



Mark Scheme (Results)

November 2021

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 batch production, e.g. A manufacturing process in which components or goods are produced in groups (batches) Knowledge mark can also be awarded for a valid reason, e.g. suitable for businesses that produce a range of products</p> <p>Application: up to 2 marks for</p> <ul style="list-style-type: none"> • Pura cosmetics produces a range of 12 lip balms and 10 lip scrubs • They come in a range of flavours, such as raspberry and gingerbread • Pura Cosmetics wants to increase output from 6,000 to 15,000 units per month/increase sales turnover by 300% <p>Analysis: 1 mark for</p> <ul style="list-style-type: none"> • Batch production could be considered the most efficient method for Pura Cosmetics because it produces a wide range of products • Batch production is flexible, so Pura Cosmetics may be able to increase output in order to meet any sudden increase in demand for products, such as gingerbread lip balm. 	(4)

Question Number	Answer	Mark
1 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed:</p> <p>QS5: calculate, cost, revenue and break-even QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for identifying the contribution per unit formula, i.e.</p> <ul style="list-style-type: none"> Selling price per unit – variable cost per unit (1) <p>Application: up to 3 marks for</p> <ul style="list-style-type: none"> Selling price = $\text{£}30,000 / 6\,000 = \text{£}5$ (1) Variable cost per unit at 6 000 units is $\text{£}6,000 / 6\,000 = \text{£}1$ (1) Contribution per unit of one lip balm is therefore $\text{£}5 - \text{£}1 = \text{£}4$ (1) <p>NB: if the only answer given is £4, award 4 marks. If the answer given is 4, award 3 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"> • Venture capital is a method of external finance where funding is provided by an investor in exchange for a share in the business <p>Arguments for venture capital:</p> <ul style="list-style-type: none"> • Pura Cosmetics is a new business, so Rose Dyson may struggle to obtain finance from banks, who may consider the business a high risk • Rose Dyson lacks experience and may benefit from the advice of Deborah Meadon • Since Pura Cosmetics intends to expand rapidly, it may need additional finance and expertise, which the source of venture capital could provide <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Rose Dyson will have to give up some control in running the business because they have exchanged a share in the business in return for finance • Rose Dyson will have to give a share of the profits to the venture capitalist, which may reduce retained profits and therefore limit Rose's expansion plans • There is the potential for disagreements between Rose Dyson and the venture capitalist regarding how to run the business because the ownership and therefore control of Pura Cosmetics is now split <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Pura Cosmetics appears to have great potential; therefore, a venture capitalist may provide the venture capital and guidance to enable the business to continue to expand successfully, which may not be available through other sources • Rose Dyson has developed the business on her own and may be able to finance the business sufficiently through retained profits, rather than from a venture capitalist and therefore avoiding a loss of ownership and control. 	(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 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 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"> • A takeover occurs when one business acquires a majority shareholding of another business <p>Benefits for Unilever:</p> <ul style="list-style-type: none"> • Dermalogica is an established brand with a well-known reputation and well developed global distribution links, therefore this may enable Unilever to increase its market share of the health and beauty products market • Unilever may benefit from economies of scale, such as purchasing (of ingredients such as aloe vera) and managerial (such as the expertise of Dermalogica's managers knowledge of the skincare market), which may reduce Unilever's unit costs <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • High initial cost of £500 million to Unilever, which may result in a reduction of short term profits • Potential diseconomies of scale may arise from the takeover, e.g. Dermalogica's employees may be demotivated as a result of working for a much bigger business, which may reduce employee productivity • Dermalogica is a niche business which has an outstanding reputation amongst skin care professionals. Dermalogica's brand reputation may be damaged as a result of being taken over by a multinational business such as Unilever because products will be more mass market <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • This takeover may enable Unilever to achieve its objective of increasing the sales of personal care goods to 66% of total worldwide sales given that Dermalogica currently sell in over 80 countries • Unilever may only benefit from this takeover if it ensures that it maintains the strengths of Dermalogica's business model and retains its culture to avoid damage to the brand image amongst skincare professionals. 	(12)

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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	5–8	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 style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content</p> <ul style="list-style-type: none"> Cash flow is the movement of money into and out of a business <p>Option 1 - overdraft facility:</p> <ul style="list-style-type: none"> Pura Cosmetics aims to rapidly expand by increasing output to 15,000 units per month, therefore this may result in significant cash outflows as the business may need to rent a bigger factory, order more raw materials and take on more staff. So an increased overdraft could provide Pura Cosmetics with the available additional working capital to pay for these increased cash outflows, avoid over-trading and running out of cash. Pura Cosmetics forecasts a negative cash flow in December of £3,800. An overdraft facility may enable it to continue trading to avoid damaging relationships with its retailers from reducing the credit period. <p>Option 2 - reducing the credit period to its customers:</p> <ul style="list-style-type: none"> Pura Cosmetics currently offers its 30 retailers one month's credit. Reducing the trade credit period to these retailers may have a positive effect on Pura Cosmetics' net cash flow because they will receive the cash/cash inflows more quickly. There is a forecasted negative cash flow of £3,800 in December, by reducing the trade credit period Pura Cosmetics could receive more of the £63,000 cash inflows they would have otherwise received in January, therefore avoiding any overdraft and interest charges. This option could enable Pura Cosmetics to avoid the interest costs of an overdraft, which could lead to increased cash outflows adding to the £22,700 in January. 	

	<p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> • Pura Cosmetics should choose to increase its overdraft facility because it could be easy to arrange with its bank and may provide the additional finance it may need at crucial times to enable sales to flourish rather than all of the time, e.g. ordering extra stock before Xmas. • Reducing trade credit period would not be an issue for Pura Cosmetics, because it currently supplies 30 small retailers who only order small amounts of stock. Therefore, the value of their orders may not be too high and consequently reducing the trade credit period may not be a significant issue for them. <p>MOPS</p> <ul style="list-style-type: none"> • Market <p>Pura Cosmetics is in the cosmetics market. This is a large and competitive market dominated by multinational companies, such as Unilever and L’Oreal. Pura Cosmetics has successfully identified a gap in this market for ethical beauty products.</p> <ul style="list-style-type: none"> • Objectives <p>Pura Cosmetics has set the objective of rapid expansion by increasing output to 15,000 units a month and increasing sales by 300%.</p> <ul style="list-style-type: none"> • Product <p>Pura Cosmetics has developed a USP of selling ethical products at accessible prices and is a niche operator.</p> <ul style="list-style-type: none"> • Situation <p>The business is relatively new and niche. It appears to have great potential and Rose Dyson has shown impressive entrepreneurial qualities so far. However the business is still vulnerable and may face several challenges as it expands.</p>	(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 cause(s) and/or consequence(s)/effect(s).
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 cause(s) and/or consequence(s)/effect(s) 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 cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative 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 use of 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 2, Analysis 1</p> <p>Knowledge: 1 mark for, e.g.</p> <p>A budget is a financial plan of income and expenditure Reasons for budgets may include: setting targets, motivating staff and measuring performance</p> <p>Application: 2 marks for</p> <ul style="list-style-type: none"> • Buy it Direct is split into different divisions such as computers, electrical appliances and furniture • The head of each division reports directly to Buy it Direct's Chief Executive <p>Analysis: 1 mark for</p> <ul style="list-style-type: none"> • This may act as a motivator because each head of division is trusted to set their own budgets • It enables the Chief Executive to set targets for each division and monitor its performance 	(4)

Question Number	Answer	Mark
2 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skill assessed: QS6: calculate investment appraisal outcomes and interpret results</p> <p>Knowledge: 1 mark for</p> <p>Payback is the length of time a project will take to make the amount of money spent on it</p> <p>Application: up to 3 marks for correct calculations:</p> <ul style="list-style-type: none"> • Net cash-flow for 3 years is £600,000 (1) • Calculation of payback: 3 years plus $\text{£100,000/£200,000} \times 12 = 3 \text{ years and 6 months}$ (1) • The difference is 6 months longer (1) <p>NB: If the only answer given is 6 months award 4 marks.</p>	(4)

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>QS 8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>QS 9: interpret, apply and analyse information in written, graphical and numerical form</p> <p>Indicative content</p> <p>Interest rates are the reward for saving and lending or the cost of borrowing expressed as a percentage of the money saved or borrowed.</p> <p>Positive effects on Buy it Direct:</p> <ul style="list-style-type: none"> • Interest rates have fallen from 0.75% in 2019 to 0.1% in 2021, so Buy it Direct may benefit from lower borrowing costs, enabling them to offer more competitive prices • Buy it Direct may be encouraged to increase its investment in projects such as its bathroom division because of the lower cost of borrowing • There is likely to be an increase in demand for household appliances and consumer electronics. Consumers may be attracted by cheaper credit finance deals in purchasing these products <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • The fall in interest rates may lead to lower rewards for savers. This may reduce the ability of certain consumers to purchase more expensive items, such as household appliances and therefore reduce the demand for Buy it Direct's products • The fall in interest rates may lead to a depreciation in the value of the £. This could lead to an increase in the cost of imported electrical products from China, forcing Buy it Direct to increase its prices • Buy it Direct's UK rivals could also benefit from the fall in interest rates, consequently Buy it Direct's sales may not increase <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • The fall in interest rates is only 0.65% between 2019 and 2021, consequently this may have only a limited effect on Buy it Direct 	(10)

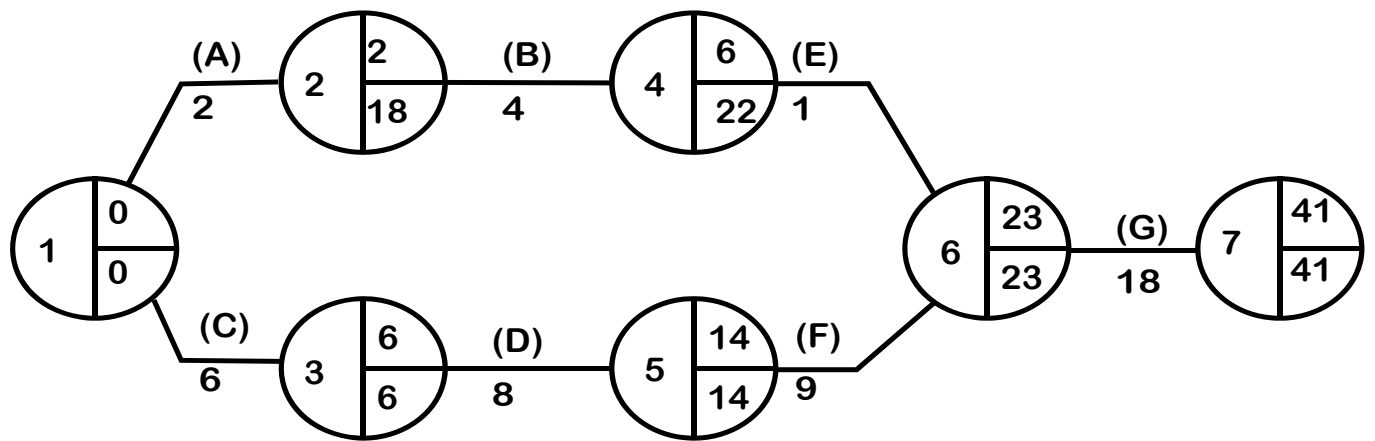
Level	Mark	Descriptor
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Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which 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	5–7	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	8–10	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
2(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>QS 8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>QS 9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content</p> <p>Critical path analysis is the process of planning the sequence of activities in a project in order to discover the most efficient and quickest way of completing the project whilst ensuring that all stages are finished.</p> <p>Potential value of critical path analysis:</p> <ul style="list-style-type: none"> • CPA enables Buy it Direct to schedule activities within a project simultaneously in this case completing the project in 41 weeks, 4 weeks ahead of the 45 week target. • The critical path of activities C,D,F and G can be identified • The float time for non-critical activities can be determined, e.g. A ($18-2-0 = 16$ weeks), B ($22-4-2 = 16$ weeks) and E ($23-1-6 = 16$ weeks). • CPA allows Buy it Direct to manage its cash flow better. For example, suppliers of equipment do not have to be paid until week 23. <p>Potential limitations:</p> <ul style="list-style-type: none"> • Accuracy of the figures. The Operations Director is new and may lack experience, therefore the project may take longer than the calculated 41 weeks. • Unexpected events may occur e.g. teething problems with the new equipment, which could delay the entire project beyond the 45 week deadline. • CPA may encourage focus on speed rather than quality. This could have a negative effect such as insufficient time for staff training (activity D). 	

	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"> CPA is a valuable planning tool especially for such an important project as this. Any delay could cause significant problems for an e-commerce business such as Buy it Direct because customers expect prompt delivery of their electrical household goods. The value of CPA to Buy it Direct could be dependent upon the actual implementation of each activity, e.g. staff recruitment and training may take longer than expected in which case critical path analysis is simply a planning tool. 	(12)
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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 is 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	5–8	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.

Completed CPA for Buy it Direct



Question Number	Indicative content	Mark
2(e)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Option 1 – market penetration:</p> <ul style="list-style-type: none"> • Market penetration is selling existing products in an existing market, which is considered the least risky strategy by Ansoff. • Buy it Direct is one of the largest online retailers in the UK. It may be able to gain purchasing and marketing economies of scale as a result of its size and lower unit costs. • By continuing to operate online Buy it Direct can sell more of its existing range of household items and electrical goods, such as Bosch and Zanussi, to a wider range of its existing customers, therefore increasing revenue through higher sales volume. • Buy it Direct has consistently developed new products, e.g. kitchen appliances, televisions and furniture. This proves that they have been successful and therefore there is little need to diversify. <p>Option 2 – diversification:</p> <ul style="list-style-type: none"> • Diversification (new products to a new market) is considered by Ansoff to be more risky than market penetration but potentially more rewarding because it offers greater opportunities to sell to a greater range of markets. • Buy it Direct has expanded as a business by consistently offering new products e.g. it started by selling computers and electronics, before expanding into kitchen appliances, televisions and furniture, therefore it proves it can take these risks and succeed. • By developing new products such as bathrooms, it is offering a wider range of products to its customers. This may lead to increased sales revenue overall. • The UK Electrical Household Appliance market only grew by 0.5% as a result of a slowing housing market and wavering consumer confidence. Developing new products could enable Buy it Direct to enter markets with higher rates of sales growth. 	

	<p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> • Buy it Direct should choose market penetration of the UK Electrical Household Appliance market because it has significant competitive advantages compared to rivals, such as Currys. These include a wider range of products, competitive prices, high levels of customer service and the convenience of ordering online. • Buy it Direct should choose diversification and enter new markets because it enables the business to not be dependent upon one product market. By offering new products such as bathrooms, this may also give Buy it Direct a USP compared to other online retailers. This could attract new customers and lead to an increase in sales revenue. <p>MOPS</p> <ul style="list-style-type: none"> • Market <p>The UK Household Electrical Appliance Sector is a mass market. It is dominated by e-commerce retailers such as Amazon and AO.com as well as high street retailers such as Currys/PC World.</p> <ul style="list-style-type: none"> • Objectives <p>Buy it Direct has set the objective of increasing its sales revenue.</p> <ul style="list-style-type: none"> • Product <p>Buy it direct sells a wide range of products. These include computers, electronics, domestic appliances, televisions and furniture. It is considering setting up a new division that sells bathrooms.</p> <ul style="list-style-type: none"> • Situation <p>Buy it Direct is a successful well established business that has been operating since 1999. It is a large business that employs 250 staff and is expanding.</p>	(20)
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	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 cause(s) and/or consequence(s)/effect(s).
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 cause(s) and/or consequence(s)/effect(s) 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 cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative 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 use of 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.

