Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCSE Business 1BS0/01
Paper 1 Investigating Small Business

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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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:

  i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
  ii) elect and use a form and style of writing appropriate to purpose and to complex subject matter
  iii) organise information clearly and coherently, using specialist vocabulary when appropriate.

Section A

Question number	Answer	Mark
1(a)	C - Trade credit	**(1)** **AO1a**

Question number	Answer	Mark
1(b)	B - The value of one currency in terms of another currency	**(1)** **AO1a**

Question number	Answer	Mark
1(c)	Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks. An entrepreneur could receive support and training (1). This means they are less likely to make poor business decisions (1), which reduces the chance of business failure (1). The entrepreneur could benefit from national advertising campaigns (1) because they have access to a larger advertising budget (1). This means the business will have increased brand awareness (1). Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.	**(3)** **AO1a=1** **AO1b=2**

Question number	Answer	Mark
1(d)	Award 1 mark for identification of one way, plus 2 further marks for explaining this way up to a total of 3 marks. A small business could use market segmentation by using gender (1). Different products can be targeted to customers depending on if they are male or female (1). This will lead to a business being able to meet the needs of those particular customers (1). A small business could segment a market using income (1). People with a higher level of income are more likely to buy luxury goods (1). This means a business could develop a higher quality product to target these customers (1). Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.	**(3)** **AO1=1** **AO1b=2**

Question number	Answer	Mark
2(a)	C - Price D - Product	**(2)** **AO1a**

Question number	Answer	Mark
2(b)	B - Discrimination D - Health and safety	**(2)** **AO1a**

Question number	Answer	Additional guidance	Mark
2(c)	Substitution into correct formula: Total Costs = £3 600 + (£9 x 340) (1) Answer: £6 660 (1)	Award full marks for correct numerical answer without working.	**(2)** **AO2**

Question number	Answer	Mark
2(d)	Award 1 mark for identification of an aim, plus 2 further marks for explaining this aim up to a total of 3 marks. An entrepreneur may wish to gain personal satisfaction from starting a business (1). This is because they may feel that they have achieved something in life (1) which is based on the hard work they put into starting the business (1). A non-financial aim could be independence (1). An entrepreneur is able to make their own decisions when running a business (1) instead of being told what to do as an employee (1). Accept any other appropriate response. Answers that list more than one aim 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. Responses are based on a person's opinions (1). This means they can be very varied (1) therefore making it difficult to make a judgement on customer preferences (1). Qualitative data is mostly non-numeric (1). This makes it difficult to analyse the data (1). This can mean it is difficult to make decisions based on this data (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)	C - Raw materials	**(1)** **AO1a**

Question number	Answer	Additional guidance	Mark
3(b)	Substitution into correct formula: Total Profit = £4 000 + £ 4 000 - £2 000 (1) Answer: £6 000 (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 benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks. One benefit to a small business of understanding customer needs is that it can set a suitable price (1). This means customers are more likely to buy the product (1). This will generate more revenue for the business (1). The small business can develop the quality of the product to meet customer needs (1). This means the business can gain a competitive advantage (1), which allows the business to gain a larger market share (1). Accept any other appropriate response. Answers that list more than one benefit 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 reason, plus 2 further marks for explaining this reason up to a total of 3 marks. This will help minimise risk (1). Financial information such as a cash flow forecast can help identify potential problems (1). This will allow the business to plan for these problems in advance (1). The financial information can help the business to obtain finance (1), because the figures can be reviewed by a bank (1). Therefore, the bank can then make a judgement whether the business can repay the loan or not (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	Indicative content	Mark
3(e)	• Having access to cash will allow the business to pay its suppliers on time (AO1b). • Having a positive net cash flow will prevent insolvency in a small business (AO1b). • If a business fails to pay its suppliers on time then they will lose trust and will not allow the business to purchase goods using credit (AO3a). • Without cash a business will struggle to pay running costs such as wages and rent. This could cause the business to close down (AO3a).	**(6)** **AO1b=3** **AO3a=3**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Section B

Question number	Answer	Mark
4(a)	Award up to 2 marks for linked points outlining a suitable risk taken by the owners. Award a maximum of 1 mark if points are not linked. The owners risked a loss of security (1) as they previously had jobs in the food industry (1). The owners risked financial loss (1). There may not have been a demand for hand-made desserts (1). Do not accept a risk that would not be appropriate for the owners. For example, she risked losing her personal possessions.	**(2)** **AO2**

Question number	Indicative content	Mark
4(b)	• It can make it easier to raise finance for the business expansion as it can sell shares (AO2). • Shareholders may not agree about the most suitable location for the possible new premises (AO2). • The business will require increased funds to increase the production of the desserts on the new menu. This will include the purchase of new machinery (AO3a). • It may be felt that it would be better to move the premises closer to the market whilst others would argue it is better to stay closer to the excellent suppliers (AO3a).	**(6)** **AO2=3** **AO3a=3**

Level	Mark	Descriptor
		No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Question number	Answer	Additional guidance	Mark
5(a)	Substitution into correct formula: Break-even output = £2 730/£2.00 – (£0.50+£0.20) = 2 100 Desserts	Award full marks for correct numerical answer without working.	**(2)** **AO2**

Question number	Answer	Additional guidance	Mark
5(b)	Increase in raw materials = 4/100 * £0.50 = £0.02 Variable cost per dessert = £0.52+£0.20 (1) Answer: £0.72 (1)	Award full marks for correct numerical answer without working.	**(2)** **AO2**

Question number	Indicative content	Mark
5(c)	• People will have higher incomes and are more likely to spend this on luxury goods. This will increase the demand for the hand-made desserts (AO2). • Higher consumer income will lead to increased demand in the economy. This could therefore lead to an increase in inflation which could mean the price of ingredients for the desserts may increase (AO2). • This supports the plans for *Last Course Patisserie* to expand. The increase in recent demand for the desserts is now likely to be sustained meaning a longer term investment is less of a risk (AO3a). • If suppliers increase the price of the ingredients then *Voco Desserts* will experience a rise in costs. This could mean they make less profit for each dessert or have to charge a higher price to their customers (AO3a).	**(6)** **AO2=3** **AO3a=3**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Question number	Answer	Mark
6(a)	Award 1 mark for stating one benefit to *Last Course Patisserie* of conducting secondary market research. Research into food purchases has already been carried out thus saving time (1). It is more convenient as it can be difficult finding customers with in rural areas such as Devon (1). Sources such as the government provide validated information on amount of money households spend on food (1). Accept any other appropriate response. Do not accept benefits that would not be appropriate for *Last Course Patisserie*. For example, *Last Course Patisserie* could use secondary research to fully understand customer needs.	**(1)** **AO2**

Question number	Answer	Mark
6(b)	Award up to 2 marks for linked points outlining an impact on a stakeholder group of *Last Course Patisserie*. Award a maximum of 1 mark if points are not linked. Employees (1) will be affected as they may have to travel away from Devon to work at the new location (1). The owners/shareholders (1) will be affected as the new premises will allow increased production of desserts and therefore more sales (1). Do not accept an impact that would not be appropriate for *Last Course Patisserie.* For example, the new premises will allow the business to compete with major brands.	**(2)** **AO2**

Question number	Indicative content	Mark
6(c)	• Machinery can work more quickly than employees which will increase the rate of production (AO2). • Employing more staff allows *Last Course Patisserie* to continue using existing production methods (AO2). • An increased rate of production will allow more desserts to be produced in the same amount of time. This will reduce the average costs of making each dessert. *Last Course Patisserie* can then decide to maintain existing price and make more profit per dessert or reduce its price to gain competitive advantage over other hand-made products (AO3a). • *Last Course Patisserie* can be flexible when making its products because they are hand-made. If it continues to make the desserts by hand then this can be seen as a quality feature which adds value to the food (AO3a). • Investing in machinery involves high initial costs. This invested may therefore be wasted because the increased demand for the desserts may not be sustainable. This could still be made comfortably by hand if there were more employees and more space (AO3b). • If the business continues to expand then the use of machinery may become inevitable. If levels of demand for the new menu continue to rise then employee only production will not be able to supply the market with enough desserts (AO3b).	**(9)** **AO2=3** **AO3a=3** **AO3b=3**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).

Section C

Question number	Answer	Mark
7(a)	Award one mark for stating one way *Aphrodite* could use social media. Facebook to show images of new clothing (1). Twitter could be used to provide links to a new designer (1). Social media (1). Accept any other appropriate response. Do not accept a way that would not relate to *Aphrodite*. For example, put an advert on Facebook.	**(1)** **AO2**

Question number	Answer	Mark
7(b)	September	**(1)** **AO2**

Question number	Answer	Mark
7(c)	Award up to 2 marks for linked points outlining a reason why *Aphrodite's* range of stock gives it an advantage. Award a maximum of 1 mark if points are not linked. *Aphrodite* can stock a range of clothes that no other shop has (1). This will attract customers who like buying new fashion (1). New designers may offer special discounts to *Aphrodite* to stock their clothes (1). This gives *Aphrodite* a cost advantage over competition (1). Do not accept a reason that would not be appropriate for *Aphrodite.* For example, *Aphrodite* can produce clothes of higher quality than other businesses.	**(2)** **AO2**

Question number	Indicative content	Mark
7(d)	• A loan is an external source of finance which means that the brothers can use retained profit at a later date (AO2). • Crowd funding is a source of finance that will not require any interest to be paid when financing the conversion (AO2). • Figure 2 shows that interest rates are very low. It makes financial sense to take advantage of this and obtain a loan. The interest rate will be fixed so *Aphrodite* would continue to benefit from the low rate for the full duration of the loan (AO3a). • If no interest is paid on finance then *Aphrodite* can keep its costs low. This will be beneficial as it goes through a period of change. It is better to use crowd funding to grow the business as it reduces financial risk (AO3a). • Despite the previous success of *Aphrodite*, the bank may be reluctant to provide a loan. Even if the bank agrees it will require financial plans for the expansion and may even ask for security from *Aphrodite* to secure the loan (AO3b). • Aphrodite is expanding the premises for the first time. They may encounter unexpected building problems when they start to convert next-door. If the brothers do not raise enough money through crowd funding then they will not be able to cover any additional costs (AO3b). **NB** There are a number of different types of crowdfunding and some candidates may refer to them. These include: 1. Rewards-based crowdfunding 2. Donation-based crowdfunding 3. Equity crowdfunding 4. Debt crowdfunding Please take this into account when marking this question.	**(9)** **AO2=3** **AO3a=3** **AO3b=3**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b). •
Level 3	7-9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).

Question number	Indicative content	Mark
7(e)	• E-commerce will allow *Aphrodite* to sell its clothes to a wider market (AO1b). • The clothes market is very competitive so using e-commerce may have a limited effect on sales (AO1b). • The website has been operating since 2007 allowing customers from all over the world to buy clothes from *Aphrodite* (AO2). • Many other clothes shops sell labels such as Stone Island and Hugo Boss. This will make it difficult to attract the attention of new customers (AO2). • The full range of clothes, with all sizes, can be displayed on the website. If the website is well designed and the ordering/returns is easy for customers then sales should increase because new customers will be confident that the service they receive from the website matches the high service levels they would have received in person (AO3a). • In order to attract new customers then the brothers may have to be price competitive. This would mean lowering their prices and reducing the profit margins on the clothes. Suppliers may be not allow them to do this as cheaper prices can harm the image of a brand (AO3a). • However, customers may be reluctant to purchase clothes using e-commerce because they are unable to try the clothes on to ensure they fit. *Aphrodite* sell expensive brands so customers may not want to spend large sums of money if they cannot check the fit and quality first (AO3b). • However, many people live busy lives and not be able to go shopping as much as they would like. E-commerce would still lead to increased sales with existing customers as they would shop online. They trust the business and, as long as the website offers excellent service, they will appreciate the convenience it offers (AO3b).	**(12)** **AO1b=3** **AO2=3** **AO3a=3** **AO3b=3**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).
Level 2	5-8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a) • Draws a conclusion based on sound evaluation of business information and issues (AO3b).
Level 3	9-12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).