



Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCE A Level
In Business (9BS0)

Paper 02 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 one reason why businesses that sell VisionSpring glasses may prefer to stay small:</p> <ul style="list-style-type: none">• Flexibility in responding to customer needs• Reduced risk of business failure <p>Application: up to 2 marks for two uses of context e.g</p> <ul style="list-style-type: none">• Shops selling glasses are located in rural areas• Small business owners visit villages to conduct eye tests. <p>Analysis: 1 mark for</p> <ul style="list-style-type: none">• Local businesses may have greater knowledge of their customers' needs.• Therefore the small business owners can respond quickly to their customer needs by supplying glasses immediately if needed.	(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>QS2: calculate, use and understand percentages and percentage changes</p> <p>QS6: calculate investment appraisal outcomes and interpret results</p> <p>Knowledge: 1 mark for identifying the formula for calculating Average Rate of Return:</p> <p>average annual return/initial cost x 100 (can be implied)</p> <p>Application: up to 3 marks for</p> <ul style="list-style-type: none"> • Total return = $216 - 4 = 212$ • Average annual return = $212/2 = 106$ • ARR = $106/4 \times 100 = 2650\%$ <p>NB: if the only answer given is 2650% 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"> Retained profit is a source of internal finance kept by the business, rather than distributed to the shareholders/owners. <p>Arguments for retained profits:</p> <ul style="list-style-type: none"> The business model is profitable, e.g. VisionSpring makes £1 profit (100% mark-up) for every pair of glasses it sells. VisionSpring will pay no interest which reduces costs. VisionSpring will have complete flexibility/control in how it uses the funds. <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> An established business may be able to immediately provide a larger loan than the sum available from retained profits. Retained profits can only be used once so is no longer available to VisionSpring for other purposes, such as contingency finance. ITC may have better knowledge of the Indian market which could enable VisionSpring to spend the loan/fund more effectively. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> Retained profits are more likely to enable VisionSpring to adhere to its ethical values as a social enterprise which may not be shared by ITC. A loan from ITC may enable VisionSpring to expand more rapidly and therefore achieve its aim to provide glasses that are affordable to people in developing countries more quickly. 	(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 chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7–10	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1 (d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A socially responsible business considers business ethics as a key influence on its strategic decisions <p>Positive effects:</p> <ul style="list-style-type: none"> • Warby Parker donates one pair of glasses to Sightsavers for every pair it sells – this may improve its reputation • Increased sales and brand loyalty may result from Warby Parker's improved reputation • Warby Parker may also attract ethical investors and be viewed as a good company to work for by potential employees <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Potential trade-off between being ethical and profitable, because of the costs of producing a pair of glasses that yield no revenue i.e. giving away a pair of glasses for each one sold • Lower profit may reduce shareholders/owners returns <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Being socially responsible is a key USP for Warby Parker and differentiates it from its rivals. This could enable it to gain brand loyalty and further increase sales, resulting in greater profit • Customers may choose to purchase from Warby Parker because it offers lower prices, rather than because it is socially responsible. Lower prices may lead to smaller profit margins and reduced profits 	(12)

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Level 3	5–8	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	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> <p>Indicative content</p> <ul style="list-style-type: none"> Corporate objective is a goal that a business strives to achieve in order to meet its long term aim. <p>New range of contact lenses – arguments for:</p> <ul style="list-style-type: none"> Warby Parker already have a good reputation for selling glasses at low prices – this may enable them to persuade customers to also buy contact lenses Ansoff would classify this option as product development – it may enable Warby Parker to target new customers Innovation in a new optical product, such as contact lenses, may be a source of distinctive capability and as a result may enhance its appeal/reputation amongst high income customers <p>Sell glasses in the low income market – arguments for:</p> <ul style="list-style-type: none"> Warby Parker already has a distinctive capability as a result of its association with Sightsavers plus the fact that it designs its own glasses The low income market has a size by volume of 4 billion people which therefore means more volume of sales potential. Ansoff would classify this option as market development Warby Parker’s approach could be very suitable for the low income market because of its low prices and online availability <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> The contact lens option could lead to a higher growth rate because Warby Parker has a trusted reputation for selling high quality products at a low price online, which it could apply to existing as well as new customers in the high income market The low income market could lead to a higher growth rate because it enables Warby Parker to target a market of 4 billion people that is currently not served by other large optical businesses. Selling online may be more accessible to customers in this market However VisionSpring are already well established in this market 	(20)

Market – the market for glasses is divided into high income (high profit margin, low volume) and low income (low profit margin, high volume)

Objectives – Warby Parker's main objective is to grow the business

Product – Warby Parker has a USP of offering low priced designer glasses that can be ordered online as well as promoting itself as an ethical business

Situation – Warby Parker has spotted and exploited successfully a niche in the market. It has developed a good reputation in the high income market

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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 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 recommendation(s).

Question Number	Answer	Mark
2(a)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS8: use and interpret quantitative and non-quantitative information in order to make decisions QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for understanding the use of a cash flow forecast e.g. he can estimate expected cash inflows/outflows over a period of time</p> <p>Application: up to 2 marks for use of evidence/the cash flow forecast e.g</p> <ul style="list-style-type: none"> • Hardy Punglia forecasts negative net cash flows in January and February/cash flows January (5 000) and February (400) • The closing balance is forecast to be negative in January and February. January (3 000) and February (3 400) • Hardy Punglia is planning to expand his business <p>Analysis: 1 mark for explaining one use of the cash flow forecast e.g</p> <ul style="list-style-type: none"> • The cash flow forecast may enable Hardy Punglia to arrange additional finance from his bank, to cover the negative closing balances • Drawing up a cash flow forecast could be valuable when discussing the additional finance required for the business expansion with potential investors 	(4)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skill assessed: QS5: calculate cost, revenue, profit and break-even</p> <p>Knowledge: 1 mark for identifying the profit variance formula (can be implied)</p> <ul style="list-style-type: none"> • Actual profit – budgeted profit (can be implied), or • Formula for the calculation of cost or sales revenue variance <p>Application: up to 3 marks for correct calculations</p> <ul style="list-style-type: none"> • Calculate the budgeted profit: $\text{£}20\,900\text{m} - \text{£}16\,204\text{m} = \text{£}4\,696\text{m}$ • Calculate the actual profit: $\text{£}23\,310\text{m} - \text{£}18\,226\text{m} = \text{£}5\,084\text{m}$ • Calculate the variance in profit: $\text{£}5\,084\text{m} - \text{£}4\,696\text{m} = \text{£}388\text{m}$ <p>Alternative calculation</p> <ul style="list-style-type: none"> • Calculate the sales revenue variance: $\text{£}23,310\text{m} - \text{£}20,900\text{m} = \text{£}2410\text{m}$ • Calculate the cost variance: $\text{£}18,226 - \text{£}16,204\text{m} = \text{£}2022\text{m}$ • Calculate the profit variance: $\text{£}2410\text{m} - \text{£}2022\text{m} = \text{£}388\text{m}$ <p>NB: if the only answer given is £388m/388m award 4 marks If the only answer given is £388/388 award 3 marks</p>	(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"> • Just in time organises operations so that items of stock arrive immediately before they are needed for production or sale <p>Reasons why it has contributed to Zara's success:</p> <ul style="list-style-type: none"> • Limited stock encourages Zara customers to purchase every time they visit • Zara customers visit more frequently, 17 times per year on average, and therefore may buy more items • Limited stock may result in less unsold clothes which is essential in the fast changing (dynamic) fashion market <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Danger of running out of stock may frustrate Zara's customers and therefore may damage its reputation • Selling small amounts of different clothes may increase average costs e.g. distribution costs • It may be difficult to achieve purchasing economies of scale as a result of buying a larger range of clothing in small quantities <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • JIT has contributed to Zara's success because regularly introducing new clothes in limited quantities attracts customers to visit more often leading to more sales • Zara's success may be due to other factors such as product design and marketing 	(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> <ul style="list-style-type: none"> • Scenario planning is the process of anticipating possible changes in a business's situation and devising ways of dealing with them <p>Potential usefulness of scenario planning:</p> <ul style="list-style-type: none"> • The Barnsley fire enabled ASOS to identify key risks and therefore ASOS was able to quickly respond to the Berlin fire and limit potential damage to their business • ASOS only suffered short term disruption after the Berlin fire and were able to fulfil orders from its Barnsley warehouse so sales did not suffer • The ASOS website in Germany and the UK were able to continue to operate normally so online orders were still fulfilled as normal <p>Potential limitations:</p> <ul style="list-style-type: none"> • ASOS still lost stock worth £6m as a result of the fire in Berlin therefore scenario planning cannot totally eliminate damage to the business • The opportunity cost/trade offs in terms of time and money spent on identifying and mitigating potential risks e.g. less money available to spend on website development/TV advertising • ASOS would have faced an increase in costs for the business by having to fulfil European orders through the Barnsley warehouse <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • ASOS's scenario plan was useful because it was put into operation after the Berlin fire, resulting in its share price recovering quickly which may have reassured investors • ASOS cannot plan for all potential disasters, such as flood damage to stock or its website being hacked. Therefore scenario planning is more useful if ASOS can identify the risk and implement effective plans to limit the damage to the business 	(12)

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Question Number	Indicative content	Mark
2(e)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content</p> <ul style="list-style-type: none"> Quality control uses quality inspectors as a way of finding any faults whereas TQM is a quality assurance system where quality is the responsibility of all employees <p>Quality control – arguments for:</p> <ul style="list-style-type: none"> Zara can specifically train inspectors to sample clothes to check that quality standards are being maintained therefore allowing other employees to focus on creating new designs. Quality control is less costly as inspectors only check a sample of clothing in their factories in Spain and Portugal, enabling more resources to be focussed on marketing/retail development as other stores are opened Quality control is less time consuming, as it should allow Zara to use existing quality inspectors and processes in their new stores, reducing the need to train all staff across 850 stores and more production staff in TQM <p>TQM – arguments for:</p> <ul style="list-style-type: none"> TQM is a right first time approach ensuring that at every stage of production clothing is checked for quality, rather than a sample, which should eliminate any defects TQM may empower its employees resulting in motivational benefits for Zara because it trusts its employees to take responsibility to guarantee the standard of quality of their own work Establishing a culture of quality in the new employees will be important to Zara, to prevent quality standards deteriorating as the business expands to 850 stores and employs additional production staff in their factories in Spain and Portugal <p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> In the short term, quality control may be cheaper and quicker as fewer employees would be needed to carry out the quality inspection compared to TQM. This potential increase in speed may allow Zara to get the stock to the stores quickly, which the fashion market requires TQM may ensure zero defects on Zara's clothing, which will reduce the number and cost of faulty returns therefore improving their reputation in the short term and increase the future profits in the long term. This could be vital as the business increases its customer base. 	(20)

	<p>Market – Zara operates in the fast changing, dynamic fashion market. They compete against brands such as Topshop and H & M</p> <p>Objectives – Zara aim to expand the business further by opening another 200 stores</p> <p>Product – Zara has a reputation for being innovative. They constantly bring out new products, but in limited supply in order to create an image of exclusivity</p> <p>Situation – Zara is a well established and successful business. It is one of the market leaders and generates impressive profits</p>		
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