



Mark scheme (Results)

Summer 2018

Pearson Edexcel GCE A Level
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 internal finance, finance generated within the business/owner's capital, personal savings, retained profit or giving a reason for using internal finance e.g. retain control</p> <p>Application: up to 2 marks for contextualized examples e.g.</p> <ul style="list-style-type: none">• Mumtaz is a private limited company owned entirely by the Akbar family• High sales revenue and growth of ready meals indicates the business can use retained profits as a source of finance• Sales revenue of around £25m and ready meals part of the business is growing by 15-20% per year <p>Analysis: 1 mark for developing a reason e.g.</p> <ul style="list-style-type: none">• Internal finance is cheaper as there are no borrowing costs, such as interest payments• Internal finance enables the Akbar family to retain control of the business	(4)

Question Number	Answer	Mark
1 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS5: calculate cost, revenue, profit and break even QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for Understanding of the margin of safety: the difference between the actual output and the break-even output</p> <p>Margin of safety = sales volume – break-even output</p> <p>Application: up to 3 marks for:</p> <ul style="list-style-type: none"> • Calculation of unit contribution: $\text{£}5 - \text{£}2 = \text{£}3$ • Calculation of break-even output: $\frac{3}{3} = 1\text{m units}$ • Margin of safety = $1.5\text{m} - 1\text{m} = 500,000 \text{ units}$ Can accept 0.5 million <p>NB: Award 4 marks if the candidate only states 500,000 units Award only 3 marks if candidate states/calculates 0.5</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"> Organic growth occurs when a business expands internally and does not involve another business taking over or merging with it <p>Reasons for organic growth:</p> <ul style="list-style-type: none"> Mumtaz Foods retains control especially as it is a family owned business It maintains its existing management/structure/culture It enables the business to plan for and control growth e.g. the decision to enter the ready meals and halal baby food market plus to open its own restaurants and factories <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> Organic growth is slower e.g. Mumtaz Foods has existed since 1979 and has only gradually grown to its current size Organic growth is limited, for example the business has only expanded in the Asian food market Limited finance available to fund organic growth e.g. Mumtaz has only used internal finance <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> Organic growth is the right decision because it enables the business to maintain control, which is especially important because Mumtaz is a long established business that has always been owned by the Akbar family Organic growth is not the right decision because the business may have been slower than its competitors to grasp the opportunities offered by the growing ready meals market 	(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>Marks for application and analysis include up to 2 marks for quantitative skills</p> <p>QS9: Interpret, apply and analyse information in written, graphical and numerical forms</p> <ul style="list-style-type: none"> • Economic growth is an increase in the output of goods and services produced in an economy over time • Inflation measures the general rise in aggregate prices • Unemployment measures the % of the working population who are without a job and actively seeking work • The £/\$ exchange rate measures how many dollars can be exchanged for one pound <p>Impacts:</p> <ul style="list-style-type: none"> • Rising unemployment could negatively affect Mumtaz's restaurants due to customers cutting back on meals out, given lower disposable income • Rising inflation (from 1.2% to 2.7%) may add to Mumtaz's costs, such as energy, which may result in a fall in profit margins • A weaker £ (a fall of 24 cents between 2016 and 2020) could result in higher import costs especially for ingredients if they are priced in dollars <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Rising unemployment may benefit the ready meals business as customers may prefer to stay at home and choose an 'affordable treat' rather than eating out • Rising inflation may be passed on in the form of higher prices, which could have little impact given that Mumtaz Foods sells premium products • A weaker £ could benefit Mumtaz's export sales, especially as its ready meals products are sold in more than 40 countries <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • The unemployment rate is forecasted to increase from 4.8% to 6.5%, which may have a negative impact on 	

	<p>the restaurant business because it is a luxury good and people may need to make economies.</p> <ul style="list-style-type: none"> • Rising unemployment may have a positive impact because of the greater availability of workers especially for Mumtaz's new factory in Bradford • The impact may be negative for the restaurants because demand is likely to be more income elastic but positive for ready meals. Overall impact on Mumtaz may depend upon which part of the business is bigger 	(12)
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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 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>Arguments for producing own label ready meals for supermarkets</p> <ul style="list-style-type: none"> • The ready meals market grew by 2% in volume and value in 2016 • Supermarket 'own label' ready meals have a combined market share of 68%, with Tesco owning 18% • Mumtaz already supplies Tesco, Asda and Morrisons • 'own label' ready meals can be used by supermarkets to meet a wide range of customer needs and specific tastes • Mumtaz has increased its production capacity enabling it to meet the potential increased demand from supermarkets • Increased demand may enable the business to benefit from economies of scale and higher levels of capacity utilisation, resulting in lower unit costs • Higher sales and lower unit costs may result in greater profitability and further expansion for Mumtaz Foods <p>Arguments for selling more Mumtaz premium brand name products</p> <ul style="list-style-type: none"> • There is a trend amongst consumers to prefer premium ready meals • It is predicted that future success may be for innovative new products – Mumtaz's successful Halal baby food range proves that it is capable of developing successful new products • Ansoff would classify this strategy as market penetration, which carries the least risk • Porter would classify this strategy as 'differentiation' enabling Mumtaz to gain a competitive advantage through a USP of quality and authenticity • 'Own label' relies heavily on price discounts and promotional offers – focusing on selling Mumtaz products would avoid this and enable the business to charge higher prices <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> • Mumtaz should choose the option of supermarket 'own label' ready meals because supermarkets own 68% of the market. Supermarkets have a greater distribution 	

- which might therefore enable Mumtaz to sell more of their products and enable them to achieve the aim of becoming the UK's market leader in Asian ready meals
- Mumtaz should choose to sell more Mumtaz premium brand name products because it is an established brand that is already growing rapidly in UK supermarkets and abroad. This strategy is less risky as it is not dependent on a few supermarkets and enables the business to maintain competitive advantage through differentiation

Example of possible 'MOPS' recommendations

Market – the market is the ready meals market. It is a growing market which is dominated by supermarket own brands. Consequently, in order to achieve the aim of market leader, focusing on producing 'own label' ready meals would appear to be the best option.

Objectives – Mumtaz aims to be the market leader in Asian ready meals. It already has an established reputation for premium products and supplies the big supermarkets (e.g. Tesco 18%) with its own products. Consequently, selling more Mumtaz premium brand products would be the best option.

Product – Mumtaz is innovative e.g. the new Halal baby food range. The introduction of new product ranges is an important factor in driving sales. Retailers offer different recipes which enable them to meet a wide range of consumer tastes. Consequently, the supermarket 'own label' option should be chosen because it offers Mumtaz more opportunities to sell a wider range of products enabling it to achieve its aim of becoming market leader.

Situation – Mumtaz is an expanding business with the ready meals part of the Group growing by 15-20% a year. It is also exporting to over 40 countries and planning to manufacture ready meals in Asia. Consequently, the best option would be to focus on premium brand products so they could establish Mumtaz as a global brand and achieve its aim of becoming market leader.

(20)

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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 style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding of an internal cause of business failure e.g. machinery breakdown, cash flow problems</p> <p>Application: up to 2 marks for contextualized examples</p> <ul style="list-style-type: none">• Failure to produce new and improved models• High production costs of the 'Mini' <p>Analysis: 1 mark for developing a cause e.g.</p> <ul style="list-style-type: none">• Failure to produce new and improved models may lead to poor sales as customers prefer superior cars from foreign rivals• High production costs resulting from poor efficiency may lead to poor profit margins	(4)

Question Number	Answer	Mark
2 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for:</p> <p>Understanding of labour productivity: $\frac{\text{Output per month}}{\text{Number of workers}}$</p> <p>Application: up to 3 marks for correct calculating labour cost per car</p> <ul style="list-style-type: none"> • Monthly labour productivity: $20,000/400 = 50$ cars per worker • Labour cost per car = $\text{£}2,000/50$ • = $\text{£}40$ <p>Or</p> <ul style="list-style-type: none"> • Total monthly labour costs: $400 \times 2,000 = 800,000$ • Labour cost per car: $800,000/20,000$ • = $\text{£}40$ <p>NB: Award 4 marks if the candidate only states $\text{£}40/40$</p>	(4)

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> Employee legislation ensures that businesses comply with laws such as national minimum wage, rights for redundancy, equal opportunities and health and safety <p>Potential negative effects:</p> <ul style="list-style-type: none"> VW is cutting 30,000 jobs as a result of having to reduce costs due to the \$15bn fine caused by the cheating emissions scandal. This may have led to significant redundancy costs VW is creating 9,000 new jobs as it shifts to self-driving cars. It will need to ensure that it implements correct recruitment and selection procedures in order to avoid being accused of discrimination. This may make the procedure longer and more expensive Increased costs of having to comply with legislation such as health and safety, by ensuring safe working conditions in VW's factories <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> VW may be able to restore its reputation by being seen as a good employer VW may gain favourable publicity and attract better quality candidates for vacancies By complying with health and safety legislation, VW may gain benefits such as fewer industrial accidents and improved employee morale <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> In the long term, by complying with legislation, VW may gain positive effects, enabling it to restore its reputation with both employees and customers 	(10)

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Question Number	Indicative content	Mark
2(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Reasons for issuing AA shares (a long-term approach):</p> <ul style="list-style-type: none"> • It provides Toyota's managers with more time to develop new cars because 'Model AA' shares must be held for five years • Toyota aims to raise \$4 billion for long-term investment in the car of the future, including areas such as R+D, technology and staff development • Toyota's shareholders could benefit from sustained profitability, for example 'Model AA' shareholders are paid a guaranteed dividend each year <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> • Some shareholders may demand more immediate rewards. This may force managers to work more efficiently because Toyota need to satisfy their demands • Some shareholders may encourage managers to respond more quickly to market changes e.g. rise in demand for hybrid and electric cars and criticisms of diesel cars in order to generate immediate returns • Shareholders own the business and may expect good dividends and a rising share price each year <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Toyota is in a highly competitive/dynamic market and needs to respond quickly to market changes and consumer preferences. This supports meeting the needs of short-term investors • Toyota requires long-term investors because it needs to invest in assets such as robotics and plant, in order to maintain competitiveness in a market known for innovation and technological. • Ultimately a long-term investment will only work if shareholders are prepared to be patient and accept this strategy 	(12)

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Question number	Indicative content	Mark
2 (e)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Arguments for developing a new range of self-driving cars:</p> <ul style="list-style-type: none"> • The market for self-driving cars is predicted to grow – VW hope to exploit this through its partnership with Gett • Consumers may prefer self-driving cars because of their greater convenience • Diesel cars are becoming less popular – by shifting to self-driving cars VW is moving away from a declining market • Ansoff would classify this strategy as new product development – VW may be able to gain a competitive advantage over its rivals <p>Arguments for improving productivity:</p> <ul style="list-style-type: none"> • Improving productivity may reduce unit costs by spreading the fixed costs of labour or machinery over more units • Lower unit costs may enable VW to charge more competitive prices and/or increase profit margins • Car production is capital intensive, improved productivity may be achieved by investment in new technology • VW is cutting 30,000 jobs – so it may need to improve the labour productivity of its existing workforce in order to meet demand <p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> • VW should choose to develop a new range of self-driving cars because it could help restore its brand image and attract more customers to increase its revenue more than the increase of costs • VW should choose to improve its productivity because lowering unit costs is essential for improving profitability given the competitiveness of the car industry and the possible high numerical value of PED • In the short term, improving productivity is more important because the business needs to quickly improve its profitability after the diesel emissions scandal. In the long term, developing a new range of self-driving cars is more important, due to the predicted changes in the car industry. 	

	<p style="text-align: center;"><u>Example of possible 'MOPS' recommendations</u></p> <p>Market – the car market is dynamic e.g. the rising popularity of electric and self-driving cars. Volkswagen need to keep up with changing customer tastes. Consequently, self-driving cars should be developed to increase sales/market share in order to achieve its aim.</p> <p>Objectives – Volkswagen is suffering from weak profitability and needs to become more efficient as a result. Consequently, it should improve productivity in the short term in order to achieve its aim.</p> <p>Product – Volkswagen's current diesel cars are losing popularity. As such, it needs to be more innovative and develop cars that meet changing consumer tastes. Consequently, it should develop a new range of self-driving cars in order to achieve its aim.</p> <p>Situation – Volkswagen 'needs a real shake-up' as it has high labour costs and a complex organizational structure. In the short term it needs to improve its productivity first in order to generate the profits required for developing the new self-driving cars.</p>	<p style="text-align: center;">(20)</p>
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