



Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCE AS Level
in Business (8BS0)
Paper 02 in Managing business activities

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Publications Code 8BS0_02_1906_MS

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General Marking Guidance

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

Question Number	Answer	Mark
1(a)	Knowledge 2 Knowledge/understanding: up to 2 marks for, e.g. The manufacture of an item/product (1) in a continuously moving process (1).	(2)

Question Number	Answer	Mark
1(b)	Knowledge 2 Knowledge/understanding: up to 2 marks for, e.g. The difference between the current or planned level of output/sales (1) and the break-even level of output (1). NB: If candidates provide the correct formula (current or planned output – break-even level of output) award 2 marks.	(2)

Question Number	Answer	Mark
1(c)	Knowledge 1, Application 3 Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even. QS9: interpret, apply and analyse information in written, graphical and numerical forms. Knowledge: 1 mark for identifying the operating profit formula. - Revenue – cost of sales – other operating expenses - Profit for the year (net profit) +/- interest - Gross profit – other operating expenses Application: up to 3 marks £102 237 354 – £45 815 263 – £22 049 714 £34 301 880 + £70 497 £56 422 091 - £22 049 714 - Operating profit = £34 372 377 NB: if the answer given is '34 372 377' award 4 marks.	(4)

Question Number	Answer	Mark
1(d)	Knowledge 1, Application 3 Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even. QS9: interpret, apply and analyse information in written, graphical and numerical forms. Knowledge: 1 mark for identifying the profit for the year (net profit) margin formula. • $(\text{Profit for the year (net profit)} \div \text{Revenue}) \times 100$ Application: up to 3 marks • $(£34\,301\,880 \div £102\,237\,354)$ • $\times 100$ • $= 33.55\%$ (2 d.p.) NB: If the answer given is 33.5, 33.6 or 33.551 award 3 marks.	(4)

Question Number	Indicative content	Mark
1(e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 - Share capital for a plc is finance raised by selling shares to the public. - Fevertree is a public limited company so it can issue shares which can easily be bought and sold on the stock exchange. Therefore, the market for shares will be larger than if it was an Ltd. - Fevertree's share price has risen by 1,646%. Therefore, the issue of new shares is likely to be successful and raise sufficient capital to fund Fevertree's expansion. <i>Potential counterbalance</i> - However, the issuing of shares will dilute the existing shareholders percentage ownership of the company and the dividends that they may receive. - However, the company may not need to issue large numbers of shares. At a share price of £23.40 a significant amount of capital for expansion can be raised from a relatively small share issue.	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1(f)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 • A depreciation in the £ means that each £ is worth less in terms of another foreign currency. • The fact that most of Fevertree's raw materials, such as quinine and ginger, for its most popular drinks are imported means that Fevertree will face an increase in variable costs in £s. This will increase the unit cost of production, reducing Fevertree's competitiveness. • Exports account for 55.3% of Fevertree's sales and the market is growing at 40% per year. Therefore, the depreciation in the £ could provide the scope to lower prices in a foreign currency. Therefore, Fevertree's competitiveness may increase. <i>Possible counterbalance:</i> • Any increase in cost, may be able to be passed on to the consumer, since Fevertree's premium drinks target consumers who may not be price sensitive. Therefore, there will a limited impact on Fevertree's competitiveness. • However, the extent to which Fevertree become more competitive in its export markets depends on the market in question, since the £ is unlikely to have depreciated against every country's currency. <i>Possible judgement:</i> • The extent to which Fevertree's competitiveness is affected by the depreciation in the pound is dependent on the scale of the £s depreciation and the extent to which the company relies on imported raw materials/its competitiveness could increase, as its exports are cheaper and it will now generate more revenue in £s from the 55.3% of its sales which occur outside of the UK.	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–6	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7–10	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Answer	Mark
2(a)	Knowledge 2 Knowledge/understanding: for, e.g. The day to day finance/liquidity/short-term or current assets (1) that allows a business to meet its liabilities/cash payments/bills (1). NB: If candidates provide the correct formula (current assets - current liabilities) award 2 marks.	(2)

Question Number	Answer	Mark
2(b)	Knowledge 2 Knowledge/understanding: for, e.g. Stock are items held by the business for future sale/processing (1) such as raw materials/work in progress (WIP)/finished products (1).	(2)

Question Number	Answer	Mark
2(c)	Knowledge 1, Application 2, Analysis 1 Knowledge: 1 mark for knowing that profit and cash operate on different time scales, e.g. - Profit is recorded straight away, cash normally takes time to catch up. Application: 2 marks for contextualised examples, e.g. - Brantano has to pay for stock of Sketchers in cash, before sales revenue from a pair of shoes is received. - Brantano's customers may pay in cash for Reebok shoes when they purchase them. Analysis: up to 1 mark for explaining why there may/not be a distinction between profit and cash, e.g. - Therefore, there is a distinction between cash and profit since cash is affected straight away and profit will be recorded later when the shoes are sold.	(4)

Question Number	Answer	Mark
2(d)	Knowledge 1, Application 3 Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions. Knowledge: 1 mark for identifying the current ratio formula. - Current assets ÷ Current liabilities Application: up to 3 marks - Calculate current assets = £2 343 000 + £20 250 000 + £8 154 000 = £30 747 000 - Calculate current ratio = £30 747 000 ÷ £16 536 000 = 1.86 (2 d.p.) NB: If the answer given is 1.85, 1.859 or 1.9 award 3 marks.	(4)

Question Number	Indicative content	Mark
2(e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 - Buffer stock is the minimum level of stock that is held in reserve to protect against surges in demand or late delivery by suppliers. - The footwear market is dynamic and seasonal. So even if Brantano hold buffer stock it could consist of winter shoes, such as boots, which will not sell well in the spring/summer. - Even though Brantano hold £20 250 000 of stock, this has to cover a range of different styles and sizes across its 73 stores. Therefore, stores may start to run out of popular brands and sizes of shoe. <i>Potential counterbalance</i> - Holding buffer stocks means that Brantano will have stocks of Sketchers shoes that it can still sell even if suppliers refuse to deliver stock. - Brantano hold £20 250 000 of stock so this should be more than enough for its 73 stores and should allow it to keep trading in the short-term without running out of brands and sizes etc.	(8)

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	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
2(f)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 • Economic uncertainty is where firms/consumers are unable to predict their future sales/incomes. • Consumers are only likely to make purchases of shoes when necessary. This may cause a fall in demand and sales revenue which will reduce cash inflows making Brantano's liquidity problems even worse. • Banks are unlikely to extend Brantano's overdraft facility making it harder for Brantano to meet their supplier's demands for advanced payments. Therefore, it may run out of cash increasing the likelihood of failure. <i>Possible counterbalance:</i> • Footwear is a necessity. Therefore, demand for Brantano's shoes is unlikely to fall dramatically. Demand for its shoes could even increase since it sells value footwear. • Other factors, such as the liquidity problems that Brantano face and the increase in competition are much more likely to cause Brantano to fail than increased economic uncertainty. <i>Possible judgement:</i> • Economic uncertainty may have been a contributory factor in Brantano's failure, although this will have affected all retailers. Considering Brantano is a value retailer, it should have been in a better position to cope with falling demand. A much bigger factor which may have caused Brantano to fail could have been poor liquidity or lack of competitiveness with other retailers such as New Look.	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
3	Knowledge 4, Application 4, Analysis 6, Evaluation 6 Competitive prices: • The UK grocery market has become more competitive. Therefore, Tesco may have to charge similar prices to rivals, such as Sainsbury's, if it wants to prevent further declines in its market share and profits. • Tesco is the largest supermarket by market share, so should have the greatest economies of scale. This should allow it to lower its prices to a more competitive level and still maintain a positive profit margin. • The increase in competition due to the price war with Aldi and Lidl has made demand within the market more price elastic. Therefore, lowering prices may result in an increase in revenues and rising profits. Increase the amount of innovation: • Innovation within Tesco will be a source of differentiation and added value making the supermarket stand out compared to rivals such as Lidl. This could increase profits. • By offering more convenient methods of payment through PayQwik and better customer service through BYOD, Tesco may become a more convenient supermarket to use, attracting shoppers who are less price sensitive. This may boost sales and profits. • The innovation may be difficult/expensive for rivals to copy quickly. Therefore, if it is an effective source of differentiation because it could attract younger consumers, who would expect to pay in this way and not queue. <i>Potential recommendation:</i> • If Tesco lower their prices, it is likely that other supermarkets will respond by lowering their grocery prices as well. However, due to their economies of scale, Tesco may be best positioned to win any price war. This may increase profits in the long term. • The innovation within the store is so minor and expensive that it is unlikely to attract significant numbers of extra customers to cover the additional cost to Tesco. Therefore, it could cause profits to fall.	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

