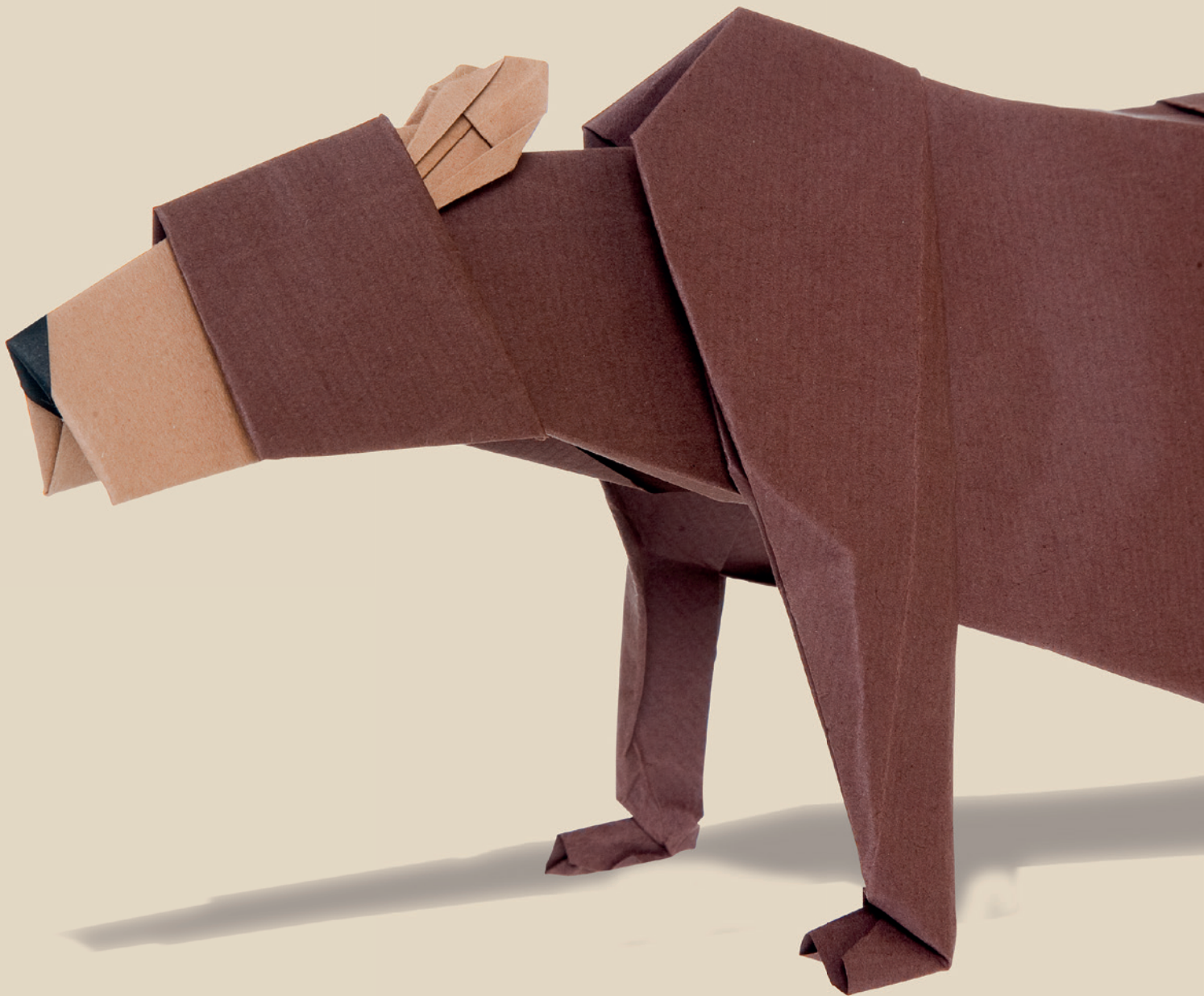


AS Business



Sample Assessment Materials

Pearson Edexcel Level 3 Advanced Subsidiary GCE in Business (8BS0)

First teaching from September 2015

First certification from 2016

Issue 3

Edexcel, BTEC and LCCI qualifications

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

Issue 3 changes

Summary of changes made between previous issue and this current issue	Page number
The following changes have been made to Paper 1 (8BS0/01):	
<i>All case study extracts have been removed from the question papers into separate source booklets</i>	
The following changes have been made to Paper 2 (9BS0/02):	
<i>All case study extracts have been removed from the question papers into separate source booklets</i>	

Earlier issue 2 shows previous changes.

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.

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

Issue 2 changes

Summary of changes made between previous issue and this current issue	Page number
The following changes have been made to Paper 1 (8BS0/01):	
Paper 1 Question 3 has been updated from: 'Evaluate the likely impact on the finances of a business of using a pricing strategy such as that used by Ryanair.' to 'After customer complaints about its current pricing strategy being misleading, Ryanair are considering changing to either Competitive pricing or Psychological pricing. Evaluate these two options and recommend which one is most likely to increase sales for Ryanair.'	18
Paper 1 mark scheme: On the y axis of the graph in Question 1(c) the arrow has been corrected to point downwards.	28
Paper 1 mark scheme: In the first bullet of the calculation in Question 2(c) "10%" has been corrected to read "15%".	34
The mark scheme for Question 3 has been changed to reflect the updated question format	39
The following changes have been made to Paper 2 (9BS0/02):	
The source for Question 3 has been expanded to support the updated question format	
Paper 2 Question 3 has been updated from: 'Evaluate the likely impact on the employees of a business such as Lindt of operating at a higher level of capacity utilisation.' To 'To help achieve its objective of profit maximisation, Lindt is considering two options. Increasing sales volumes further or continuing to improve capacity utilisation. Evaluate these two options and recommend which one Lindt should use to achieve profit maximisation.'	56
The mark scheme for Question 3 has been changed to reflect the updated question format	79

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.

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Introduction

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

- 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				
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	

Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Morning/Afternoon (1 hour 30 minutes)	Paper reference	8BS0/01
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Business

Advanced Subsidiary

PAPER 1: Marketing and people

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 80.
- 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 Extract A in the source booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) What is meant by brand?

(2)

.....

.....

.....

.....

(b) What is meant by a niche market?

(2)

.....

.....

.....

.....

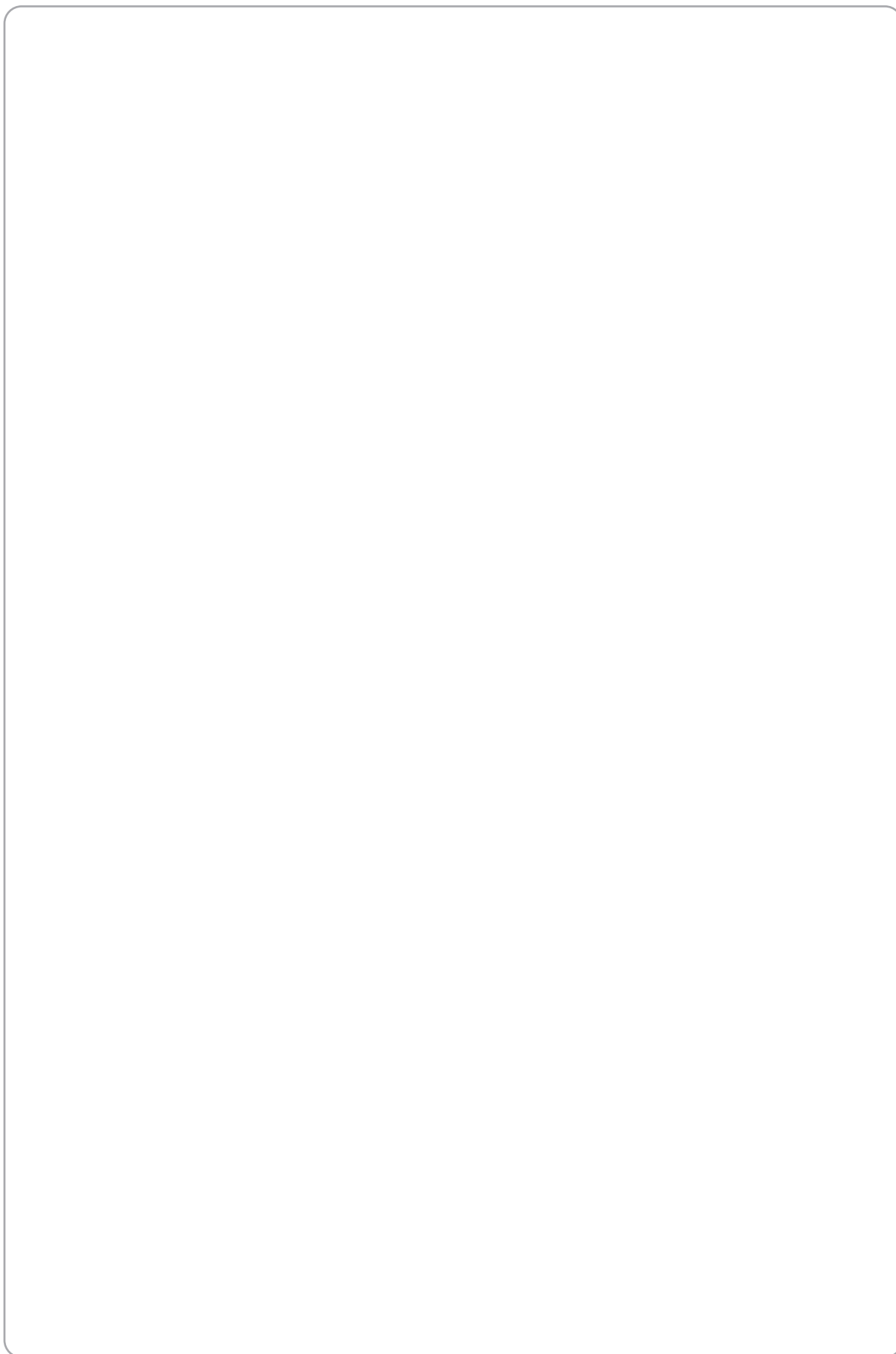
DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

- (c) Using the data from Extract A, construct a supply and demand diagram to illustrate the impact of YOTEL's decision on the Singapore hotel market.

(4)



YOTEL has announced its plans to expand in city centres and in airports.

- (d) Explain how YOTEL could use primary market research to support its decision to expand.

(4)

(e) Assess **two** factors that might cause a decrease in the demand for YOTEL's cabins.

(8)

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Handwriting practice area with 15 horizontal dotted lines.

(f) Assess the importance to YOTEL of having a flexible workforce.

(10)

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DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extract B in the source booklet before answering Question 2.

Write your answers in the spaces provided.

- 2** (a) What is meant by market segments?

(2)

- (b) What is meant by product differentiation?

(2)

The price elasticity of demand for Sims' Salt Pipes is -0.8 .

- (c) Using the data in Extract B, calculate the percentage change in quantity demanded following a £3 increase in the price of salt pipes. You are advised to show your working.

(4)

(d) Explain how Anthony has demonstrated **one** entrepreneurial characteristic.

(4)

(e) Assess **two** benefits of online retailing to the success of a small business such as Sims' Salt Pipes.

(8)

DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

The market for salt pipes is expanding.

- (f) Assess the likely impact on Anthony of Sims' Salt Pipes becoming a private limited company.

(10)

DO NOT WRITE IN THIS AREA

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DO NOT WRITE IN THIS AREA

(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract C in the source booklet before answering Question 3.

Write your answers in the spaces provided.

- 3** After customer complaints about its current pricing strategy being misleading, Ryanair are considering changing to either Competitive pricing or Psychological pricing.

Evaluate these two options and recommend which one is most likely to increase sales for Ryanair.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 1 hour 30 minutes

Paper
reference

8BS0/01

Business

Advanced Subsidiary

PAPER 1:Marketing and people

Source Booklet

Do not return this Booklet with the question paper.

Turn over ►

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SECTION A

Read extract A before answering Question 1.

Extract A

YOTEL

YOTEL is a 'micro' hotel brand found at London Gatwick, London Heathrow and Amsterdam Schiphol airports. Each hotel has a 24/7 automated check-in and between 30 to 50 'cabins' with luxury bedding and free Wi-Fi. Cabins are bookable by the hour, often with different guests using the same cabin over a 24-hour period, all of which have to be serviced by YOTEL staff. 5

Occupancy rates are high. YOTEL claims 'a first class hotel experience at an affordable price' in a highly saturated accommodation market.

YOTEL has generated significant demand from corporate travellers, and won Business Hotel of the Year in 2009. 10

In 2011, the company expanded its market and opened a 669-cabin hotel in Times Square, New York City, with a 4th floor space that includes bars, a restaurant, lounge and the largest hotel terrace in NYC.

YOTEL continues to be a niche market product. It plans to open a 600-cabin hotel in the centre of Singapore in 2018, plus larger airport venues worldwide. 15

(Sources: adapted from www.yotel.com and www.businesstravelnews.com/)

SECTION B

Read extract B before answering Question 2.

Extract B

Breathe easy thanks to Anthony Sims' Salt Pipes

Entrepreneur Anthony Sims ran a successful catering company. Then in January 2013, following a chance encounter with a customer who experienced breathing problems, he decided to set up a new business selling salt pipes online.

A salt pipe is a hand-held pipe filled with Himalayan salt. Air is drawn over the salt crystals and into the lungs – a concentrated version of breathing healthy seaside air. 5

Using the salt pipe helps to relieve allergies and neutralise the damaging effects of air pollution and secondary cigarette smoke.

Anthony says, 'They are simple to use and they don't require refilling as the crystals last 5 years.' 10

The product retails for £20 and has gained popularity in its target market segments through newspaper advertising and social media. Customers are mainly middle-aged people from across all social backgrounds who suffer from respiratory diseases. Some sportspeople also use it alongside their fitness programmes.

As salt pipes become more popular, it becomes increasingly important that Anthony differentiates his pipes from those of the competition. 15

(Source: adapted from www.simssaltpipes.co.uk)

SECTION C

Read extract C before answering Question 3.

Extract C

Ryanair's £10 flights to the US: would the experience be worth the savings?

Low-fare airline Ryanair has claimed it could offer return flights to the US for £10. Passengers, however, would pay extra for everything – from meals to baggage.

Current additional charges on a return flight are £10 to choose your seat and £90 for a 20kg bag. Also, on each 7½ hour flight you'd want at least one hot meal and drink, plus bottles of water – so add another £24. Air Passenger Duty (APD) adds £67 to the cost of every ticket from the UK to the US.

5

This actually makes your ticket £201 not £10, but still cheaper than the £438 on offer from British Airways.

(Source: adapted from 'Ryanair's £10 flights to the US: would the experience be worth the savings?', by Oliver Smith 27 Feb 2014, © Telegraph Media Group Ltd)

Mark Scheme

Sample Assessment Materials

Pearson Edexcel Level 3 Advanced
Subsidiary GCE in Business (8BS0)

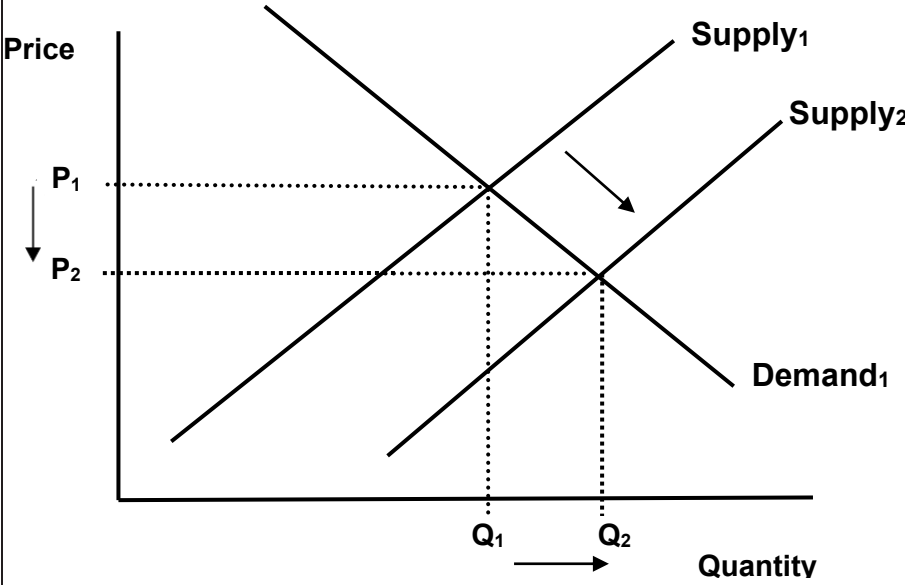
Paper 1: Marketing and people

General marking guidance

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Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for understanding brand, e.g.</p> <ul style="list-style-type: none"> a characteristic/name/symbol (1) that differentiates/ distinguishes a product from other suppliers (1). 	(2)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for understanding a niche market, e.g.</p> <ul style="list-style-type: none"> a niche market is a specialist area of the market/is a subset of the market on which a specific product focuses (1). It addresses a need for a product/service that is not being addressed by other providers (1). 	(2)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge 2, Application 1, Analysis 1</p> <p>Quantitative skills assessed: QS3: construct and interpret a range of standard graphical forms</p> <p>Knowledge/understanding:</p> <ul style="list-style-type: none"> • 1 mark for correctly constructing supply and demand curves. • 1 mark for correctly labelling axes, price and quantity. <p>Application:</p> <ul style="list-style-type: none"> • 1 mark for correctly interpreting the shift in the supply curve (to the right). <p>Analysis:</p> <ul style="list-style-type: none"> • 1 mark is available for showing original and new equilibrium and consequences on the quantity and price axes. 	(4)

Question Number	Answer	Mark
1(d)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding primary research, e.g.</p> <ul style="list-style-type: none"> primary research is collecting data first hand. <p>Application: 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> this could be done by collecting information through guest questionnaires to gain feedback on room rates/quality of food/ cleanliness of rooms/ ease of automated check-in/ value for money at YOTEL. <p>Analysis: 1 mark is available for explaining why the above would be of value to YOTEL, e.g.</p> <ul style="list-style-type: none"> this would then enable YOTEL to plan to provide the services their guests require in their new projects. 	(4)

Question Number	Indicative content	Mark
1(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Price of related goods – fall in price of a substitute, e.g. competitors' rooms. • Increase in price of complementary goods, e.g. flights/holidays. • Market size/demographics – fall in size/composition of customer base. • Employment/income – if the unemployment rate drops and more people have a greater disposable income, the general population may be more likely to spend on discretionary items such as holidays and vice versa. • Consumer tastes and trends – YOTEL is used by many business travellers and so if more companies use videoconferencing than face-to-face meetings, bookings will fall. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • The extent of the decrease in demand will depend on sensitivity to changes in price and non-price factors of different customer segments, e.g. corporate travellers may not respond to price changes whereas leisure travellers might 	(8)

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

Question Number	Indicative content	Mark
1(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • A flexible workforce may be multi-skilled, part time and temporary, work flexible hours/from home and outsourced where necessary. • YOTEL offers a range of services and therefore a multi-skilled workforce can be deployed effectively. • It offers the facility for 'different guests using the same cabin over a 24-hour period', which means the rooms have to be serviced by staff possibly several times a day. • Customers wishing to stay in an airport before a flight may need a room for a few hours only and YOTEL need to have staff on flexible-hour contracts to cater for this varying and unpredictable level of demand. • As demand varies throughout the day/week/year, YOTEL may find it useful to have a pool of staff from which to draw. • Check-in is automated so would not require reception staff to be readily available. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Staff working fixed hours could prove inefficient and therefore more costly to YOTEL, which would no longer allow YOTEL to offer 'a 1st class hotel experience at an affordable price'. • Though flexibility in the workforce is important to YOTEL, and valuable in terms of cost saving, there is a danger that a flexible workforce is harder to motivate. • Teams will be fluid which may make motivation less likely than with a stable workforce, this may have an impact on the quality of service they provide. • A flexible workforce may not have received as much training, therefore may not be as effective in their role. 	(10)

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

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for understanding market segments, e.g.</p> <ul style="list-style-type: none"> an identifiable group of individuals/a part of the market (1) where consumers share one or more characteristic or need (1). 	(2)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for understanding product differentiation, e.g.</p> <ul style="list-style-type: none"> product differentiation is the act of distinguishing a product/service from competitors (1) to make it more attractive to a particular target market(s) (1). 	(2)

Question Number	Answer	Mark
2(c)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions QS2: calculate, use and understand percentages and percentage changes</p> <p>Knowledge: 1 mark for the formula</p> <ul style="list-style-type: none"> • % change in quantity demanded/%change in price = PED <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Re-order formula to calculate % change in price $= (\text{price new} - \text{price old}) / \text{price old} \times 100$ $= (23 - 20) / 20 \times 100$ $= 15\%$ • Calculate % change in quantity demanded $= -0.8 \times 15\%$ • -12% <p>NB: if answer given is -12%, award 4 marks.</p>	(4)

Question Number	Answer	Mark
2(d)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for stating one entrepreneurial characteristic, e.g.</p> <ul style="list-style-type: none"> • risk-taking/initiative/self-confidence/creativity. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • Anthony took a risk in setting up a new business • selling salt pipes online as opposed to face-to-face catering business. <p>Analysis: 1 mark for explaining the above, e.g.</p> <ul style="list-style-type: none"> • this was a risk as it is a completely different product to what Anthony is used to/he may not have understood this type of distribution channel for this product. 	(4)

Question Number	Indicative content	Mark
2(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Online retailing involves selling products on the internet. • Practical and easy to set up. • Cheap to start up because of lower fixed costs and lower overheads. • Flexible/can run a business from anywhere. • Opportunities for fast growth. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Anthony may not possess the IT skills necessary to set up an online business. • Easy for competitors to learn/keep up with/stay aware of Anthony's business model/products/prices. • Technical problems such as dealing with fraud, spam and viruses. 	(8)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> • A completely inaccurate response.
Level 1	1–2	<ul style="list-style-type: none"> • Isolated elements of knowledge and understanding – recall based. • Weak or no relevant application to business examples. • Generic assertions may be presented.
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Question Number	Indicative content	Mark
2(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> As a non-limited business, Anthony's personal assets can be at risk if the business fails, but this is not the case for a limited company. This may therefore mean that Anthony may be more likely to pursue business decisions that may involve more risk. Being a limited company also makes it easier for Anthony to raise sums of capital through the sale of shares to his family and/or friends, which he may need given potential expansion plans. There are tax advantages to Anthony of Sims being a limited company. A limited company is often given more credibility. Operating as a limited company often gives suppliers and customers a sense of confidence in a business and quite often other companies prefer not to deal with non-limited businesses. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> A limited company is far less flexible if expansion becomes possible as Anthony may not be alone in making decisions. If Sims is a limited company, Anthony may find it harder to borrow from banks as he is not risking his personal assets. Profits/control in decision making may have to be shared within a limited company. 	(10)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> • A completely inaccurate response.
Level 1	1–2	<ul style="list-style-type: none"> • Isolated elements of knowledge and understanding – recall based. • Weak or no relevant application to business examples. • Generic assertions may be presented.
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Level 4	7–10	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding. • A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). • Assessment is balanced and well contextualised, using quantitative and/or qualitative information • 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.

Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Competitive Pricing</p> <ul style="list-style-type: none"> Competitive pricing involves setting prices based on what other businesses in the same market are charging. Ryanair are positioned as a budget airline so customers may expect prices to be lower than competitors such as British Airways, but expect to get the same things within the ticket price rather than having to pay for add-ons. Using competitive pricing could help Ryanair achieve this Customers may prefer to spend their holiday money on hotels and attractions and therefore be looking for the cheapest flights to get them to their destination. If Ryanair price themselves as the cheapest in the market this could result in more ticket sales Demand for budget flights is price elastic, therefore a competitive price is necessary to increase revenue Ryanairs 'no-frills' image could lead to customers expecting prices to be considerably lower than other Airlines even within the budget category such as Easyjet, this may reduce the revenue achieved from each flight <p>Psychological pricing</p> <ul style="list-style-type: none"> Psychological pricing is used to make the customer perceive the price as lower than it actually is. By charging £199 for the flight and all of the extras, passengers may perceive this as much less than the real price of £201 and see a bigger difference between Ryanair's ticket prices and British Airways prices resulting in more bookings. Ryanair could price the ticket at £9.99 instead of £10 so that customers perceive it as cheaper and then may not complain about the price of the add-ons, this could lead to more ticket sales. Psychological pricing could allow Ryanair to charge higher prices while still giving the impression of being a cheap option for travellers, this could increase revenue gained from each ticket sold Comparison websites have made it easier for customers to compare prices of flights which could make psychological pricing less effective at drawing customers in. 	

	<p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> • Ryanair could use competitive pricing to ensure they are the cheapest option even when baggage, meals and Air passenger duty are included, this could mean that more customers perceive them as value for money in the long term improving the airline's reputation, resulting in more ticket sales • Psychological pricing could be useful to attract customers attention on Ryanair's website and online promotions, which could result in customers impulse buying flights, leading to an increase in sales. 	(20)
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Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> • A completely inaccurate response.
Level 1	1–4	<ul style="list-style-type: none"> • Isolated elements of knowledge and understanding. • Weak or no relevant application of business examples. • An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).
Level 2	5–8	<ul style="list-style-type: none"> • Elements of knowledge and understanding • Which are applied to the business example. • Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. • A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding • Supported throughout by use of the business behaviour/context. • Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed. • 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.
Level 4	15–20	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding, • Supported throughout by use of relevant and effective use of the business behaviour/context. • Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. • Quantitative and 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).

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Centre Number					Candidate Number				
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Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Morning/Afternoon (Time: 1 hour 30 minutes)	Paper reference	8BS0/02
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Business

Advanced Subsidiary

PAPER 2: Managing business activities

You must have: Source booklet (enclosed)	Total Marks
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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 80.
- 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 C) in the source booklet before answering the Question 1.

Write your answers in the spaces provided.

- 1** (a) What is meant by cost of sales?

(2)

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- (b) What is meant by total revenue?

(2)

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(c) Using the data in Extract A, calculate Cadbury Plc's gross profit margin. You are advised to show your working. (4)

(d) Explain how holding larger buffer stocks might affect Whitakers. (4)

- (e) Assess **two** reasons why Whitakers might benefit from using batch production in the manufacture of chocolate.

(8)

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(f) Assess the importance of a quality assurance system to a chocolate manufacturer such as Whitakers.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extract D in the source booklet before answering Question 2.

Write your answers in the spaces provided.

- 2 (a) What is meant by a sales forecast?

(2)

Fox's Biscuits are considering selling their Caffè Thins at £1.74 per packet.
Fixed monthly costs are £160 000 with variable costs at 53 pence a packet.

- (b) Using this data, **calculate** the monthly break-even level of output for Caffè Thins.
You are advised to show your working.

(4)

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(c) Give **two** examples of fixed costs that Fox’s Biscuits might have.

(2)

(d) Explain how the £6m investment by Mondelēz International might improve productivity at the Sheffield factory.

(4)

- (e) Assess **two** reasons why break-even analysis might be useful to a business such as Fox's Biscuits.

(8)

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(f) Assess the importance to a business such as Mondelēz International of using internal finance when investing in a new production line.

(10)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract E in the source booklet before answering Question 3.

Write your answers in the spaces provided.

- 3 To help achieve its objective of profit maximisation, Lindt is considering two options. Increasing sales volumes further or continuing to improve capacity utilisation.

Evaluate these **two** options and recommend which **one** Lindt should use to achieve profit maximisation.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

Pearson Edexcel Level 3 GCE

Sample assessment materials for first teaching September 2015

Time 1 hour 30 minutes

Paper
reference

8BS0/02

Business

Advanced Subsidiary

PAPER 2: Managing business activities

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

An extract from the statement of comprehensive income for Cadbury Plc

	31 Dec 2012 £000s
Total revenue	181 526
Cost of sales	(41 847)
Selling and administrative expenses	(55 327)
General and other expenses	(81 405)

(Source: www.hotstocked.com)

Extract B

Chocolate manufacturers urged to hold more buffer stocks in the light of optimistic sales forecasts

The Association of the Chocolate, Biscuit and Confectionery Industries of Europe has called for chocolate manufacturers to hold larger buffer stocks to cover the supply of raw materials like sugar, skimmed milk powder and cocoa.

5

(Source adapted from 'http://www.bakeryandsnacks.com/Regulation-Safety/Caobisco-calls-for-extended-buffer-stocks-to-combat-supply-fluctuations?utm_source=copyright&utm_medium=OnSite')

Extract C

Manufacturing Standards Quality at Whitakers Chocolates Limited

Hygiene and food safety is vital to Whitakers' manufacturing and this is demonstrated through a comprehensive quality assurance management system. Batch production processes and procedures are designed, continually updated and communicated to all personnel so that they understand the importance of meeting legal and customer requirements. The quality assurance system is certified against the British Retail Consortium (BRC) Global Food Standard and Whitakers Chocolates Limited consistently achieves high standards when audited. This achievement also meets the requirements of customers' changing tastes and preferences. Senior management reviews the effectiveness of the system on a regular basis and ensures that adequate resources are provided.

5

10

(Source: http://www.whitakerschocolates.com/?page_id=37)

SECTION B

Read extract D before answering Question 2.

Extract D

Britain loves biscuits

Over 6 million Britons enjoy eating a biscuit with their tea or coffee. This has led to new investment in biscuit production by two major producers, Mondelēz International and Fox's Biscuits.

Mondelēz International, an American public company, markets brands such as Kraft, Cadbury and Oreo. It has a budget of £6m for a new production line in its UK factory based in Sheffield. Oreos will be made in the UK for the first time in order to meet the company's sales forecasts. The new production line is capable of producing more than a million Oreos in 24 hours. 5

Fox's Biscuits has grown to become one of the UK's leading biscuit brands. Fox's Caffè Thins are a biscuit created specifically for coffee and it is one of an entirely new type of biscuit. 10

(Source: <http://www.insidermedia.com/insider/yorkshire/90027> and
<http://www.fdin.org.uk/2013/08/foxs-launches-caffe-biscuit-range-especially-for-coffee>)

SECTION C

Read extract E before answering Question 3.

Extract E

Lindt sales rise by over 9%

Sales volumes at Lindt, the Swiss chocolate maker famous for its golden bunnies, rose 9.6% in the first half of 2014 thanks to increased demand for confectionary in the USA and Europe. Lindt's growth in sales volumes were driven by the 'unexpectedly colder and rainy weather' in Europe and an increase in market share in the USA, as consumers choose Lindt products instead of those made by rivals Mondelez and Mars.

5

Lindt expects to see a 40% increase in its profits at the end of 2014, driven by a combination of sales volume growth, falling material costs and rising capacity utilisation in its factories. Ernst Tanner, chairman and chief executive of Lindt, stated that 'he expects overall profit to be at the upper end of market expectations, due to a combination of volume, revenue and efficiency improvements'.

10

(Source: "Lindt and Sprüngli chews over 9% sales rise at halfway
By James Shotter in Zürich © THE FINANCIAL TIMES LTD 2014)

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Mark Scheme

Sample Assessment Materials

Pearson Edexcel Level 3 Advanced
Subsidiary GCE in Business (8BS0)

Paper 2: Managing business activities

General marking guidance

- 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.

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> cost of raw materials or stock (1) purchased to produce/ supply a product/service (1). 	(2)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: 2 marks for:</p> <ul style="list-style-type: none"> selling price x total quantity sold in a given time period. 	(2)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions QS2: calculate, use and understand percentages and percentage changes</p> <p>Knowledge: 1 mark for identifying the formula for gross profit margin</p> <ul style="list-style-type: none"> Gross Profit/Total Revenue x 100 <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> Calculate gross profit = 181 526 - 41 847 Calculate gross profit margin = 139 679/181 526 x 100 Gross profit margin = 76.95% <p>NB: if answer given is 76.95%, award 4 marks.</p>	(4)

Question Number	Answer	Mark
1(d)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for showing an understanding of buffer stocks, e.g.</p> <ul style="list-style-type: none"> stocks held as protection in case of reduction in supply. <p>Application: up to 2 marks for a contextualised example, e.g.</p> <ul style="list-style-type: none"> more space required to store more sugar (1) means increasing warehousing costs (1). <p>Analysis: 1 mark for developing the contextualised examples, e.g.</p> <ul style="list-style-type: none"> a consequence of higher costs may lead to charging higher prices/loss of competitiveness/lower profit margins (1). 	(4)

Question Number	Indicative content	Mark
1(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Batch production involves producing small volumes of different products using the same resources. • For example, one machine might produce a batch of dark chocolates followed by a batch of milk chocolates. • This allows equipment to be used to make different chocolate-flavour products in response to customer demand. • This allows more efficient or flexible use of chocolate-making equipment. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • There is a potential loss of output given the downtime/cleaning/preparation required when switching between batches. • Risk of contamination/waste which may damage reputation/increase costs. 	(8)

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

Question Number	Indicative content	Mark
1(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Quality assurance systems ensure that work in progress and finished products are fit for purpose. • Quality assurance systems can allow a manufacturer to trace defective products/ingredients more readily. • Suppliers such as Whitakers produce high-quality chocolates which are in a niche market. • Each chocolate product is consistent in quality, taste and size and appearance. • This should reduce wastage of materials such as sugar, milk powder or cocoa. • Therefore this should help to reduce the risk of sales reject/product recall. • In order to protect the reputation of the company or brand, to ensure customer loyalty and repeat business, or a motivated workforce. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • There is a potential increase in costs given that quality assurance systems involve more resources/time. • The costs of a quality assurance system may be a small proportion of total costs and therefore have little impact. • Although costs may go up, it may not matter as Whitakers operates in a niche market where high prices can be charged. • Higher prices may therefore mean greater profit margins to pay for the quality assurance systems. • Higher prices may deter some consumers, reducing sales volumes and therefore profits. 	(10)

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

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: 2 marks for understanding a sales forecast, e.g.</p> <ul style="list-style-type: none"> a sales forecast estimates the volume/value of future sales (1) using market research/past sales data (1). 	(2)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even</p> <p>Knowledge: 1 mark for identifying the formula</p> <ul style="list-style-type: none"> Fixed cost/contribution per unit = break-even <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> Calculate contribution = Selling price - Variable cost $\text{£}1.74 - \text{£}0.53 = \text{£}1.21$ Calculate break-even level of output $= \text{£}160\,000 / \text{£}1.21 = 132\,231.4$ Break-even level of output = 132 232 packets <p>NB: award final mark for 132 231, recognising the figure needs to be rounded up to achieve full units to break-even.</p>	(4)

Question Number	Answer	Mark
2(c)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> rent insurance salaries. 	(2)

Question Number	Answer	Mark
2(d)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding productivity, e.g.</p> <ul style="list-style-type: none"> • productivity is output per unit of input per time period. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • the new production line may produce more biscuits with fewer workers • a new production line may produce more biscuits per day than before (more than a million Oreos in 24 hours) • a new production line may not break down as often – less downtime. <p>Analysis: 1 mark for explaining why the above would improve productivity, e.g.</p> <ul style="list-style-type: none"> • fewer workers or more output per day would increase the amount produced per machine or per worker (1). 	(4)

Question Number	Indicative content	Mark
2(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Break-even is the point at which total costs = total revenue. • Fox's Biscuits could use this to examine the impact of any changes in variable costs, such as an increase in raw material prices such as sugar. • Break-even analysis can help a business work out the minimum output/sales of biscuits required to prevent losses. • Fox's Biscuits can use this in conjunction with sales forecasts to see if production is worthwhile. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • More difficult in a multi-product business such as Fox's Biscuits where the fixed costs, such as rent, are shared across different types of biscuit because there is a problem of knowing what proportion of the fixed cost to apportion to one variety of biscuit. • Assumes sales and output are the same – does not allow for the costs of storing surplus biscuits or ingredients, should sales suddenly dip. 	(8)

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

Question Number	Indicative content	Mark
2(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Internal finance is sourced from the business itself, such as sale of assets or retained profits. • Selling assets may be a way to improve efficiency or increase capacity utilisation at Mondelēz International. • Selling assets may be a viable option for Mondelēz International because they own several brands, such as Kraft, Cadbury and Oreo, enabling them to raise finance from one to invest in another. • Using retained profit means no future interest charges on the £6million borrowed funds. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Using retained profit means that the money cannot gain interest in a bank account or be used for anything else, e.g. pay higher dividends to shareholders. • Debt from external sources may not be a problem if interest rates are low because interest payments would be smaller. • If inflation is high, the real value of what Mondelēz International would have to pay back would be low. • It might depend on what proportion the £6m is of total retained profits; if a low proportion, it would be less important. 	(10)

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

Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Increasing sales volumes:</p> <ul style="list-style-type: none"> • Sales volume is the quantity of a good or service sold within a period of time • Higher sales volume growth of 9.6% should lead to increased revenue from chocolate bars. Thus, total contribution should rise, allowing a lower break-even point and higher margin of safety. The increased margin of safety should allow for increased profit beyond the 40% improvement made in 2014 • Increased sales volume growth means each factory in Europe is producing more chocolate. Therefore, Lindt will be able to place larger orders for raw materials such as sugar and cocoa. This should reduce the average variable cost of producing each chocolate bar, which should increase profit margins. With 9.6% more chocolate being sold, this should lead to increased profits • To increase sales volumes further, Lindt may have to reduce the price of its chocolate to tempt consumers away from rival producers such as Mars. This may increase volumes further, but there is a possibility that revenues may fall, compromising the objective of maximising profits • Rival confectionary manufacturers such as Mondelez, may resent the increase in market share in the USA, and may cut prices or introduce new chocolate products that may therefore restrict Lindt's ability to increase sales volume's further. As a result, profit maximisation may not be achieved. <p>Increasing capacity utilisation:</p> <ul style="list-style-type: none"> • Capacity utilisation is current output as a percentage of maximum output. • Operating at a higher level of capacity utilisation will spread the total fixed costs of confectionary machinery in Lindt's factories. This will lower average fixed costs, which allows for lower average total costs. This will allow Lindt to increase its profit margin on each chocolate bunny sold. At a given sales volume of confectionary, profit maximisation is now more likely to occur • Increased capacity utilisation means that Lindt can meet any further sales volume growth of between, because it can produce more confectionary products. This reduces the chance of lost sales to rivals such as Mondelez in the European confectionary market. As a result, revenues from sales can increase making profit maximisation more likely 	

Question Number	Indicative content	Mark
	<ul style="list-style-type: none"> Increasing capacity utilisation may result in Lindt producing too many golden bunnies, especially if the weather in Europe turns warmer. This could lead to excessive stock holding, which increases costs and could compromise the ability of Lindt to maximise profits Increasing capacity utilisation further may be difficult to achieve due to machinery breakdowns and employee absence. Therefore, it may not be feasible as a realistic option which may end up reducing, rather than maximising, profit from chocolate manufacture. <p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> Increasing sales volumes may be hard to achieve since a proportion of the sales volume increase came as a result of weather conditions. Rivals are increasingly likely to counteract Lindt's increase in sales volumes with strategies of their own, ultimately making demand for chocolate more price elastic as competition intensifies. Therefore, achieving profit maximisation may become more difficult for Lindt since any increases in sales volume may actually reduce revenue. However, this depends on the strength of the differentiation of its products. Lindt's golden bunnies are iconic and possess strong differentiation. As a result, consumers may be willing to pay a premium for them over and above the block chocolate bars made by Mars Capacity utilisation, could potentially increase the likelihood of profit maximisation since chocolate manufacturing is highly capital intensive and produced in a flow production line. By producing more output, the average total cost of golden bunny production falls, allowing Lindt to maximise profits. This profit could be retained and re-invested in improved efficiency and/or new and exciting chocolate product ranges. However, there needs to be a careful balancing of demand against production. Chocolate is a perishable food product and if too much is made at a time when chocolate demand falls, Lindt may find that it has significant stocks of product that depreciate rapidly as they reach the end of their consumption date. This may cause significant costs and reduce the ability to maximise profits since Lindt is incurring production costs on products which generate no revenues. 	(20)

Level	Mark	Descriptor
	0	<ul style="list-style-type: none"> • A completely inaccurate response.
Level 1	1–4	<ul style="list-style-type: none"> • Isolated elements of knowledge and understanding. • Weak or no relevant application of business examples. • An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).
Level 2	5–8	<ul style="list-style-type: none"> • Elements of knowledge and understanding • Which are applied to the business example. • Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. • A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding • Supported throughout by use of the business behaviour/context. • Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are developed. • 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.
Level 4	15–20	<ul style="list-style-type: none"> • Accurate and thorough knowledge and understanding, • Supported throughout by use of relevant and effective use of the business behaviour/context. • Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. • Quantitative and 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).

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