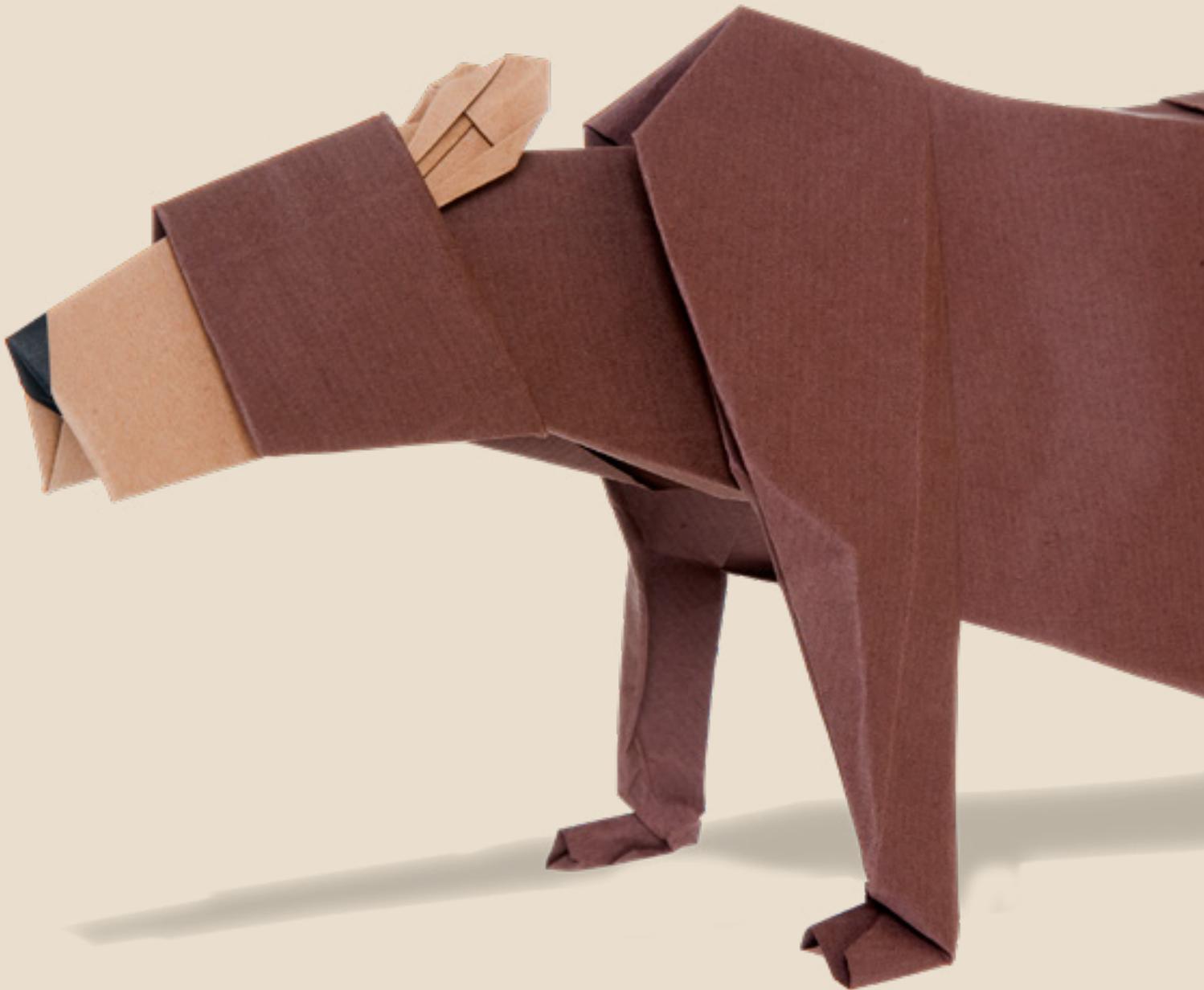


# A Level Business



## Sample Assessment Materials

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Pearson Edexcel Level 3 Advanced GCE in Business (9BS0)

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*First teaching from September 2015*

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*First certification from 2017*

| Issue 2

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Original origami artwork: Mark Bolitho  
Origami photography: Pearson Education Ltd / Naki Kouyioumtzis

ISBN 978 1 446 91468 7

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## Summary of Pearson Edexcel Level 3 Advanced GCE in Business SAMs

### Issue 2 changes

Summary of changes made between previous issue and this current issue	Page number
The front cover of Paper 1: Marketing, people and global businesses has been updated to read: ‘You must have: Source booklet (enclosed)’	5
The initial instructions for Paper 1 Section A have been update from: ‘Read the following extracts (A to C) before answering Question 1.’ To ‘Read the following extracts (A to C) in the source booklet before answering Question 1.’	6
Paper 1 Question 1 (e) has been updated from ‘Evaluate the importance of branding in helping businesses such as Sony to enter the Chinese games console market.’ to ‘Sony is aiming to enter the Chinese video games console market. Sony could focus on its pricing strategy or the branding of its games consoles.  Evaluate these two options and recommend which one is the most suitable for Sony to maximise sales when entering the Chinese market.’	13
The initial instructions for Paper 1 Section B have been updated from: ‘Read the following extracts (D to F) before answering Question 1.’ To ‘Read the following extracts (A to C) in the source booklet before answering Question 1.’	17
Paper 1 Question 2 (e) has been updated from ‘Using the data in Extract F, evaluate the likely impact of the changing value of the pound (£) on an export business such as Vi-Spring.’ to ‘Vi-Spring is aiming to increase the sales growth of its beds and mattresses. Vi Spring could either continue to focus on markets such as the UK and USA or focus on increasing sales in countries such as India and China.  Evaluate these two options and recommend which one is most suitable for Vi-Spring to achieve sales growth.’	24
The front cover of Paper 2: Business activities, decisions and strategy has been updated to read: ‘You must have: Source booklet (enclosed)’	51
The initial instructions for Paper 2 Section A have been updated from: ‘Read the following extracts (A to D) before answering Question 1.’ To ‘Read the following extracts (A to D) in the source booklet before answering Question 1.’	52

<p>Paper 2 Question 1 (e) has been updated from  'Evaluate the importance of quality management to a business such as Samsung.'  to  'Samsung has set itself the objective of improving the efficiency of its factories. To achieve this objective, Samsung is considering whether to continue with its use of cell production, or switch to more capital intensive methods of production.</p> <p>Evaluate these <b>two</b> options and recommend which one is most suitable for Samsung to achieve its objective of improved efficiency.'</p>	59
<p>The mark scheme for Question 1 (e) has been changed to reflect the updated question format</p>	86
<p>The initial instructions for Paper 2 Section B have been updated from:  'Read the following extracts (E to G) before answering Question 2.'  To  'Read the following extracts (E to G) in the source booklet before answering Question 2.'</p>	63
<p>Paper 2 Question 2 (e) has been updated from  'Evaluate the environmental and ethical factors that might affect the success of a business such as Young's Seafood Limited.'  to  'Young's Seafood Limited has set itself the objective of increasing its profitability. To achieve this objective, it is considering either to become a more ethical business or to takeover the Loch Fyne chain of restaurants.</p> <p>Evaluate these <b>two</b> options and recommend which one is most suitable for Young's Seafood Limited to achieve its objective of increasing its profitability.'</p>	70
<p>The mark scheme for Question 2 (e) has been changed to reflect the updated question format</p>	94
<p>The front cover of Paper 3: Investigating business in a competitive environment has been updated to read:  'You must have:  Source booklet (enclosed)'</p>	97
<p>The initial instructions for Paper 3 Section A have been updated from:  'Read the following extracts (A to D) before answering Question 1.'  To  'Read the following extracts (A to D) in the source booklet before answering Question 1.'</p>	98
<p>Paper 3 Question 1 (d) has been updated from  'Using the data from the tables in Extract D, evaluate the likely impact of economic growth on UK-based crisp manufacturers.'  to  'Walkers is looking to expand its operations in overseas markets in order to increase its sales. Walkers could focus on China or India.</p> <p>Using the data from the tables in Extract D, evaluate these two options and recommend which one is the most suitable for Walkers to help maximise sales.'</p>	105

<p>The initial instructions for Paper 3 Section B have been updated from:          'Read the following extracts (E to H) before answering Question 2.'          To          'Read the following extracts (E to H) in the source booklet before          answering Question 2.'</p>	110
<p>Paper 3 Question 2 (d) has been updated from          'Using the data in Extracts G and H and ratio analysis, evaluate whether          Burts should continue to expand.'          to          'Burts Chips Ltd has decided to expand. It is considering whether to          prioritise profitability or liquidity during this expansion.            Using the data in Extracts G and H and ratio analysis, evaluate these two          options and recommend which one is the most suitable for supporting Burts          expansion.'</p>	117
<p>The mark scheme for Question 2 (d) has been changed to reflect the updated          question format</p>	138

If you need further information on these changes or what they mean, contact us via our website at: [qualifications.pearson.com/en/support/contact-us.html](http://qualifications.pearson.com/en/support/contact-us.html).



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# Introduction

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The Pearson Edexcel Level 3 GCE in Business is designed for use in schools and colleges. It is part of a suite of GCE Level qualifications offered by Pearson.

These sample assessment materials have been developed to support this qualification and will be used as the benchmark to develop the assessment students will take.



# General marking guidance

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- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do, rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive. However, different examples of responses will be provided at standardisation.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked, unless the candidate has replaced it with an alternative response.

## How to award marks when level descriptions are used

### Finding the right level

The first stage is to decide which level the answer should be placed in. To do this, use a 'best-fit' approach, deciding which level most closely describes the quality of the answer. Answers can display characteristics from more than one level, and where this happens markers must use their professional judgement to decide which level is most appropriate.

### Placing a mark within a level

After a level has been decided on, the next stage is to decide on the mark within the level. The instructions below tell you how to reward responses within a level. However, where a level has specific guidance about how to place an answer within a level, always follow that guidance. Statements relating to the treatment of students who do not fully meet the requirements of the question are also shown in the indicative content section of each levels-based mark scheme. These statements should be considered alongside the level descriptors.

Markers should be prepared to use the full range of marks available in a level, and not restrict marks to the middle. Markers should start at the middle of the level (or the upper-middle mark if there is an even number of marks) and then move the mark up or down to find the best mark. To do this, they should take into account how far the answer meets the requirements of the level:

- If it meets the requirements fully, markers should be prepared to award full marks within the level. The top mark in the level is used for answers that are as good as can realistically be expected within that level
- If it only barely meets the requirements of the level, markers should consider awarding marks at the bottom of the level. The bottom mark in the level is used for answers that are the weakest that can be expected within that level

- The middle mark(s) of the level is used for answers that have a reasonable match to the descriptor. This might represent a balance between some characteristics of the level that are fully met and others that are only barely met.

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

## Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 2 hours

Paper  
reference

**9BS0/01**

### **Business**

#### **Advanced**

#### **PAPER 1: Marketing, people and global businesses**

**You must have:**

Source booklet (enclosed)

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**Pearson**





(c) Assess the possible benefits to manufacturers of video games consoles of the liberalisation of the Chinese market.

(10)

Area for writing the answer, consisting of multiple horizontal dotted lines.

DO NOT WRITE IN THIS AREA

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(d) Assess the likely impact of the proposed expansion of ASEAN on a business such as Sony.

(12)

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

A large rectangular area with rounded corners, containing numerous horizontal dotted lines for writing.



DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

**(Total for Question 1 = 50 marks)**

**TOTAL FOR SECTION A = 50 MARKS**





(c) Assess the possible factors that may have led to the Chinese government imposing a tariff on imported furniture.

(10)

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

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(d) Assess the importance to a business such as Vi-Spring of having highly-skilled and motivated craftsmen.

(12)

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DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

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Vi-Spring is aiming to increase the sales growth of its beds and mattresses. Vi-Spring could either continue to focus on markets such as the UK and USA or focus on increasing sales in countries such as India and China.

(e) Evaluate these **two** options and recommend which one is most suitable for Vi-Spring to achieve sales growth.

(20)

Area with horizontal dotted lines for writing the answer.

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

**(Total for Question 2 = 50 marks)**

**TOTAL FOR SECTION B = 50 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**



# Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 2 hours

Paper  
reference

**9BS0/01**

## **Business**

**Advanced**

**PAPER 1: Marketing, people and global businesses**

### **Source Booklet**

**Do not return this Booklet with the question paper.**

Turn over ►

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## SECTION A

Read the following extracts (A to C) before answering Question 1.

### Extract A

#### Sony launches PlayStation 4 (PS4) at a price close to cost

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

Experts consider the PS4 to be the most powerful video games console ever produced. The global mark-up per console is surprisingly low at 4.2%. 5

Component costs	US dollars (\$)
Electrical components	348
Controller	18
Box contents	6

(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

### Extract B

#### China lifts the ban on video games consoles

In 2014, the Chinese government removed its ban on the manufacture and sale of video games consoles. The decision gave Microsoft, Nintendo and Sony access to the potentially lucrative Chinese market. Analysts believe that sales of video games consoles in China could reach \$13bn and that the Chinese Government's decision to liberalise the video games console market in the country had created 'significant opportunities for the major console manufacturers'. 5

Kazao Hirai, the Managing Director of Sony, stated that China's large population of young people, together with rising incomes will result in China becoming an important growth market. However, he believed positioning the brand will be an important factor in allowing Sony to generate sales at the expense of its competitors. 10

(Source: ©The Guardian)

## Extract C

### Talks start on ASEAN enlargement

Negotiations have started between the Association of South East Asian Nations (ASEAN) and its six major trading partners with the aim of creating the world's largest regional trading bloc by the end of 2015. The addition of six new members: China, India, Australia, Japan, New Zealand and South Korea will expand the 10-country trading bloc which will become known as ASEAN+6. An enlarged ASEAN will cover more than half the world's population and will have a combined GDP of \$17.23tn (trillion).

5

It is hoped that the new members of ASEAN+6 will agree to the further liberalisation of markets and reduce tariffs and non-tariff barriers.

(Source: adapted from <http://www.thejakartapost.com/news/2013/01/31/talks-asean6-trade-bloc-kick-may.html>)

## SECTION B

Read the following extracts (D to F) before answering Question 2.

### Extract D

#### Vi-Spring focuses on growth

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation. 5

The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India. 10

(Source: ©VI-SPRING Ltd)

### Extract E

#### China imposes a 10% tariff on imported furniture

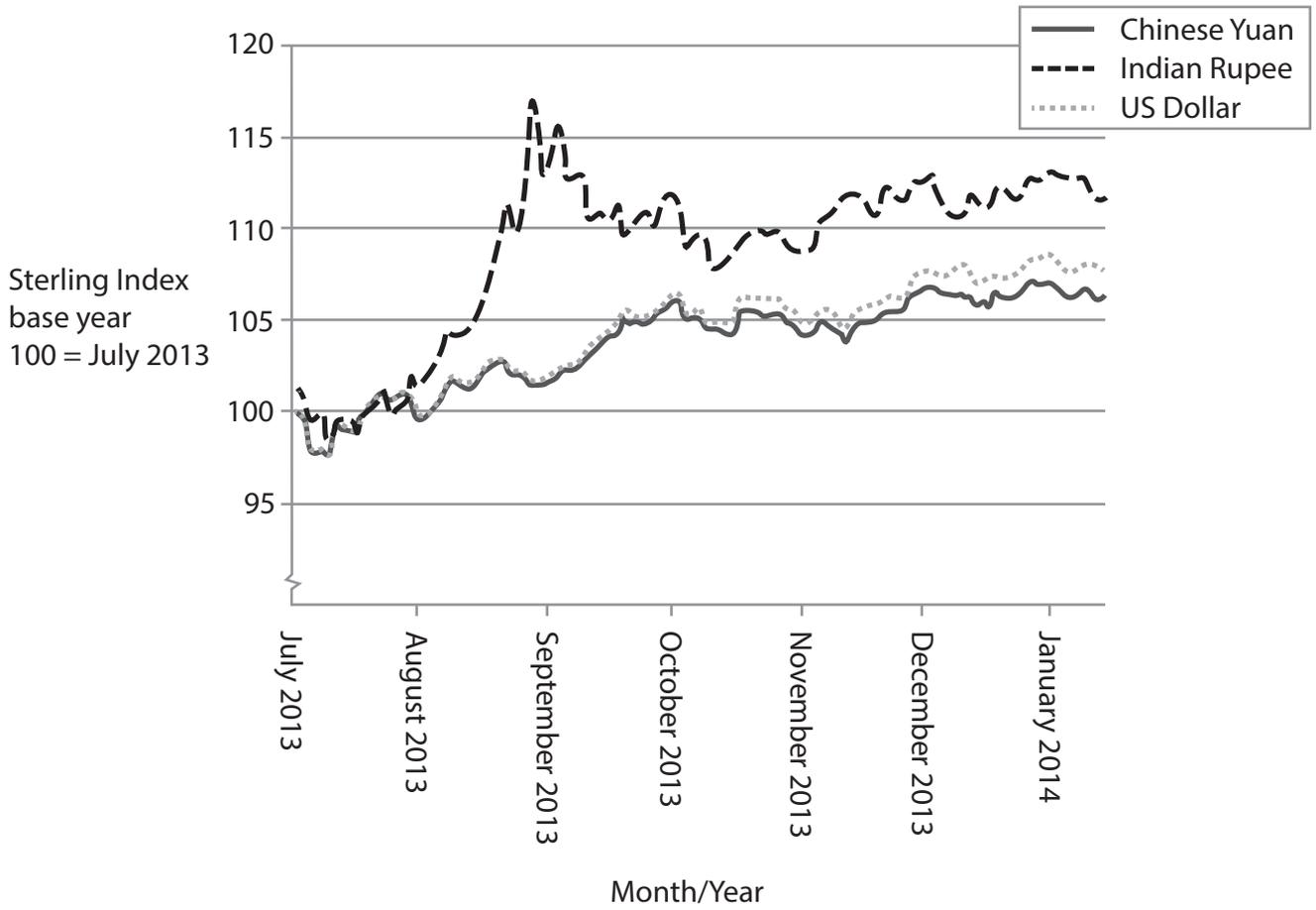
China's demand for imported furniture continues to grow. A recent report stated that imports of furniture into China had increased by more than 25% during 2012. The report also stated that 'faced with a choice, Chinese consumers do not want to buy domestically produced furniture – they are too concerned about the quality'.

Faced with a decline in sales, Chinese manufacturers have successfully persuaded their government to impose a 10% tariff on all imported furniture made out of leather, wood or bamboo. 5

(Source: adapted from <http://www.chinainportexport.org/china-to-levy-10-tariff-on-imported-furniture/>)

**Extract F**

**Currency Index of the pound (£) against selected currencies July 2013 to January 2014**



(Source: ©Ratesfx.com)



Question Number	Answer	Mark
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark</b> for understanding what is meant by a dynamic market, e.g.</p> <ul style="list-style-type: none"> <li>• a market that is subject to rapid/continuous change.</li> </ul> <p><b>Application: up to 2 marks</b> for contextualised examples, e.g.</p> <ul style="list-style-type: none"> <li>• video games consoles are a technological product/technology advances at a rapid rate</li> <li>• competitors such as Nintendo Wii or Microsoft Xbox will be continually launching new products.</li> </ul> <p><b>Analysis: 1 mark</b> for developing a reason/cause/ consequence of operating in a dynamic market, e.g.</p> <ul style="list-style-type: none"> <li>• video games consoles will therefore require large amounts of investment in design</li> <li>• therefore it is easy to lose market share.</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
1(b)	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skills assessed:  <b>QS2:</b> calculate, use and understand percentages and percentage changes  <b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Knowledge: 1 mark</b> for</p> <ul style="list-style-type: none"> <li>• unit cost = <math>\\$348 + \\$18 + \\$6 = \\$372</math></li> </ul> <p><b>Application: up to 3 marks</b> for</p> <ul style="list-style-type: none"> <li>• calculate mark-up = <math>\\$372 \times 1.042 = \\$387.62</math></li> <li>• convert US retail price to UK £ = <math>387.62/1.68</math></li> <li>• UK retail price = £231</li> </ul> <p>Or</p> <p><b>Knowledge: 1 mark</b> for</p> <ul style="list-style-type: none"> <li>• unit cost = <math>\\$348 + \\$18 + \\$6 = \\$372</math></li> </ul> <p><b>Application: up to 3 marks</b> for</p> <ul style="list-style-type: none"> <li>• convert US retail price to UK £ = <math>372/1.68 = £221.43</math></li> <li>• apply mark-up of 4.2%</li> <li>• UK retail price = £231</li> </ul> <p>NB: if answer given is £231, award 4 marks.</p>	<b>(4)</b>

Question Number	Indicative content	Mark
<b>1(c)</b>	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Removal of restrictions that would discourage international trade.</li> <li>• Opportunity to sell more games consoles.</li> <li>• The Chinese console market is estimated to be worth \$13 billion.</li> <li>• Opportunity to enter a market with high-growth rates/income elastic demand/positive income elasticity.</li> <li>• Greater ability to outsource production to China.</li> <li>• Larger economies of scale.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Competition will intensify.</li> <li>• Demand will become price elastic.</li> <li>• First mover advantage becomes crucial.</li> <li>• Profit margin may be squeezed.</li> </ul>	<b>(10)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
<b>1(d)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Access to more emerging markets with income elastic demand.</li> <li>• Lower costs of accessing these markets.</li> <li>• Access to cheaper raw materials.</li> <li>• Removal of any trade barriers/restrictions.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Increased competition.</li> <li>• Demand in the market may become more price elastic.</li> <li>• Importance of a low unit cost becomes more important.</li> </ul>	<b>(12)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples. Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> </ul> <p>A generic or superficial assessment is presented.</p>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
1(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <ul style="list-style-type: none"> <li>• Helps to differentiate the games console compared to Nintendo and Microsoft.</li> <li>• Increases consumer recognition.</li> <li>• Erects barriers to entry to keep competition out.</li> <li>• Reduces price elasticity of demand.</li> <li>• Opportunity to build a strong brand given that China has a large population of young people who may be more brand sensitive.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Quality of the games console and the range of games on sale may be more important.</li> <li>• Depends on whether rival games console manufacturers decide to brand their consoles heavily.</li> <li>• Other elements of the marketing mix may be more important, such as price, other methods of promotion and distribution channels (place).</li> </ul>	<b>(20)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5-8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9-14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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 developed.</li> <li>• 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.</li> </ul>
Level 4	15-20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• 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).</li> </ul>

Question Number	Answer	Mark
2(a)	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark</b> for understanding what is meant by market orientation, e.g.</p> <ul style="list-style-type: none"> <li>• the consumer is the most important factor when providing products.</li> </ul> <p><b>Application: up to 2 marks</b> for contextualised examples, e.g.</p> <ul style="list-style-type: none"> <li>• beds are handcrafted around individual needs</li> <li>• Vi-Spring produce one of the world’s most expensive beds.</li> </ul> <p><b>Analysis: 1 mark</b> for developing a reason/cause/ consequence of the high level of market orientation, e.g.</p> <ul style="list-style-type: none"> <li>• therefore Vi-Spring are able to charge high premium prices for their beds</li> <li>• makes it more difficult for competitors to enter this market.</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>2(b)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark</b> for understanding what is meant by niche market, e.g.</p> <ul style="list-style-type: none"> <li>• it is a small, specialised market segment.</li> </ul> <p><b>Application: up to 2 marks</b> for contextualised examples, e.g.</p> <ul style="list-style-type: none"> <li>• lack of economies of scale in the purchase of silk and British Shetland wool</li> <li>• the number of customers for £80 000 beds may be too few.</li> </ul> <p><b>Analysis: 1 mark</b> for developing a disadvantage of operating in a niche market, e.g.</p> <ul style="list-style-type: none"> <li>• resulting in higher unit costs</li> <li>• therefore each bed will require a high profit margin.</li> </ul>	<b>(4)</b>

Question Number	Indicative content	Mark
2(c)	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Protect Chinese furniture manufacturers from foreign competition.</li> <li>• Reduce the chances of higher unemployment in the Chinese furniture industry.</li> <li>• Raise taxation revenues from the tariff.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Tariff will not necessarily work since Chinese consumers are more concerned about quality.</li> <li>• Could lead to retaliatory protectionism by other nations on Chinese exports.</li> <li>• May not encourage Chinese manufacturers to increase efficiency/quality.</li> </ul>	<b>(10)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples. Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> </ul> <p>A generic or superficial assessment is presented.</p>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
2(d)	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• There is likely to be less waste, given the high skills of the craftsmen, which is important considering cost of raw materials.</li> <li>• Highly motivated craftsmen are more likely to lead to increased productivity.</li> <li>• Build quality of the beds will be higher – reinforcing the quality nature of the product.</li> <li>• Provides branding advantages since hand-made is synonymous with high quality.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Much more expensive to employ.</li> <li>• They may require costly and time-consuming training.</li> <li>• They may be difficult to replace.</li> <li>• Depends on whether machinery could be used to complete the same task at the same quality.</li> <li>• Depends on what % of the production of the bed is completed by hand.</li> </ul>	<b>(12)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples. Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> </ul> <p>A generic or superficial assessment is presented.</p>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> </ul> <p>Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</p>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
2(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b>  <b>Marks for application and analysis – include up to 4 marks for quantitative skills</b></p> <p>Quantitative skills assessed:  <b>QS4:</b> interpret index numbers  <b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Indicative content (quantitative skills)</b></p> <ul style="list-style-type: none"> <li>• Reference to graph which demonstrates an understanding of an index: Chinese Yuan appreciating by 6-7%, US dollar appreciating by 7-8% and Indian Rupee fluctuating with a peak in August/September 2013 and overall appreciation of 11–12%. (QS4)</li> <li>• The pound (£) has been strengthening over six months to varying degrees across the three markets. (QS9)</li> <li>• The impact will depend on how much the £ has appreciated (reference to percentage changes for each currency). (QS9)</li> </ul> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• This should make prices in Chinese, Indian and US markets appear more expensive.</li> <li>• Demand in China, India or the US could decline.</li> <li>• A high percentage of the raw materials are sourced from the UK.</li> <li>• Luxury beds produced abroad would appear less expensive in a foreign currency relative to a Vi-Spring bed.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• The beds are aimed at individuals with a high income, therefore Vi-Spring are less likely to be affected.</li> <li>• Demand in Chinese, Indian or US markets is likely to be price inelastic.</li> <li>• Income inequality in China and India could result in much lower PED than the US.</li> <li>• Negligible effects due to low PED and lack of raw material imports.</li> <li>• Vi-Spring could have hedged to reduce its reliance on day-to-day exchange rate movements.</li> <li>• Depends on the degree to which Vi-Spring rely on foreign markets to make sales.</li> </ul>	<b>(20)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5-8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9-14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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 developed.</li> <li>• Quantitative and qualitative information are 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.</li> </ul>
Level 4	15-20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding,</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• Quantitative and qualitative information 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).</li> </ul>

**NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.**



Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

## Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 2 hours

Paper  
reference

**9BS0/02**

### **Business**

**Advanced**

**PAPER 2: Business activities, decisions and strategy**

**You must have:**

Source booklet (enclosed)

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**Answer ALL questions.**

**SECTION A**

**Read the following extracts (A to D) in the source booklet before answering Question 1.**

**Write your answers in the spaces provided.**

- 1** (a) Using the data in Extract A, calculate Nokia's sales revenues in 2013. You are advised to show your working.

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(c) Using the data in Extract C, assess the usefulness of the forecast for a business such as Nokia.

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(d) Assess why Microsoft might decide to take over another business such as Nokia.

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Samsung has set itself the objective of improving the efficiency of its factories. To achieve this objective, Samsung is considering whether to continue with its use of cell production, or switch to more capital intensive methods of production.

- (e) Evaluate these **two** options and recommend which one is most suitable for Samsung to achieve its objective of improved efficiency.

(20)

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**(Total for Question 1 = 50 marks)**

**TOTAL FOR SECTION A = 50 MARKS**



(b) Explain how inflation could have impacted on the profitability of Young's Seafood Limited.

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(c) Assess the importance of technological change to a business such as Grimsby Fish.

(10)

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(d) Assess the importance of an appreciation of the pound (£) to the total costs of a business such as Benson's Foods.

(12)

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Young's Seafood Limited has set itself the objective of increasing its profitability. To achieve this objective, it is considering either to become a more ethical business or to takeover the Loch Fyne chain of restaurants.

(e) Evaluate these **two** options and recommend which one is most suitable for Young's Seafood Limited to achieve its objective of increasing its profitability.

(20)

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**(Total for Question 2 = 50 marks)**

**TOTAL FOR SECTION B = 50 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**



# Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 2 hours

Paper  
reference

**9BS0/02**

## **Business**

**Advanced**

**PAPER 2: Business activities, decisions and strategy**

### **Source Booklet**

**Do not return this Booklet with the question paper.**

Turn over ►

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## SECTION A

Read the following extracts (A to D) before answering Question 1.

### Extract A

#### Microsoft buys Nokia handset business for €5.4bn

Nokia is selling its mobile phone division for €5.44bn (£4.6bn) in a deal that will result in 32 000 staff transferring to Microsoft. This takeover marks the boldest step yet taken by Microsoft in its recently announced strategy of moving decisively into the device-manufacturing business. Prior to this deal, Microsoft provided Nokia with Windows software at a reduced cost to prevent it from developing its own operating system.

5

Microsoft hopes this move will allow it to design hardware for its software products and will therefore bring it the kind of success enjoyed by competitors such as Apple.

As part of this deal, Microsoft is also providing €1.5bn of immediate financing to Nokia who have been unable to raise external finance. Even inside cash-rich Microsoft, Nokia's phone division will face serious challenges. In 2010, revenue from sales of Nokia handsets was €7.2bn. By 2013, revenue had fallen by 61%.

10

(Source: adapted from 'China lifts 13-year ban on video game consoles' by Fred McConnell, 7 January 2014, © Guardian News and Media Limited 2014)

### Extract B

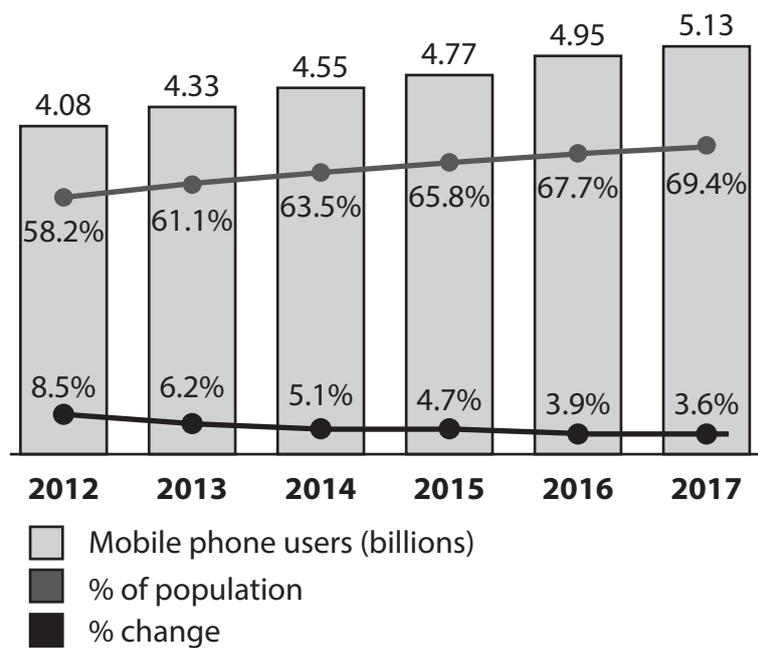
#### Worldwide mobile device sales to end users by vendor in Quarter 1 2011 and Quarter 1 2012 (thousands of units)

Company	Quarter 1 2011 units	Quarter 1 2011 market share (%)	Quarter 1 2012 units	Quarter 1 2012 market share (%)
Samsung	68 782.0	16.1	86 567.6	20.7
Nokia	107 556.1	25.1	83 162.5	19.8
Apple	16 883.2	3.9	33 120.5	7.9

(Source: adapted from www.gartner.com)

## Extract C

### Mobile phone usage forecast



(Source: © eMarketer Inc)

**Figure 1**

**Mobile Phone Users Worldwide,  
2012–2017 (billions, % of population and % change)**

Mobile phone users are rapidly switching over to smartphones as devices become more affordable due to technology advances. Smartphone users currently account for the majority of mobile phone users.

## Extract D

### Quality management at Samsung

At Samsung, 'Fostering the individual' and 'change begins with me' are commonly heard phrases. This relates to quality management. Samsung manufactures its smartphones at the Gumi factory, which is part of a global network of Samsung facilities.

In 2012, Samsung produced a total of 400 million phones, or 12 phones every second. Samsung uses cell production, with each employee standing within a three-sided workbench that has all the necessary tools and supplies an arm's reach away. The employee is then responsible for the overall assembly of the phone. Furthermore, computer stations located throughout the assembly facility can call up real-time manufacturing data from any Samsung facility in the world. 5

Samsung employees are given incentives to come up with cost-saving ideas and a proportion of these cost-savings is returned to the employee as a bonus. 10

In May 2012, three weeks before the Galaxy S III was to be shipped, a Samsung customer told the company that the back covers for the smartphone looked cheaper than the demonstration models shown to clients earlier. There were 100 000 covers in the warehouse with the inferior design which were scrapped and replaced. 15

(Source: <http://www.businessweek.com/articles/2013-03-28/how-samsung-became-the-worlds-no-dot-1-smartphone-maker>, Sam Grobart, March 28, 2013)

## SECTION B

Read the following extracts (E to H) before answering Question 2.

### Extract E

#### Young's Seafood Limited

Young's Seafood Limited is the leading UK fish and seafood processor, providing frozen and chilled, branded and retailer branded fish. Its teams create over 2 000 different products including smoked salmon, breaded scampi, fish pies, battered fish and fillets. Fish can play an important part in a healthy diet and official health guidance suggests that people should try to eat fish at least twice a week.

5

The following table shows the turnover and profit for Young's Seafood Limited in 2011 and 2012.

	January to December 2011	January to September 2012
<b>Turnover</b>	£458m	£425m
<b>Operating profit</b>	£9m	£7m
<b>Operating profit margin</b>	1.97%	1.64%

(Source: adapted from [www.youngseafood.co.uk/about us](http://www.youngseafood.co.uk/about-us))

### Extract F

#### How to be an ethical consumer of fish

Until now, only a few fisheries have been awarded the coveted blue label by the Marine Stewardship Council (MSC). Mackerel from the North Sea, and off Cornwall and Hastings, have met the eco-credentials of sustainability and traceability from sea to fork.

Determined consumers could track the catch from trawlers taking part in the 'responsible fishing scheme' run by the Sea Fish Industry Authority, although it is mainly aimed at ensuring a sustainable approach elsewhere in the supply chain – wholesalers and supermarkets, for instance.

5

The MSC's Fishonline website suggests fish to avoid include Atlantic cod, halibut and wild salmon and beam-trawled brill and turbot from the North Sea. Organically farmed salmon is fine, as are black bream, sea bream and flounder from Cornish waters or off the north and north-west coast of Wales.

10

Much of the fish eaten in Loch Fyne restaurants, an outlet praised recently by *Ethical Consumer* magazine, comes from inshore trawlers off the Cornish coast or ports and fish farms in Iceland and Norway.

(Source: adapted from 'How to be an ethical fish consumer' by James Meikle, 26 March 2008, © Guardian News and Media Limited 2014)

### **Extract G**

Benson's Foods is one of the fastest-growing canned fish brands in the UK. It supplies retailers and supermarkets across the UK. Benson's sales rose by more than 45% in 2012.

Fish products bought from overseas need to be as fresh as possible before they are canned. Any payment delays to foreign suppliers could prove costly to Benson's as exchange rates can change dramatically at any time.

5

As consumer food prices are generally increasing, it is vital that Benson's remains competitive on price to continue its business growth.

(Source: © *The Daily Telegraph*, 18 November 2013)

### **Extract H**

Grimsby Fish has created more than 100 jobs with a new factory as part of a £12m development. They are opening a 6 000 square metre factory in Grimsby to meet the demands of a new contract with Marks & Spencer.

The factory will produce a range of handcrafted fish cakes, pasties, quiches and pies.

Question Number	Answer	Mark
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skills assessed:  <b>QS2:</b> calculate, use and understand percentages and percentage changes  <b>QS5:</b> calculate cost, revenue, profit and break-even</p> <p><b>Knowledge: 1 mark for</b> identifying formula for percentage change, e.g. difference/original figure x 100</p> <p><b>Application: 3 marks for:</b></p> <ul style="list-style-type: none"> <li>• Reordering percentage change formula to calculate difference in revenue  <math>7.2 \times 0.61 = 4.39</math></li> <li>• Subtracting difference from original  <math>7.2 - 4.39</math></li> <li>• €2.81 bn</li> </ul> <p>NB: if answer given is €2.81 bn, award 4 marks.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>1(b)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark for</b> understanding of diseconomies of scale, e.g.</p> <ul style="list-style-type: none"> <li>• a rise in average/unit costs experienced as a business grows in size.</li> </ul> <p><b>Application: 2 marks for</b> answers in the context of Microsoft, e.g.</p> <ul style="list-style-type: none"> <li>• Microsoft is a large organisation with a range of different operations relating to software development</li> <li>• communication between computer software divisions and phone software divisions becomes more difficult as the business grows.</li> </ul> <p><b>Analysis: 1 mark for</b> answers that explain a reason/cause of diseconomies of scale, e.g.</p> <ul style="list-style-type: none"> <li>• therefore increased mistakes are more likely between departments working on different areas of software, which will raise average costs.</li> </ul>	<b>(4)</b>

Question Number	Indicative content	Mark
1(c)	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b>  <b>Marks for application and analysis include up to 2 marks for quantitative skills</b></p> <p>Quantitative skills assessed:  <b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Indicative content (quantitative skills)</b></p> <ul style="list-style-type: none"> <li>• The data shows that between 2012 and 2017, the percentage of the world population using a mobile phone is projected to increase but that the rate of increase is projected to fall. (QS9)</li> <li>• The statistics in the forecast may not be reliable because the forecast does not account for other statistical variables, such as percentage change in real income or percentage increase or decrease in mobile phone usage. (QS9)</li> </ul> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• A forecast takes past data and uses this to project (extrapolate) into the future.</li> <li>• Businesses use forecasting to plan areas of their operations, such as production, stock control, human resources and marketing.</li> <li>• Nokia can see forecast trends for world mobile phone usage and associated software.</li> </ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> <li>• The forecast may be based on inaccurate or out-of-date information (marketing publication).</li> <li>• Research and development in this industry takes a long time.</li> <li>• The data does not give information about how the usage of phones has evolved.</li> <li>• Time period limited.</li> </ul>	<b>(10)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

**NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.**

Question Number	Indicative content	Mark
1(d)	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Takeovers occur when a business buys a controlling interest in the share ownership of another business.</li> <li>• Takeovers often give a competitive advantage.</li> <li>• A competitor may have technology that has been patented.</li> <li>• Takeover of Nokia increases Microsoft's market share by nearly 20%.</li> <li>• Microsoft saw an opportunity in Nokia to buy a phone manufacturer.</li> <li>• May be vertical integration as Nokia manufacture phones.</li> <li>• Economies of scale can also result from takeovers.</li> </ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> <li>• Takeovers are often unsuccessful in achieving their stated aims.</li> <li>• Microsoft might not have the knowledge and understanding of the mobile handset sector.</li> <li>• Nokia's technology and intellectual property may be quickly out of date.</li> <li>• Clash of cultures.</li> <li>• Duplication of roles and resources.</li> </ul>	<b>(12)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
1(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Arguments for continuing with the use of cell production:</b></p> <ul style="list-style-type: none"> <li>• Cell production is where workers are organised into multi-skilled teams, with each team responsible for a particular part of the production process.</li> <li>• Each employee within the cell is responsible for the overall assembly of the phone. This may lead to increased motivation because the work of each employee may be more rewarding.</li> <li>• Each member of the cell is multi-skilled, resulting in greater flexibility. For example, workers may be able to assemble a range of different types of phones.</li> <li>• Employees are given incentives such as a bonus for coming up with cost-saving ideas. Each cell may work as a team to create ideas that could lead to improved efficiency and quality.</li> </ul> <p><b>Arguments for switching to more capital intensive methods of production:</b></p> <ul style="list-style-type: none"> <li>• Capital intensive production is where machines are primarily used to produce the good or service.</li> <li>• In 2012, Samsung produced a total of 400 million phones. This shows that the business operates in a mass market. Capital intensive mass production methods could be more suitable to provide sufficient capacity in order to meet the high levels of demand for Samsung's phones.</li> <li>• The use of CAD/CAM could lead to improved efficiency because phones can be designed and manufactured more quickly than more labour intensive methods, such as cell production.</li> <li>• The use of machines such as robots are more efficient than humans, because they are more accurate and capable of higher levels of production. Samsung can gain technical economies of scale through the increased use of machinery.</li> </ul> <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> <li>• Samsung should continue with its use of cell production. The culture of the business is illustrated by phrases such as: 'Fostering the individual' and 'change begins with me'. This indicates that Samsung consider its employees to be a valuable asset. Replacing workers with machines could damage the culture of the business and consequently have a negative effect upon morale and efficiency.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Samsung should switch to more capital intensive methods of production. It is a multi-national business that should have the resources to invest in the latest technology. Greater use of machinery should lead to increased capacity in order to meet the huge demand for Samsung’s phones, as well as improved productivity and quality.</li> </ul> <p style="text-align: center;"><u>Examples of possible ‘MOPS’ responses</u></p> <p><b>Market</b> – Samsung operates in the dynamic mass market for phones. It competes with powerful rivals such as Apple and Huawei.</p> <p><b>Objectives</b> – Samsung wishes to improve the efficiency of its factories. This is important so that it can reduce its unit costs in order to improve its competitiveness.</p> <p><b>Product</b> – Samsung is a technology company that makes a range of products such as phones, tablets and televisions. Due to the advances of technology these are constantly evolving.</p> <p><b>Situation</b> – Samsung is an established multi-national corporation with a strong reputation. It is the market leader (by volume) of the world mobile phone market.</p>	<b>(20)</b>
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Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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 developed.</li> <li>• 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.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• 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).</li> </ul>

Question Number	Answer	Mark
<b>2(a)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skills assessed:  <b>QS3:</b> construct and interpret a range of standard graphical forms  <b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions</p> <p><b>Knowledge: 1 mark</b> for identifying how total float is calculated, e.g. LFT - EST - Duration</p> <p><b>Application: up to 3 marks</b> for calculating the total float of activity E</p> <ul style="list-style-type: none"> <li>• Use and interpret diagram to calculate EST for activity C (node 4) EST of activity C + duration of activity C = 15</li> <li>• Use and interpret diagram to calculate LFT for activity H (node 6) LFT of activity H - duration of activity H = 54</li> <li>• Identify duration of Activity E = 12</li> <li>• Total float <math>54 - 15 - 12 = 27</math></li> </ul> <p>NB: if answer given is 27, award 4 marks.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>2(b)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark</b> for showing an understanding of inflation, e.g.</p> <ul style="list-style-type: none"> <li>• a sustained rise in the general price level in an economy.</li> </ul> <p><b>Application: up to 2 marks</b> for contextualised answers, e.g.</p> <ul style="list-style-type: none"> <li>• fuel costs for running fishing boats may rise</li> <li>• other costs such as staff wages will rise, leading to an increase in Young's Seafood Limited's expenses.</li> </ul> <p><b>Analysis: 1 mark for</b> developing a reason/cause/ consequence of inflation on profitability, e.g.</p> <ul style="list-style-type: none"> <li>• leading to a reduction in profit margins and therefore profitability.</li> </ul>	<b>(4)</b>

Number		
2(c)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• New factory is likely to include new machinery/ packaging techniques.</li> <li>• Increases competitiveness by reducing the costs of production.</li> <li>• Unit costs may fall as productivity increases through the use of new technology.</li> </ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> <li>• Increased short-term investment cost, e.g. £12m spent on new factory and machinery.</li> <li>• New technology can often unsettle or lead to a reduction in employee motivation.</li> <li>• Other factors might be more important than technological change, e.g. the quality of its fish products, the skills of workers in the labour intensive aspects of fishing and fish production.</li> <li>• Capacity of the factory and the productivity of the workers might be more important.</li> </ul>	<b>(10)</b>

Level	Mark	Descriptor
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples. Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> </ul> <p>A generic or superficial assessment is presented.</p>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
<b>2(d)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Strong pound makes imports cheaper so costs of raw materials fall.</li> <li>• Increased profit margins.</li> <li>• The opportunity for Benson’s Foods to reduce their prices whilst maintaining existing margins.</li> <li>• Other costs such as fuel/energy prices may be affected by the exchange rate.</li> </ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> <li>• Other effects on total costs: marketing, wages, distribution, fuel and production costs.</li> <li>• Impact depends on the proportion of its costs of imports against cost of buying raw materials from the UK.</li> <li>• Impact depends on the rate of the appreciation of the pound and the extent of the appreciation, both of which are outside Benson’s Foods control.</li> </ul>	<b>(12)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples. Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> </ul> <p>A generic or superficial assessment is presented.</p>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> </ul> <p>Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</p>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
2(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Arguments for becoming a more ethical business:</b></p> <ul style="list-style-type: none"> <li>• Profitability is the ability of a business to generate profit from its activities.</li> <li>• Business ethics are the moral principles that act as guidelines for the way a business conducts its activities.</li> <li>• By taking part in the 'responsible fishing scheme', Young's Seafood may gain a better reputation with consumers. This may provide the business with a USP compared to rivals such as Bird's Eye.</li> <li>• Consumers may become brand loyal and prepared to pay premium prices for ethically sourced fish such as mackerel from the North Sea. This could lead to Young's Seafood gaining an increase in market share and revenue.</li> <li>• By only sourcing fish approved by the Marine Stewardship Council, Young's Seafood can avoid negative publicity from pressure groups such as Greenpeace. Consequently, the business will save money by not having to fund expensive public relations campaigns.</li> <li>• Young's Seafood is the leading UK seafood processor. It creates over 2,000 different products. This indicates that the business has significant power to ensure that its suppliers provide fish that has been ethically sourced. It may also be able to achieve purchasing economies of scale, reducing unit costs.</li> </ul> <p><b>Arguments for the takeover of the Loch Fyne chain of restaurants:</b></p> <ul style="list-style-type: none"> <li>• A takeover is the purchase of one company by another.</li> <li>• Loch Fyne has been praised by <i>Ethical Consumer</i> magazine. This should enhance the reputation of the business and attract more customers.</li> <li>• The takeover would be an example of forward vertical integration. This will provide Young's Seafood with more control over its supply chain. The business could benefit from marketing economies of scale as a result of wider distribution. This may result in lower unit costs</li> <li>• Due to its good reputation, Loch Fyne's restaurants may be able to charge premium prices. This could lead to an improvement in Young's Seafood operating profit margin, which has declined from 1.97% in 2011 to 1.64% in 2012.</li> <li>• The takeover could spread any risks faced by Young's Seafood, because it is diversifying into the restaurant sector.</li> </ul>	

	<p>The business would no longer be reliant on just selling its products through retailers such as supermarkets.</p> <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> <li>• Young's Seafood should choose to become a more ethical business. Official health guidance is that fish plays an important part in a healthy diet. Young's Seafood can exploit this opportunity by selling ethically sourced products, especially as consumers are increasingly concerned about environmental issues such as sustainability.</li> <li>• Young's Seafood should choose to takeover the Loch Fyne restaurant chain. Operating profit has fallen from £9m in 2011 to £7m in 2012. Acquiring a well established business with a good reputation, provides an excellent opportunity to increase Young's Seafood's profitability.</li> </ul> <p style="text-align: center;"><u>Examples of possible 'MOPS' responses</u></p> <p><b>Market</b> – Young's Seafood operates in the fish and seafood market. Trends in this market indicate increasing concerns from consumers regarding sustainability and traceability, as well as an awareness of the health benefits from eating more fish.</p> <p><b>Objectives</b> – Young's Seafood has set itself the objective of increasing its profitability.</p> <p><b>Product</b> – Young's Seafood sells a wide range of fish and seafood products, which are mainly sold through retailers such as supermarkets.</p> <p><b>Situation</b> – Young's Seafood is the leading UK seafood processor. However, between 2011 and 2012 it has experienced a fall in revenue, operating profit and operating profit margin.</p>	<b>(20)</b>
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Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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 developed.</li> <li>• 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.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• 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).</li> </ul>

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

## Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 2 hours

Paper  
reference

**9BS0/03**

### **Business**

**Advanced**

**PAPER 3: Investigating business in a competitive environment**

**You must have:**

Source booklet (enclosed)

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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(b) Assess the consequences for UK crisp manufacturers of changing consumer preferences towards healthier snack foods.

(10)

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(c) Assess the likely impact on premium crisp manufacturers, such as Kettle, of having a small market share.

(12)

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Walkers is looking to expand its operations in overseas markets in order to increase its sales. Walkers could focus on China or India.

(d) Using the data from the tables in Extract D, evaluate these two options and recommend which **one** is the most suitable for Walkers to help maximise sales.

(20)

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**(Total for Question 1 = 50 marks)**

**TOTAL FOR SECTION A = 50 MARKS**

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(b) Assess why Burts did not use loan capital to fund its £2.1m factory expansion.

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(c) Assess the likely impact on Burts of its decision to grow the business organically.

(12)

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# Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 2 hours

Paper  
reference

**9BS0/03**

## **Business**

**Advanced**

**PAPER 3: Investigating business in a competitive environment**

**Source Booklet**

**Do not return this Booklet with the question paper.**

### **Context**

- This year the context is the market for snack foods and the businesses operating in this market in the UK.

### **Research**

- To prepare for this year's context, you should research:
  - trends in snack food consumption over the last 10 years
  - influences on the market for snack food, such as lifestyle changes and social trends
  - major businesses and niche operators in the snack food market
  - the competitive environment facing snack food businesses.
- You **cannot** take any of your research or investigation data carried out as part of the pre-release into the examination.

Turn over ►

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## SECTION A

Read the following extracts (A to D) before answering Question 1.

### Extract A

#### Importance of promotional activity in the UK crisp market

The UK crisp market is very competitive despite the presence of a clear market leader, Walkers, owned by US multinational Pepsico. Commenting on the UK crisp market, Marketing Director of Burts Chips Ltd, Leanne Bramhall, stated, 'The most depressing factor about the UK crisp market is the need for constant promotional activity to drive sales. This has resulted in niche premium crisp manufacturers suffering'. This is despite market research showing positive economic growth forecasts. This research also shows the crisp market reaching total sales in excess of £1bn in the UK during 2013. 5

(Source: Leanne Bramhall, Marketing Director, Burts Chips Ltd)

### Extract B

#### Demand for healthy crisps grows

They may not be the healthiest snack, but potato crisps remain the UK's second most popular snack food. However, with healthier alternatives such as crisps made out of dried fruit becoming ever more popular, is the classic deep fried potato crisp under threat?

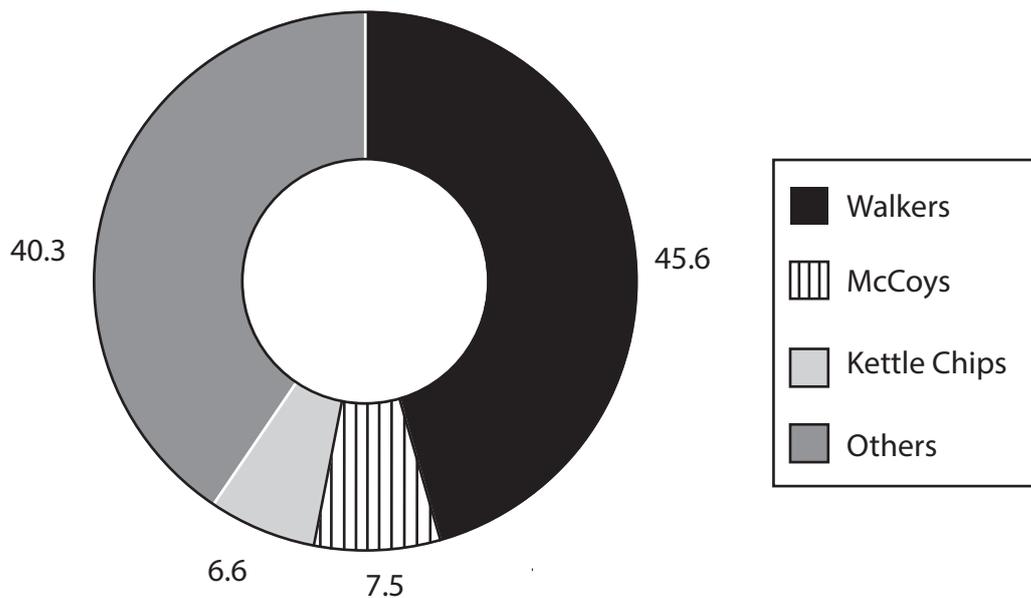
Market research organisation, Mintel, has stated that during the period of negative economic growth from 2008–2012, demand for UK potato crisps increased by 29%. However, a Mintel spokesperson highlighted that, 'at the end of the day crisps are an indulgent treat but consumers are not oblivious to their health credentials'. 5

This has led to new firms entering the UK crisp market such as those owned by Charlie Fermor of Perry Court Farms. It produces a new air-dried crisp entirely out of apples. Charlie stated that 'our fruit crisps are completely natural. It's just apple. There's no oil, sugar or salt or any of that other horrible stuff'. Perry Court Farms have recently signed contracts to export their air-dried apple crisps to China and Charlie expects revenue to increase by over 1 000% during 2013. 10

(Source: adapted from <http://www.dailymail.co.uk/news/article-2228633/Farmers-son-Charlie-Fermor-developed-fruit-crisps-begins-exporting-worldwide.html>)

### Extract C

#### Market share (%) in the UK crisp market 2013



(Source: Trends & Developments in the Savoury Snacks Sector in the UK, Canadean 2014)

### Extract D

#### Percentage change in GDP

	2009	2010	2011	2012
<b>China</b>	9.2%	10.4%	9.3%	7.8%
<b>India</b>	8.5%	10.5%	6.3%	3.2%
<b>United Kingdom</b>	-5.2%	1.7%	1.1%	0.1%

#### GDP per capita in US\$

	2009	2010	2011	2012
<b>China</b>	3 749	4 433	5 447	6 093
<b>India</b>	1 147	1 417	1 540	1 503
<b>United Kingdom</b>	35 455	36 573	38 927	38 649

(Source: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>)

## SECTION B

Read the following extracts (E to H) before answering Question 2.

### Extract E

#### Burts experiences rapid growth

Burts Chips Ltd (Burts) was founded in 1997 in Kingsbridge, South Devon. The company manufactures high-quality, hand-fried potato chips (crisps). Despite competing in the fiercely competitive potato crisp market, the company has experienced rapid organic growth since the first day it opened. As a result of producing high-quality, heavily branded crisps, supermarkets such as Tesco have been willing to stock a range of Burts' flavours. They compete for shelf space with brands such as Walkers and McCoys, which dominate the market.

5

### Extract F

#### Burts expands into foreign markets

In 2014, Burts decided to increase its productive capacity by 100% by investing £2.1m in new frying machines and a more efficient packaging line. This investment had to be funded by issuing new shares to existing investors.

The expansion of Burts' factory was necessary to cope with rapid growth in demand. Although most of this extra demand came from the UK, Burts now sells its crisps in 42 different countries and has become the leading brand in the Dutch premium crisp market. Burts' focus on organic growth has been driven by strong branding and a commitment to quality and innovation – all demonstrated by its willingness to risk the production of unusual flavours such as vanilla sea salt.

5

**Extract G****Selected information from Burts Chips Ltd's Statement of Comprehensive Income 2012–13**

	<b>2013 (£)</b>	<b>2012 (£)</b>
Turnover	14 667 947	12 867 523
Cost of sales	(10 271 989)	(9 335 193)
Gross profit	4 395 958	3 532 330
Other operating expenses	(3 865 266)	(3 470 420)
Operating profit	530 692	61 910
Exceptional items	268 617	104 017
Interest payable	(101 283)	(331 578)
Profit for the year (net profit)	698 026	(165 577)

**Extract H****Selected information from Burts Chips Ltd's Statement of Financial Position 2012–13**

	<b>2013 (£)</b>	<b>2012 (£)</b>
Non-current assets	1 342 665	1 342 665
Current assets	3 572 020	3 578 542
Current liabilities	(35 547)	(304 164)
Non-current liabilities	(2 205 824)	(2 205 824)
Share capital	3 275 000	3 275 000
Retained profit	(601 686)	(863 781)



Question Number	Indicative content	Mark
<b>1(a)</b>	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• Costs of advertising will be high.</li> <li>• Profit margin will be low.</li> <li>• Some smaller manufacturers will struggle to compete.</li> <li>• Full value of the brand may not be realised.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• It depends on the price elasticity of demand.</li> <li>• It may benefit larger manufacturers such as Walkers.</li> <li>• It could restrict the likelihood of new firms joining the market.</li> </ul>	<b>(8)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-5	<ul style="list-style-type: none"> <li>• Accurate knowledge and understanding.</li> <li>• Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 3	6-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Logical chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement</li> </ul>

Question Number	Indicative content	Mark
<b>1(b)</b>	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Need to change the product mix.</li> <li>• Need to do more market research.</li> <li>• Market becoming more dynamic.</li> <li>• More expensive materials or methods of production.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Depends on degree to which people want to purchase healthier snacks.</li> <li>• Demand for regular crisps has still increased by 29%.</li> <li>• 1000% revenue increase in air-dried apple crisps could be from a low base.</li> <li>• Depends on the degree to which healthier crisps require different methods of production.</li> </ul>	<b>(10)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement</li> </ul>

Question Number	Indicative content	Mark
<b>1(c)</b>	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Lack of economies of scale.</li> <li>• Fewer resources to compete with market leader (Walkers).</li> <li>• Less brand recognition.</li> <li>• Inability to compete on price.</li> <li>• More vulnerable to failure.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Economies of scale are not crucial in a niche market.</li> <li>• Walkers operates in a different market segment.</li> <li>• Strong branding may allow a premium to be charged.</li> <li>• Adapt to changes/opportunities in the market.</li> <li>• Unlikely to suffer diseconomies of scale.</li> </ul>	<b>(12)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
1(d)	<p><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b>  <b>Marks for application and analysis - include up to 4 marks for quantitative skills</b></p> <p>Quantitative skills assessed:  <b>QS2:</b> calculate, use and understand percentages and percentage changes  <b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions  <b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Indicative content (quantitative skills)</b></p> <ul style="list-style-type: none"> <li>• Potential for greater revenues and profits (total UK sales are expected to reach £1bn). (QS8)</li> <li>• Overseas markets appear to be growing faster than the UK; data shows China is growing at a faster rate than India (China's GDP per capita has grown by 62%, whilst India's has risen by only 31% between 2009 and 2012). (QS2)</li> <li>• UK market is growing by only 0.1%.  Although in the domestic market growth is slowest (hasn't exceeded 2% between 2009 and 2012), the UK still has the richest consumers (GDP per capita is over six times greater than that of China) and the price of the product will be more affordable. (QS9)</li> <li>• Some foreign markets are growing at different speeds and may look more favourable than the UK (China 7.8%, India 3.2%), however the impact of this change is dependent on the size of the GDP. (QS2, QS9)</li> </ul> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Demand for some types of crisp could be income elastic.</li> <li>• Potential for UK crisp manufacturers to expand releasing larger economies of scale.</li> <li>• As incomes rise demand may become less price elastic.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• More data is required to fully assess the impact on manufacturers, e.g. GDP/population/exchange rates.</li> <li>• Benefits of economic growth could depend on the type of crisps produced.</li> <li>• Benefits of growth will depend on which country the manufacturer targets.</li> </ul>	(20)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9–14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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 developed.</li> <li>• Quantitative and 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.</li> </ul>
Level 4	15–20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• Quantitative and qualitative information 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).</li> </ul>

**NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.**

Question Number	Indicative content	Mark
<b>2(a)</b>	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• Market may have different tastes.</li> <li>• Transportation costs.</li> <li>• There may be established competition.</li> <li>• Possibility of protectionism.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• This can be overcome through market research.</li> <li>• Burt's has managed to become dominant in the Netherlands by focusing on innovation.</li> <li>• In EU markets this is illegal.</li> </ul>	<b>(8)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1–2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3–5	<ul style="list-style-type: none"> <li>• Accurate knowledge and understanding.</li> <li>• Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete.</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 3	6–8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Logical chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, well contextualised, using quantitative and/or qualitative information</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement</li> </ul>

Question Number	Indicative content	Mark
2(b)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Would increase gearing (gearing already at 45.2%).</li> <li>• Risk profile of the company would be too high.</li> <li>• The £2.1m loan would be too large for banks to be willing to lend.</li> <li>• The interest on the loan and the capital repayments would have liquidity/cash flow implications.</li> <li>• Banks worried about the limited liability implications of lending.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Factory expansion is very long term, therefore cheaper long-term sources of finance exist.</li> <li>• Share capital/venture capital may be more appropriate.</li> <li>• The business should be able to meet capital and interest repayments out of its profit.</li> <li>• The current ratio is high at 100.4.</li> <li>• Assets could act as collateral for the loan.</li> </ul>	(10)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-6	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	7-10	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
<b>2(c)</b>	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Risk profile is lower.</li> <li>• The business controls organic growth itself.</li> <li>• Cash flow and liquidity is not put under strain.</li> <li>• Organisation of the business is easier.</li> <li>• Avoids diseconomies of scale.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Does not benefit from knowledge of other business gained through inorganic growth.</li> <li>• Not capitalising on market opportunities abroad where demand is potentially income elastic.</li> <li>• Economic growth means crisp market is getting larger.</li> <li>• Not growing as fast as other manufacturers.</li> <li>• Prevents the ability to exploit significant economies of scale.</li> </ul>	<b>(12)</b>

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-2	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding – recall based.</li> <li>• Weak or no relevant application to business examples.</li> <li>• Generic assertions may be presented.</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding.</li> <li>• Which are applied to the business example.</li> <li>• Chains of reasoning are presented, but may be assertions or incomplete.</li> <li>• A generic or superficial assessment is presented.</li> </ul>
Level 3	5-8	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</li> <li>• An attempt at an assessment is presented using quantitative and/or qualitative information.</li> <li>• Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.</li> </ul>
Level 4	9-12	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding.</li> <li>• A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</li> <li>• Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information.</li> <li>• Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.</li> </ul>

Question Number	Indicative content	Mark
2(d)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6 marks – include up to 8 marks for quantitative skills</b></p> <p><u>Quantitative skills assessed:</u>            QS1: calculate, use and understand ratios, averages and fractions            QS2: calculate, use and understand percentages and percentage changes            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 Indicative content (quantitative skills)</p> <p><u>Profitability:</u></p> <ul style="list-style-type: none"> <li>• 2013 ROCE = (Operating profit/Capital Employed x 100) therefore <math>(530\ 692/4\ 879\ 138) \times 100 = 10.9\%</math> (QS1)</li> <li>• 2012 ROCE = <math>(61910/4\ 617\ 043) \times 100 = 1.3\%</math> (QS1)</li> <li>• % change = 738% improvement (QS2)</li> </ul> <p><u>Liquidity:</u></p> <ul style="list-style-type: none"> <li>• 2013 Current Ratio = Current assets/Current liabilities therefore <math>3\ 572\ 020/35\ 547 = 100.4</math> (QS1)</li> <li>• 2012 Current Ratio = <math>3\ 578\ 542/304\ 164 = 11.7</math> (QS1)</li> <li>• % change = 778% improvement (QS2)</li> </ul> <ul style="list-style-type: none"> <li>• Rate of return on capital employed (ROCE) has seen a dramatic improvement (QS9) by 738% (profitability)</li> <li>• Whilst liquidity has improved by another 40% to 778%</li> <li>• The market size is growing due to economic growth in UK and abroad according to Extract F. (QS9)</li> </ul> <p><b>Prioritise profitability</b></p> <ul style="list-style-type: none"> <li>• Expansion should allow greater economies of scale which should help reduce average costs, and increase profits given that costs will be proportionately lower.</li> <li>• Opportunities for export growth exist which might increase sales revenues and therefore potentially profitability also</li> <li>• Revenue could be increased by lowering prices, assuming PED is elastic, which might improve profitability further</li> </ul>	

	<p><b>Prioritise liquidity</b></p> <ul style="list-style-type: none"> <li>• Any further expansion might be funded by share capital which would reduce the ROCE (and the gearing ratio).</li> <li>• Funding expansion through share capital could be less risky than loan capital because you do not have to pay dividends but you do have to pay interest on loans, regardless. This could in turn damage cash-flow and therefore liquidity</li> <li>• May depend upon the objectives of the company – expansion may require a stock market flotation and directors may not want to relinquish control</li> <li>• May depend on how Burts’ perceive the strength of competition that they might face in new markets</li> </ul> <p><i>Possible recommendations</i></p> <ul style="list-style-type: none"> <li>• Burts has secured supermarket contracts and need to expand to meet demand. This extra demand should enable and help to increase revenues and therefore profitability</li> <li>• Trend towards healthier eating could reduce demand, which might reduce revenues and therefore cash-flows</li> </ul> <p style="text-align: center;"><u>Examples of possible ‘MOPS’ responses</u></p> <p><b>Market</b> – Consumer tastes are subject to change. In this dynamic market there is a trend towards healthier eating could reduce demand, which might reduce revenues and therefore cash-flows so liquidity could be an issue</p> <p><b>Objectives</b> – Shareholders may expect dividends on shareholdings in the longer term so profitability can be postponed in the interests of liquidity</p> <p><b>Product</b> – Potato crisps is a fiercely competitive market in the UK but Burts are a relatively luxury brand which might enable high mark ups and therefore profitability. This ‘surplus’ could be used to fund qualitative expansion through better machinery who efficiency may reduce average costs over the longer term</p> <p><b>Situation</b> – Burts has been around since 1997 and yet has experienced rapid growth since (by 100% in 2014) so revenues should allow the business to cover costs and enable it to operate in a highly fierce competitive market.</p>	<b>(20)</b>
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Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> <li>• A completely inaccurate response.</li> </ul>
Level 1	1-4	<ul style="list-style-type: none"> <li>• Isolated elements of knowledge and understanding.</li> <li>• Weak or no relevant application of business examples.</li> <li>• An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).</li> </ul>
Level 2	5-8	<ul style="list-style-type: none"> <li>• Elements of knowledge and understanding</li> <li>• Which are applied to the business example.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Level 3	9-14	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of the business behaviour/context.</li> <li>• 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 developed.</li> <li>• Quantitative and qualitative information are 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.</li> </ul>
Level 4	15-20	<ul style="list-style-type: none"> <li>• Accurate and thorough knowledge and understanding</li> <li>• Supported throughout by use of relevant and effective use of the business behaviour/context.</li> <li>• Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed.</li> <li>• Quantitative and qualitative information 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).</li> </ul>

**NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.**



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ISBN 978-1-4469-1468-7  
9 781446 914687 >