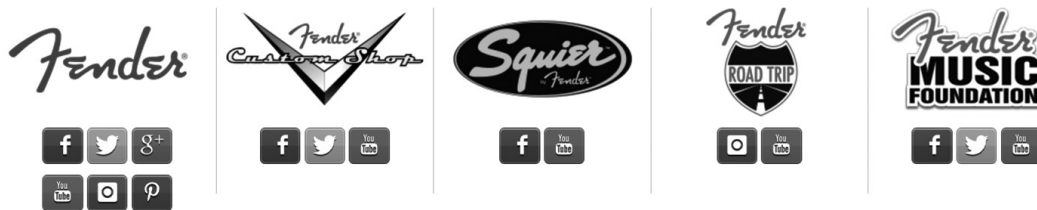


Figure 2

(Sources: adapted from <http://intl.fender.com/en-GB/custom-shop> and <http://javelin-tech.com/3d-printer/industry>)

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4 (a) Outline **one** impact on Fender of using 3D printers to print out ideas for new guitar models.

(2)

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(b) Analyse the impact on Fender of charging high prices for its musical instruments.

(6)

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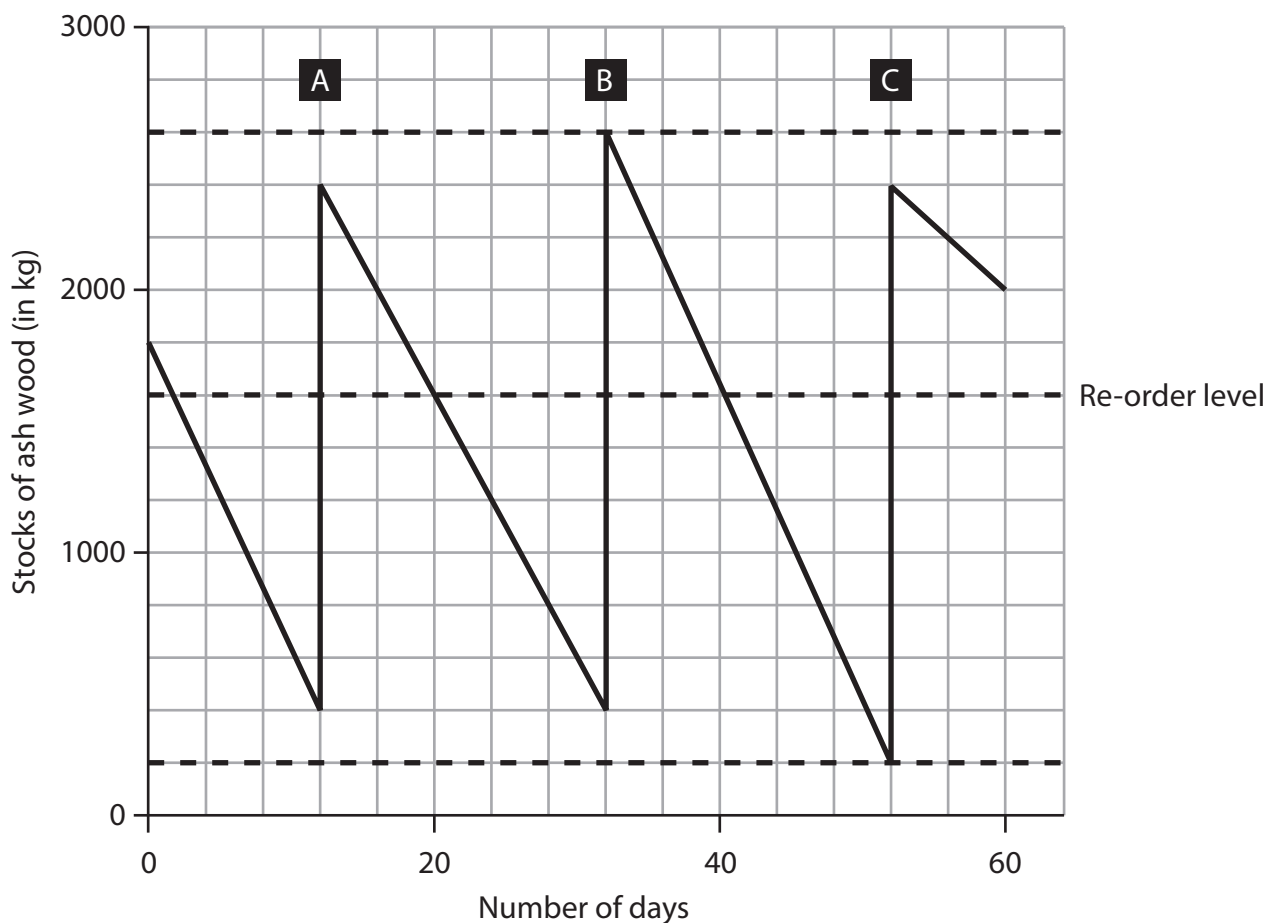
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**(Total for Question 4 = 8 marks)**

- 5 Figure 3 shows a bar gate stock graph which details the delivery of ash wood to Fender's factory for 60 days in 2016. During this time it received three deliveries of ash wood from its supplier. These are marked on Figure 3 as A, B and C.



**Figure 3**

- (a) Identify the amount of ash wood Fender held as a buffer stock. (1)
- 
- (b) Identify the day when delivery B of ash wood arrived at Fender's factory. (1)
- 
- (c) Calculate the amount of ash wood that was delivered to Fender in order B. You are advised to show your workings. (2)

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Fender uses job production to manufacture its hand-made musical instruments.

(d) Analyse the impact on Fender of using job production to produce these musical instruments.

(6)

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**(Total for Question 5 = 10 marks)**

6 (a) State **one** factor that Fender will consider when choosing its suppliers.

(1)

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(b) Outline **one** possible benefit to Fender from using social media.

(2)

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Fender is considering two options to increase its profitability:

**Option 1:** Increase advertising

**Option 2:** Increase prices

(c) Justify which **one** of these options Fender should choose.

(9)

Area with horizontal dotted lines for writing the answer to question 6(c).

**(Total for Question 6 = 12 marks)**

**TOTAL FOR SECTION B = 30 MARKS**

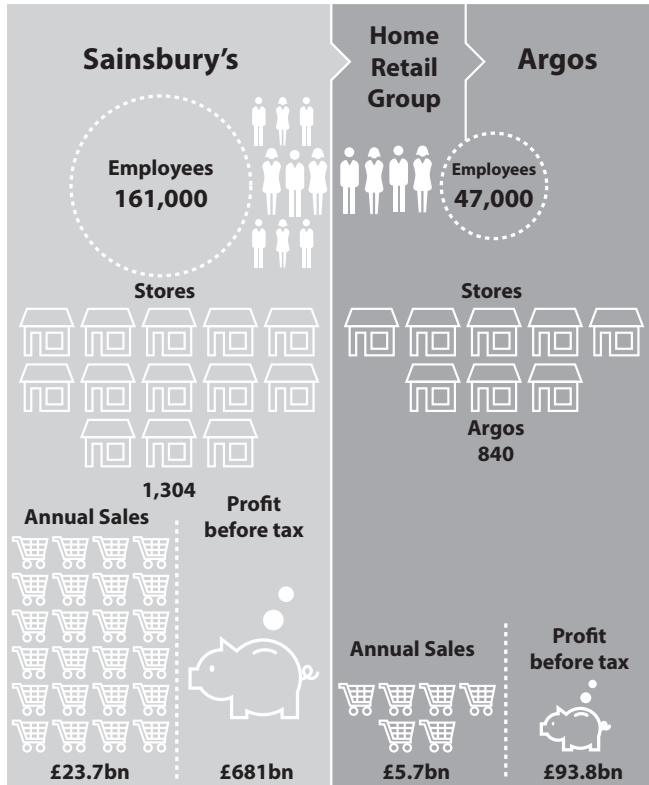
## SECTION C

Answer ALL questions.

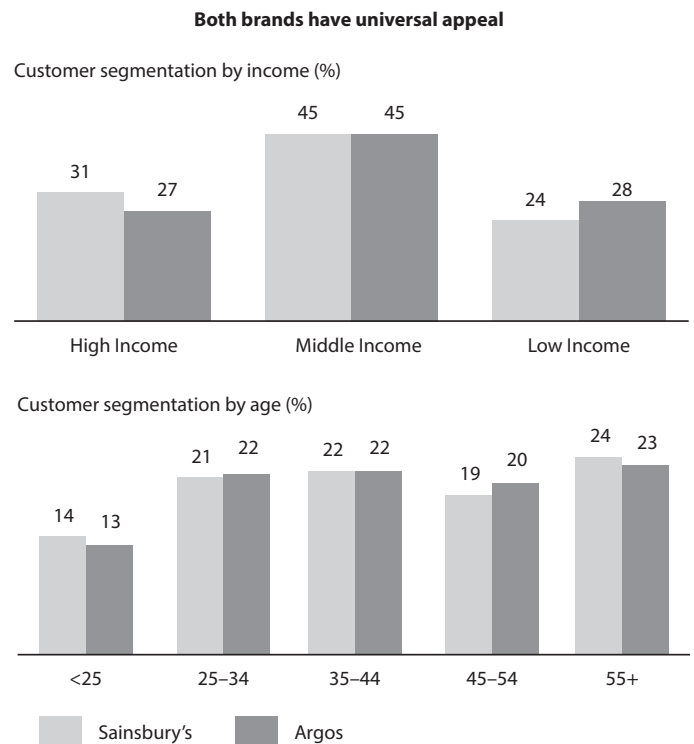
Look at Figures 4 and 5, read the following extract carefully, then answer Question 7.

Write your answers in the spaces provided.

Argos and Sainsbury's are familiar brands in the UK.



**Figure 4**



**Figure 5**

In February 2016, Home Retail Group plc, the owners of the high-street catalogue store Argos, agreed to be taken over by Sainsbury's plc in a £1.3bn deal. The takeover has arisen because market conditions have changed in high-street retailing. The move towards smaller, more convenient supermarkets such as those provided by Lidl and Aldi has left Sainsbury's plc with overly large stores which consumers increasingly do not want to use. Argos also found itself in an increasingly competitive market place and was struggling to compete against the giant e-tailer Amazon.com on both price and speed of delivery.

The takeover of Argos by Sainsbury's plc will create the UK's largest non-food retailer and will allow Sainsbury's plc the ability to open Argos' stores within the unused space in Sainsbury's supermarkets. This will result in Argos' stores on the high street closing. The combined company will also be able to improve its home delivery operation with grocery items and non-food items now being delivered to homes only four hours after the order was originally placed.

(Source: J Sainsbury plc and <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/12096740/sainsburys-home-retail-group-argos-homebase-mike-coupe-takeover-explained.html>, accessed on 12/2/16)

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7 (a) Define the term 'takeover'. (1)

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(b) Using the chart in Figure 5, identify the age group with which Argos' promotional strategy appears to have been most effective. (1)

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(c) Outline **one** reason why being an e-tailer gives Amazon an advantage over Argos. (2)

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In order to improve its competitive advantage, Argos has two options:

**Option 1:** Lower prices

**Option 2:** Increase the speed of home delivery

(d) Justify which **one** of these options Argos should choose.

(9)

Area with horizontal dotted lines for writing the answer.

(e) Evaluate whether Sainsbury's is likely to benefit from its takeover of Home Retail Group. You should use the information provided as well as your knowledge of business.

(12)

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(Total for Question 7 = 25 marks)

**TOTAL FOR SECTION C = 25 MARKS**  
**TOTAL FOR PAPER = 90 MARKS**

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## Paper 2: Building a business mark scheme

### Section A

Question number	Answer	Mark
1(a)	C	(1) AO1a

Question number	Answer	Mark
1(b)	A	(1) AO1a

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>A high-quality product would improve the business's brand image (1), therefore allowing the business to charge a premium (1), which will increase the net profit margin (1).</p> <p>A high-quality product will lead to fewer defects (1), therefore fewer customer complaints (1), resulting in lower costs for the customer services department (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
1(d)	<p>Award 1 mark for identification of an advantage, plus 2 further marks for explaining this advantage up to a total of 3 marks.</p> <p>Ongoing training will make employees feel valued (1), which will result in workers working harder (1), therefore making the business more productive (1).</p> <p>Ongoing training will result in employees being able to work faster (1), which will result in higher productivity levels (1), therefore reducing the unit cost of making at item (1).</p> <p>Accept any other appropriate response. Answers that list more than one advantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(a)	C, D	(2) AO1a

Question number	Answer	Mark
2(b)	A, D	(2) AO1a

Question number	Answer	Additional guidance	Mark
2(c)	Substitution into correct formula: $(£90\,000/£300\,000) \times 100$ (1)  Answer: 30% (1)	Award full marks for correct numerical answer without working.  Do not award a mark for 30 if the correct unit (%) is not stated.	(2) AO2

Question number	Answer	Mark
2(d)	Award 1 mark for identification of an impact, plus 2 further marks for explaining this impact up to a total of 3 marks.  Productivity will fall (1) because workers would not be sure about which information to use (1), therefore more mistakes will be made, which reduces output (1).  More workers will leave the business (1) because the excessive communication will demotivate them (1) resulting in the business having to incur the cost of employing new workers (1).  Accept any other appropriate response. Answers that list more than one impact with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(e)	Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.  The brand image will be damaged (1), therefore customer loyalty will fall (1). This results in the business making lower sales (1).  Customers will switch to a different business (1), therefore the business will have a lower market share (1) and as a result revenues will go down (1).  Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(a)	D	(1) AO1a

Question number	Answer	Additional guidance	Mark
3(b)	Substitution into correct formula: $£500 \times (3000 + 5000 + 4000)$ (1)  Answer: £6 000 000 (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Answer	Mark
3(c)	Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason up to a total of 3 marks.  The bonus will motivate workers (1) because they feel more valued by the business (1), therefore workers will work harder (1).  The bonus will help attract the best workers (1). Therefore, the business will become more productive (1). This will result in lower unit costs (1).  Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(d)	Award 1 mark for identification of a drawback, plus 2 further marks for explaining this drawback up to a total of 3 marks.  It will have to employ new workers (1) and therefore will have to spend money on recruitment (1). This increases the costs of the business (1).  It could lose its most productive workers (1), therefore the business will become less efficient (1). As a result, the unit cost will increase (1).  Accept any other appropriate response. Answers that list more than one drawback with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Indicative content		Mark
3(e)	<ul style="list-style-type: none"> <li>Decisions can be made faster (AO1b).</li> <li>Lower fixed costs (AO1b).</li> <li>This means that the business can respond to opportunities in the market before competitors do (AO3a).</li> <li>The business will no longer require a large head office because decisions are made in individual branches (AO3a).</li> </ul>		<b>(6)</b> <b>AO1b=3</b> <b>AO3a=3</b>
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-2	<ul style="list-style-type: none"> <li>Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>	
Level 2	3-4	<ul style="list-style-type: none"> <li>Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>	
Level 3	5-6	<ul style="list-style-type: none"> <li>Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>	



## Section B

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable impact on Fender of using 3D printers to print ideas for new guitar models. Award a maximum of 1 mark if points are not linked.</p> <p>Fender can print off ideas of new guitar models faster (1), which reduces the cost of developing new musical instruments (1).</p> <p>Fender no longer has to send ideas for new models to an outside model builder (1) so it can produce new guitar designs at a lower cost (1).</p> <p>Do not accept impacts of 3D printing that would not relate to a musical instrument manufacturer such as Fender developing new products, for example mass manufacturing guitars for sale.</p>	(2) AO2

Question number	Indicative content	Mark
4(b)	<ul style="list-style-type: none"> <li>It allows Fender to keep manufacturing guitars using job production and the finest raw materials (AO2).</li> <li>This may reduce Fender's competitive advantage in the market for cheaper types of guitar (AO2).</li> <li>This is because high prices will cover the high unit cost of manufacturing a hand-made guitar, allowing Fender to remain profitable (AO3a).</li> <li>This could result in Fender losing market share in the guitar market, which reduces revenues and profitability (AO3a).</li> </ul>	(6) AO2=3 AO3a=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

Question number	Answer	Additional guidance	Mark
5(a)	200 kg	Do not award a mark if the correct unit (kg) is not given.	(2) AO2

Question number	Answer	Mark
5(b)	Day 32	(1) AO2

Question number	Answer	Additional guidance	Mark
5(c)	Substitution into correct formula: 2600 kg – 400 kg (1)  Answer: 2 200 kg (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Indicative content	Mark
5(d)	<ul style="list-style-type: none"> <li>The guitars will be individual to each musician (AO2).</li> <li>The cost of producing guitars will be higher (AO2).</li> <li>This means musicians such as Bruno Mars will be willing to pay a high price for an individually crafted instrument, resulting in high profit margins (AO3a).</li> <li>This results in low profit margins if the extra costs of production cannot be recouped through selling the guitars at a higher price (AO3a).</li> </ul>	(6) AO2=3 AO3a=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

<b>Question number</b>	<b>Answer</b>	<b>Mark</b>
<b>6(a)</b>	<p>Award 1 mark for stating one factor Fender will consider when choosing suppliers.</p> <p>Quality of the electronic components supplied (1). Ethical sourcing of ash wood (1). Speed of delivery of materials, such as wood/strings (1).</p> <p>Accept any other appropriate response. Do not accept factors that would not be appropriate for a musical instrument manufacturer such as Fender, for example freshness of raw materials.</p>	<b>(1)</b> <b>A02</b>

<b>Question number</b>	<b>Answer</b>	<b>Mark</b>
<b>6(b)</b>	<p>Award up to 2 marks for linked points outlining a benefit to Fender from using social media. Award a maximum of 1 mark if points are not linked.</p> <p>It enables Fender to tweet that artists such as Bruno Mars use its instruments (1), therefore improving the brand image of its guitars (1).</p> <p>Fender can target different types of musician more effectively (1) because each Fender brand has its own social media account as shown in Figure 4 (1).</p> <p>Do not accept benefits from using social media that would not relate to a musical instrument manufacturer such as Fender, for example to promote a local in-store event.</p>	<b>(2)</b> <b>A02</b>

Question number	Indicative content		Mark
6(c)	<ul style="list-style-type: none"> <li>Increasing prices will further position Fender's musical instruments as a luxury product (AO2).</li> <li>However, increasing prices could make Fender appear more of a niche market firm rather than a mass market firm (AO2).</li> <li>This means that the fall in demand from raising prices is likely to be insignificant, causing revenue to rise and with costs remaining the same profit should increase (AO3a).</li> <li>As a result, demand for Fender's musical instruments could fall if the economy moves into a recession (AO3a).</li> <li>The most appropriate option for Fender may be to increase advertising since Fender already charge as much as £10,000 for a guitar, therefore if they could attract more customers revenue will increase significantly (AO3b).</li> <li>However, the impact of increasing advertising depends on whether the increase in demand for Fender's guitars generates enough extra revenue to cover the additional cost of the advertising. If social media is used it will probably lead to the largest increase in profits (AO3b).</li> </ul>		<b>(9)</b> <b>AO2=3</b> <b>AO3a=3</b> <b>AO3b=3</b>
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 2	4-6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 3	7-9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	

## Section C

Question number	Answer	Mark
7(a)	Award 1 mark for a correct definition of takeover.  Where one business acquires (greater than 50% of the shares in) another business (1).	(1) AO1a

Question number	Answer	Mark
7(b)	55+	(1) AO2

Question number	Answer	Mark
7(c)	Award up to 2 marks for linked points outlining an advantage to Amazon of being an e-tailer. Award a maximum of 1 mark if points are not linked.  e-tailing means that Amazon can reach a global market (1), therefore increasing its chances of being able to sell a large range of household goods (1).  Without any high-street stores Amazon will have lower fixed costs (1), therefore Amazon can undercut Argos' prices (1).  Do not accept reasons that would relate to Amazon but not because it is an e-tailer, for example its brand name.	(2) AO2

Question number	Indicative content	Mark
7(d)	<ul style="list-style-type: none"> <li>Increasing the speed of delivery will make more customers want to use Argos for the purchase of goods such as televisions (AO2).</li> <li>However, increasing the speed of delivery may be impossible to achieve and if Argos manages to do it, Amazon will almost certainly copy the approach, eliminating Argos' competitive advantage (AO2).</li> <li>This is because more consumers will be attracted by the faster service. This could mean consumers would be willing to pay the higher prices offered by Argos and use Argos instead of Amazon, reducing Amazon's market share and giving Argos a competitive advantage (AO3a).</li> <li>The result may be that Argos may receive a competitive advantage for only a short period of time (AO3a).</li> <li>The most appropriate strategy for Argos is to increase the speed of delivery. This is because lowering prices is something that Argos will not be able to achieve (AO3b).</li> <li>Amazon is an e-tailer so has a lower level of fixed costs, and will be in a position to undercut Argos on price. Therefore, Argos can achieve competitive advantage only by improving the speed of its home delivery services (AO3b).</li> </ul>	<b>(9)</b> <b>AO2=3</b> <b>AO3a=3</b> <b>AO3b=3</b>
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>
Level 2	4-6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>
Level 3	7-9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>

Question number	Indicative content	Mark
7(e)	<ul style="list-style-type: none"> <li>• Larger businesses can exploit economies of scale (AO1b).</li> <li>• Different businesses target different market segments (AO1b).</li>   <li>• The enlarged business would be able to exploit economies of scale because Argos stores can be closed down and placed inside Sainsbury's supermarkets (AO2).</li> <li>• Some low-income Argos customers may not normally do their grocery shopping in Sainsbury's, so the number of customers who use the enlarged business could go down (AO2).</li>   <li>• The enlarged business can reduce its fixed costs. This allows unit costs to decrease so that it can compete more effectively with Aldi and Lidl by being able to charge lower prices (AO3a).</li> <li>• Demand for Argos' products will decrease, leading to falling revenues since it may not retain all of its customers (AO3a).</li>   <li>• Argos is struggling to compete with Amazon, which is an e-tailer. Therefore, even after taking advantage of economies of scale Amazon will still have lower unit costs and lower prices since it does not have any high-street shops. So Sainsbury's is unlikely to benefit significantly from its takeover of Argos (AO3b).</li> <li>• The takeover creates the UK's largest non-food retailer. Therefore, the economies of scale generated could be significant, allowing the enlarged business to effectively compete with large e-tailer rivals such as Amazon (AO3b).</li> </ul>	<p><b>(12)</b>  <b>AO1b=3</b>  <b>AO2=3</b>  <b>AO3a=3</b>  <b>AO3b=3</b></p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> <li>• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>• Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>• Draws a conclusion based on sound evaluation of business information and issues (AO3b).</li> </ul>
Level 3	9–12	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>• Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).</li> </ul>





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