



Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE

In Business (9BS0)

Paper 2: Business activities, decisions and strategy



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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)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding of mission statements e.g. a qualitative statement of an organisation's aims.</p> <p>Application: up to 2 marks for answers in the context of Morrisons, e.g. refers to</p> <ul style="list-style-type: none"> • Human, ethical and ecological values • We are one team • Not just focused on numbers • Competitors such as Lidl or Aldi <p>Analysis: 1 mark for answers that explain the benefit of a mission statement to Morrisons e.g.</p> <ul style="list-style-type: none"> • Customers may agree with its values and consequently prefer to shop there rather than at competitors • Motivational and sense of direction for employees. 	(4)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed:</p> <p>QS1: calculate, use and understand ratios, averages and fractions</p> <p>Knowledge: 1 mark for identifying formula for Acid test ratio</p> <p><u>Current assets – inventory</u> Current liabilities</p> <p>Application: up to 3 marks for:</p> <ul style="list-style-type: none"> Calculation for 2014 $\frac{1429 - 852}{2873} = 0.20:1$ Calculation for 2015 $\frac{1138 - 658}{2273} = 0.21:1$ Therefore, $0.21 - 0.20 = 0.01$ <p>NB: If only 0.01 is given award 4 marks. If candidate only calculates to one decimal point e.g. 0.2:1 for both years and states that there is no difference – BOD award 4 marks</p>	(4)

Question Number	Indicative content
1 (c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Where there is rivalry between similar companies within the same market • Morrisons is competing with Tesco and Sainsbury's, as well as rapidly growing smaller supermarkets like Aldi and Lidl <p>Negative effects:</p> <ul style="list-style-type: none"> • Consumers are more price sensitive and may choose supermarkets, such as Aldi and Lidl, that offer lower prices or better value for money • Consumers are less loyal and will shop around for the best prices, which has created an opportunity for Aldi and Lidl to expand • It will be difficult to maintain market share as shown in 2015 when Lidl's market share grew by 17.9%, whilst Aldi's market share grew by 17.6%, whereas Morrisons market share fell by 1% • Declining market share may have a negative effect upon profitability. This will mean that shareholders could receive lower dividends and there will be less profit retained for future investment <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> • However Morrisons customers may be loyal for reasons such as location, range/quality of groceries, this means that they still have a strong customer base • Morrisons still has a market share of 11% compared to 5.6% for Aldi and 4.3% for Lidl, consequently they still have greater market power • The 'I'm cheaper' campaign shows that Morrisons have the resources to combat the threat from Aldi and Lidl <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • In the short run the likely effects will be negative as Morrisons may struggle to compete on price with the discount supermarkets and could lose market share • In the long run the threats from the discounters could be reduced as Morrisons still has a greater market share and more resources such as more stores and greater funds available for promotional campaigns <p>(10)</p>

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

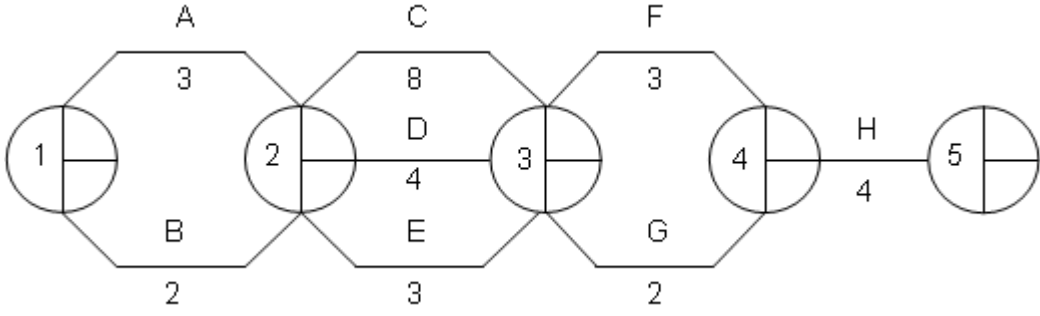
Question Number	Indicative content	Mark
1 (d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <ul style="list-style-type: none"> Transformational leadership is the ability to implement a vision through radical policies and strategies to bring about a positive change <p>Reasons why:</p> <ul style="list-style-type: none"> He has replaced several directors. This may have resulted in the introduction of new ideas, such as the 'I'm cheaper' campaign The previous directors may have been resistant to his ideas and consequently made the implementation of his strategy to achieve his vision more difficult He has sold off 140 convenience stores in order to focus on improving the performance of its supermarkets, which could have been met with resistance from employees and customers <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> Improved performance could be due to the recent rise in consumer confidence which meant that they had increased their spending at Morrisons which led to 0.6% increase in revenue Consumers could have greater disposable incomes because of continued low interest rates / lower energy costs leading to increased spending on groceries which has little to do with transformational leadership <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> David Potts' transformational leadership has been responsible for the improved performance as he has recruited new directors who shared his vision which then brought about positive change to Morrisons David Potts is a newly appointed leader, therefore it is too soon to make an effective judgement whether he has been transformational in the change process. The improvement to Morrisons' performance could be due to external factors such as greater disposable incomes. 	(12)

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Level 3	5–8	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	9–12	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
1(e)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Market share is the % of the total market a business has in terms of volume or value • Shareholders interests include rising profits, good dividends and a share price that is increasing <p>Cutting prices:</p> <ul style="list-style-type: none"> • Low prices may be a key reason for determining which supermarket a consumer will choose when consumers' budgets are tight. Morrisons' 'I'm cheaper' campaign could therefore attract customers away from rivals, such as Lidl or Aldi. This could lead to an increase in Morrisons' revenue, which, assuming costs are managed, would improve its profitability • The growing market shares of discount supermarkets, such as Aldi and Lidl, show how important low prices are in attracting customers and Morrisons need to cut prices in order to compete, which should increase sales volume • Increased sales volume from existing supermarkets should result in lower unit / average costs for Morrisons because its fixed costs are being spread over more units <p>Customer experience:</p> <ul style="list-style-type: none"> • By offering a wider product range / better quality of groceries / better customer service, Morrisons could attract more customers as these may provide a USP / competitive advantage, for which customers could be prepared to pay higher prices with a bigger profit margin • Consumer shopping habits are changing – an ageing population and more single person households has resulted in more frequent shopping trips. This means that convenience in terms of better accessibility and longer opening hours is becoming more important to profitability because Morrisons can sell products at higher prices with a bigger profit margin 	(20)

	<p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> • Cutting prices might be more suitable as for most customers it is a key reason for choosing a supermarket. To improve profitability Morrisons needs to increase its sales revenue and market share • Improving the overall customer experience may be more suitable as it could differentiate Morrisons from its rivals and create brand loyalty. 	
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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 recommendations.

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed:</p> <p>QS 3: construct and interpret a range of standard graphical forms</p> <p>QS 8: use and interpret quantitative and non quantitative information in order to make decisions</p> <p>Knowledge: 1 mark for implicit understanding of network diagrams E.g. at least 1 correct calculation of either EST or LFT</p> <p>Application: 3 marks for:</p>  <p>Circle 1: top 0, bottom 0 Circle 2: top 3, bottom 3 Circle 3: top 11, bottom 11 Circle 4: top 14, bottom 14 Circle 5: top 18, bottom 18 (to be entered on a diagram)</p> <p>1 mark for correct calculation of all ESTs for each node 1 mark for correct calculation of all LFTs for each node 1 mark for identification of critical path A, C, F and H</p>	(4)

Question Number	Answer	Mark
2 (b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skill assessed: QS1: calculate, use and understand ratios, averages and fractions</p> <p>Knowledge: 1 mark for understanding of formula for calculating capacity utilisation</p> <p><u>Current output</u> x 100 Maximum output</p> <p>Application: up to 2 marks for correct calculations:</p> <ul style="list-style-type: none"> • A: $250,000/500,000 \times 100 = 50\%$ • B: $400,000/500,000 \times 100 = 80\%$ <p>Analysis: 1 mark for explaining an implication for soft drinks manufacturer A</p> <ul style="list-style-type: none"> • 50% capacity utilisation would mean that fixed costs are being spread over fewer units resulting in higher unit / average costs. 	(4)

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A private limited company is owned by its shareholders who usually also run the business. • The shareholders cannot sell their shares without the agreement of the other shareholders and shares cannot be sold on the Stock Exchange. <p>Reasons for selling shares</p> <ul style="list-style-type: none"> • Coca-Cola may provide advice as well as finance. Such advice may be useful for Innocent Drinks' owners who may be limited by their lack of expertise • Coca-Cola also has a well developed distribution network which could help Innocent Drinks expand into new export markets • Only a minority of shares have been sold. Therefore Richard Reed and the other owners of Innocent Drinks will still retain control <p>Reasons against selling shares</p> <ul style="list-style-type: none"> • Coca-Cola may expect to be involved in decision making, which could be a source of potential conflict between it and Innocent Drinks owners regarding future direction of the business • Coca-Cola will expect to receive a share of the profits through dividends, meaning less funds available for the owners and for reinvestment into new machinery and new drinks • Potential damage to Innocent Drinks image because of the unhealthy reputation of Coca-Cola's drinks, which could create bad publicity as well as alienating existing customers and employees who felt Innocent Drinks original values had been compromised. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Innocent Drinks should have sold the shares because it enabled the company to expand using Coca-Cola's expertise and £30m finance as the two alternative options were only able to offer finance • Innocent Drinks should not have sold the shares because it led to them ultimately losing their control and independence as Coca-Cola became the majority shareholder in 2013. 	(10)

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Question Number	Indicative content	Mark
2 (d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <p>A takeover is where one business buys a majority shareholding in another business and obtains full management control</p> <p>Potential financial risks:</p> <ul style="list-style-type: none"> • Initial cost of £16.5m which could rise to £21m. This is a significant amount which could be lost if the takeover is not successful • Opportunity cost – could the £21m be better spent on developing new soft drinks or increased marketing? • Lack of expertise – this is a new market for AG Barr and carries greater risk and uncertainty, which could negatively affect profitability <p>Potential financial rewards:</p> <ul style="list-style-type: none"> • Diversification into new markets. AG Barr would no longer be reliant on the soft drinks market for its sales revenue and profits • Entering a new market. The cocktail mixer market is growing and AG Barr can sell its products to another market segment, providing the opportunity for increased sales and profits • Potential economies of scale. AG Barr can use its existing distribution network and production facilities. This could lead to reduced unit costs <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • The financial rewards could be greater as the takeover provides the opportunity for AG Barr to diversify into a growing market • The financial risks could be greater as AG Barr is entering a new market and due to their lack of expertise, could potentially fail with the loss of at least £21m 	(12)

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2(e)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • The stakeholder approach considers that a business should consider all of its stakeholders in its business decisions/objectives • The shareholder approach is that a business should focus purely on shareholder returns in its business decisions/objectives <p>Stakeholder approach – arguments for:</p> <ul style="list-style-type: none"> • Better image – positive publicity from reducing Unilever’s environmental impact and increasing its positive social impact. This could attract customers • Attract ethical investors who would actively choose to buy shares in Unilever • Improved relations with suppliers by paying fair prices and placing regular orders should ensure reliability of good quality raw materials <p>Shareholder approach – arguments for:</p> <ul style="list-style-type: none"> • Increased costs from the stakeholder approach could reduce profitability resulting in lower dividends and a falling share price • Lack of focus on shareholder returns could lead to confusion and inefficiency • Shareholders are the owners of the business and consequently their interests should be more important than other stakeholders <p><i>Potential recommendation (Two examples)</i></p> <ul style="list-style-type: none"> • The stakeholder approach should be adopted as the long term success of a business is dependant upon developing good relations with all of its stakeholders • The shareholder approach should be adopted as the main purpose of a business is to generate good profits for its shareholders, without whom the business would not exist 	(20)

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