



Mark Scheme (Results)

October 2020

Pearson Edexcel GCE AS Level

In Business (8BS0)

Paper 2: Managing business activities

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Autumn 2020

Publications Code 8BS0_02_2010_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, eg: the raising of finance (1) through the issue/sale of new shares (1)	(2)

Question Number	Answer	Mark
1 (b)	Knowledge 2 Knowledge/understanding: up to 2 marks for, eg output per person/machine (1) per period of time (1)	(2)

Question Number	Answer	Mark
1 (c)	Knowledge 1, Application 3 Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions Knowledge: 1 mark for identifying the net assets formula: - total assets – total liabilities - non-current assets + current assets – current liabilities – non-current liabilities Application: up to 3 marks for: £27 349 000 – £12 859 000 £10 637 000 + £16 712 000 - £2 652 000 - £10 207 000 - net assets = £14 490 000 NB: If answer given is £14 490 000 award 4 marks	(4)

Question Number	Answer	Mark
1 (d)	Knowledge 1, Application 3 Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions Knowledge: 1 mark for identifying the acid test ratio formula: • (current assets – inventory or stock)/current liabilities Application: up to 3 marks for: • calculate current assets – inventory or stock = £16 712 000 - £584 000 = £16 128 000 • calculate acid test ratio = £16 128 000/£2 652 000 • acid test ratio = 6.08 NB: If the only answer given is 6.08 award 4 marks	(4)

Question Number	Indicative content		Mark
1 (e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 - The product is new, no other firm has produced a robot that assists with keyhole surgery. - If CMR Surgical Ltd are successful with their Versius robot, it could encourage more competition to enter the market. - CMR Surgical Ltd are predicting sales in 2050 of £20bn. That time period is so far into the future that the sales forecast is unrealistic. <i>Potential counterbalance:</i> - The Versius robot may significantly increase the productivity of surgeons. This means that it is highly likely that sales may be high and could reach £20 billion. - CMR Surgical Ltd have first mover advantage in the market. Therefore, even if new competition enters the market CMR Surgical Ltd's robots should already have an advantage with existing hospitals and doctors. This may make sales forecasting more predictable. - CMR Surgical Ltd may view that with further advancements in technology, their robots can be adapted to perform other surgical techniques, allowing them to predict a very high sales figure of £20 billion.		(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 • Liquidity is the ability to pay bills in cash when they fall due. It is shown by the working capital within the company. CMR Surgical Ltd has just secured a share capital injection of £75 million. • Liquidity may be important because the development costs of brand new ground-breaking robotic technology are likely to be high. Therefore, there may be large cash outflows. • The robot has not been completed yet, so it is likely that CMR Surgical Ltd's cash inflows may be virtually zero. Therefore, the company may be using its cash quickly whilst it develops the new robot for market, so net cash flow may be negative. Therefore, liquidity may be important. <i>Possible counterbalance:</i> • Liquidity may not be important since other factors such as ensuring the robot works properly and meets the needs of surgeons may be more important. • CMR Surgical Ltd's working capital in 2017 was £14 060 000. This seems to suggest that it has limited working capital problems, even before the 2018 cash injection. Thus, liquidity is unlikely to be problematic. • However, CMR Surgical Ltd operate with ground-breaking robotic medical technology. A major setback could cost millions of £ to correct. Therefore, lack of liquidity still has the potential to cause the business to fail. <i>Possible judgement:</i> • The extent to which liquidity is important is dependent on how well-developed the Versius robot is. If the product is nearing completion and all of the major engineering problems have been solved, cash outflows are likely to decrease. Therefore, liquidity is unlikely to be an important factor in allowing CMR Surgical Ltd to develop its new product.	(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 throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout 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 wide ranging and well contextualised, using quantitative and/or 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: up to 2 marks for, eg: where a firm receives stock/inventory/raw materials from a supplier (1) which it does not have to pay for until later (1)	(2)

Question Number	Answer	Mark
2 (b)	Knowledge 2 Knowledge/understanding: up to 2 marks for, eg: the raising of capital/cash (1) from within/inside the business (1)	(2)

Question Number	Answer	Mark
2 (c)	Knowledge 1, Application 3 Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS4: interpret index numbers Knowledge: 1 mark for identifying the % change formula: $(\text{April 2018 figure} - \text{May 2017 figure}) \div \text{May 2017 figure} \times 100$ Application: up to 3 marks for: - calculate change in index number series = $97.3 - 99.1 = -1.8$ - calculate % change = $(-1.8/99.1) \times 100$ - calculate answer = -1.82% NB: If the only answer given is -1.82 award 4 marks. If the only answer given is 1.82, -1.81 award 3 marks. If the only answer given is -1.8 award 1 mark.	(4)

Question Number	Answer	Mark
2 (d)	Knowledge 1, Application 2, Analysis 1 Knowledge: 1 mark for knowing what is meant by employee protection legislation, eg: • laws that give workers basic rights to prevent them from being exploited, eg minimum wages, redundancy payments, maternity leave, etc. Application: up to 2 marks for contextualised examples, eg: • when Debenhams reduced the size of its outlets, it made some retail workers redundant (1) • employment legislation will protect the rights of full and part-time retail staff (1) Analysis: up to 1 mark for explaining what the effect may be on Debenhams, eg: • therefore, Debenhams' costs may initially increase due to redundancy payments (1) • therefore, employees may be more motivated within the department store, leading to better customer service (1)	(4)

Question Number	Indicative content		Mark
2 (e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 • A depreciation of the £ means that each £ buys less foreign currency. • Debenhams plc may have to pay more £ to purchase each € worth of imported clothes, make-up etc. for its department stores. This may increase costs. • Consumers may find that their disposable incomes are squeezed since the £ price of food, petrol etc. may increase. This reduces consumers' ability to purchase clothing from Debenhams plc. <i>Potential counterbalance:</i> • However, the £ has only depreciated by 2.7% between April 2017 and April 2018. • Debenhams plc may not source a large percentage of its stock from outside the UK. Therefore, the extent to which Debenhams plc's £ costs increase may be limited. • Debenhams plc tends to target higher income consumers. These consumers may have an increase in incomes that more than match the rise in prices. As a result, the impact of lower consumer spending may not have a severe impact on Debenhams plc's sales.		(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
2 (f)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 • A competitive retailing environment means that department stores may be trying to retain market share by lowering prices in light of the intense competition from rivals such as House of Fraser/John Lewis. • This means that profit margins on clothing and make-up may be reduced. • Debenhams plc may have to improve aspects of its service to attract customers such as improving its website or re-fitting its stores. • Debenhams plc may not be able to compete with rivals, such as John Lewis. As a result, it may have to close even more of its stores or find other ways of reducing costs. <i>Possible counterbalance:</i> • It may force Debenhams plc to improve its efficiency, which could reduce unit costs and allow for larger profit margins on clothing. • It could force Debenhams plc to improve its market orientation which it would otherwise not do, eg increase its online presence, increase advertising, etc. • By Debenhams plc having an improved online presence may limit the impact of the competitive high street retail environment on the business. <i>Possible judgement:</i> • The impact depends on whether Debenhams plc holds a competitive advantage and the degree to which the competition has increased. Considering Debenhams plc's half year profits fell by 85%, this suggests that the increase in competition has had a significant impact on Debenhams plc's ability to compete.	(10)

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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	3-4	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 developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout 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, wide ranging and 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
3	Knowledge 4, Application 4, Analysis 6, Evaluation 6 Stop using ethically sourced materials - Switching to cheaper suppliers that do not ethically source their raw materials should reduce the variable costs of each handbag. Therefore, contribution per bag may increase allowing for a lower break-even point. - The materials used, such as plastic tyres and bottles, do not have to be ethically sourced and consumers may not understand that an ethically sourced recycled tyre is different to any other type of recycled tyre. Therefore, this could reduce the break-even point with a limited impact on sales. - Ethical sourcing may be the primary source of differentiation for the company and the 'Matt & Nat' brand name means 'Material' and 'Nature'. To switch to unethical suppliers may damage the USP of the company. Thus, although contribution per bag may be higher, sales may fall significantly. - Ethical sourcing could be the main source of added value. Therefore, by not using ethically sourced raw materials, the average variable cost may fall by less than the selling price, resulting in a smaller contribution per wallet. Therefore, the break-even point may actually rise, rather than fall. Skimming pricing strategy - Using a skimming pricing strategy will increase contribution per handbag. Therefore, fixed costs will be paid off faster, reducing the break-even point. - The price elasticity of demand for the 'Berlin' handbag may be low this is because the brand has a luxury image since it sells bags to Natalie Portman. Therefore, raising prices may increase revenue due to a relatively small reduction in sales. This should reduce the break-even point. - Using a skimming pricing strategy may not appeal to some consumers since the products are not made out of luxury raw materials. As a result, there may come a point where high-income consumers would rather have a Prada bag instead. Therefore, the lower break-even point cannot be reached, due to sales being low. - The increase in price could result in Matt & Nat's PED changing since their products now become a larger percentage of a consumer's income. Therefore, any increase in the price of its wallets may cause a significant fall in sales. This may reduce the company's ability to reach its new, lower break-even point.	

	<i>Potential recommendation:</i> • If Matt & Nat stop using ethically sourced raw materials, it may reduce the variable costs of production, but considering it already uses waste products, the fall in variable costs may be limited. Thus, the break-even point may fall by an insignificant amount, but with significant risks that the brand may be damaged which would make the lower break-even point unobtainable. • Using a skimming pricing policy is likely to be the most suitable option, since the PED for its bags is likely to be low. This is because Matt & Nat's products have a celebrity following. Therefore, this is likely to be the least risky option in reducing Matt & Nat's break-even point.	(20)
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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 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 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 recommendations.

