

# Mark Scheme (Results)

Summer 2013

GCE Business Studies/Economics and Business  
(6BS01/01 - 6EB01/01)

Unit 1: Developing New Business Ideas

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.



2. (a)	Answer – What motivated you to join a gym? (C)	1
2. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- Quantitative market research involves collecting data which is numerical <b>OR</b> Qualitative market research involves collecting opinions/feelings/open-ended questions (1 mark)</li> <li>- Therefore C is correct because reasons for joining a gym may vary, e.g. weight loss, social, to keep fit, etc. (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>- A is wrong because this would require a numerical response (1 mark), such as once a week (1 mark)</li> <li>- B is wrong because this would require a numerical response (1 mark), such as £50 a month (1 mark)</li> <li>- D is wrong because this would require a numerical response (1 mark), such as 1 year (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

3. (a)	Answer – Debentures (B)	1
3. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- External finance is obtained from sources outside the business itself (1 mark)</li> <li>- Debentures are long term stocks/bonds/loans (1 mark)</li> <li>- Which are obtained from individuals and/or other businesses and therefore external (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>- A is wrong because selling assets is an internal method of finance as they are owned by the business (1 mark)</li> <li>- C is wrong because retained profits are generated by the business (1 mark)</li> <li>- D is wrong because this is more a matter of providing income to enable cash-flow rather than finance investment (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

4. (a)	Answer – identify a potential market niche (C)	1
4. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- Market segmentation categorises potential consumers according to characteristics based on gender, age, income, location, etc. <b>OR</b> a market niche show gaps in the market (1 mark)</li> <li>- So that entrepreneurs like Johngir can target their products or services appropriately (1 mark)</li> <li>- So that a first mover/competitive advantage can be achieved (1 mark)</li> <li>- In order to gain sales (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>- A is wrong because contribution can only be determined if the selling price and variable costs per unit are known/is a costing technique (1 mark)</li> <li>- B is wrong because this also relates to costs and output/Break-even analysis (1 mark)</li> <li>- D is wrong because the distinction between gross and operating profit is usually determined by knowing the value of overheads/fixed costs/expenses (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	(Total 4)

5. (a)	Answer – high operating profit margins (B)	1
5. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- Product trials are a form of test marketing <b>OR</b> Repeat purchases occur when consumers effectively become regular customers of a product (1 mark)</li> <li>- Which means that they will require some incentive to encourage them to buy the product on a regular basis/show loyalty (1 mark)</li> <li>- This tends to happen through strategies which encourage them to buy the product such as promotions, advertisements, etc (1 mark)</li> <li>- It is not high operating profit margins because this should apply to existing products (1 mark)</li> <li>- It is not high operating profit margins because this does not gauge customer reactions but rather financial performance (1 mark)</li> <li>- It is not high operating profit margins because this might suggest that the prices are high which could put off customers buying again (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>- A is wrong because market mapping can help product trials lead to a repeat purchase because a market segment may have been identified where there is less competition and more chance of sales (1 mark)</li> <li>- C is wrong because product differentiation can mean that the customer is likely to buy the product later because it will have a different feature (1 mark)</li> <li>- D is wrong because word of mouth advertising should help persuade the customer to buy the product again (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

6. (a)	Answer – all entrepreneurs use their own money (B)	1
6. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- Calculated risk-taking is a considered assessment of potential success/failure of different options <b>OR</b> an entrepreneur is someone who has a business idea and makes it happen <b>OR</b> an entrepreneurial characteristic is a trait, skill or personal quality <b>OR</b> example of entrepreneurial characteristics <b>other than</b> risk taking, eg creativity, hard-working, resilience, initiative or self-confidence (1 mark)</li> <li>- When setting up in business an entrepreneur sometimes relies on other sources of finance such as banks or venture capitalists (1 mark)</li> <li>- This is because the entrepreneur may not have sufficient funds of their own for their business (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>- A is wrong because this is a consideration which a calculated risk-taker will make in order to prevent failure (1 mark)</li> <li>- C is wrong because judgement suggests that a decision has to be made which has an alternative range of outcomes; some too risky (1 mark)</li> <li>- D is wrong because, for example, incomes tend to fall when there is an increase in unemployment which would risk a fall in demand (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

7. (a)	Answer – because of the weaker pound (A)	1
7. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- Demand is the amount a consumer is willing and able to buy at a given price (1 mark)</li> <li>- A weaker pound means that the external value of the pound has fallen/depreciated (1 mark)</li> <li>- Price will have fallen effectively for foreign buyers because they now get more £s for their own currency given that the £ has depreciated (1 mark)</li> <li>- This therefore makes the Mulberry products in effect cheaper for foreign buyers so demand will increase (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>- B is wrong because during a period of increasing unemployment incomes are likely to fall which leads to lower demand (1 mark)</li> <li>- C is wrong because during a period of high levels of inflation prices will rise which will reduce demand (1 mark)</li> <li>- D is wrong because high interest rates may reduce spending on luxury goods as consumers may prefer to save (1 mark)</li> <li>- D is wrong because consumers may suffer lower disposable incomes because of increased mortgage or loan repayments (1 mark) causing them to spend less on luxury goods (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

8. (a)	Answer – Profits (C)	1
8. (b)	<p data-bbox="341 259 616 293">Explain your answer</p> <ul data-bbox="389 327 1155 488" style="list-style-type: none"> <li>- Sales volume = quantity/the number bought/sold (1 mark)</li> <li>- Profits = Total revenue – Total costs (1 mark)</li> <li>- Profits are consequence/effect of the sales volume increasing not a determinant of them (1 mark)</li> </ul> <p data-bbox="341 521 1038 584"><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul data-bbox="389 618 1187 1066" style="list-style-type: none"> <li>- A is wrong because the more people that are buying your products, the more you will sell' (1 mark) For example 20 customers per month with 3 orders each = a sales volume of 60; whereas 30 customers with the same 3 orders = a sales volume of 90 (1 mark)</li> <li>- B is wrong because consumer loyalty is likely to increase sales volume because of repeat purchases (1 mark) For example, if 20 customers simply return once then this will create 40 sales – 20 X 2 (1 mark)</li> <li>- D is wrong because the more you are producing, the more you will be able to sell (1 mark) For example if Rebecca improves her production rate by producing 50% more websites in a month, then this should increase sales volume:</li> </ul> <p data-bbox="437 1099 1086 1200">Original website production = 10 per month New website production (x 1.5) = 15 per month (1 mark)</p> <p data-bbox="341 1261 959 1323">Any acceptable answer which shows selective knowledge/application and/or development</p> <p data-bbox="341 1357 1150 1451">NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p data-bbox="1217 259 1302 322">1-3 marks</p> <p data-bbox="1217 1424 1334 1451">(Total 4)</p>

**Summer 2013 Unit 1 Section B Mark Scheme**

Question Number	Question	Marks
9	Explain <b>two</b> factors that could affect the supply of SuperJam's products.	<b>(6 marks)</b>
	Answer	Mark
	<p align="center"><b>Knowledge 2, Application 2, Analysis 2</b></p> <p><b>Knowledge: up to 2 marks</b> are available, e.g. for describing or identifying what is meant by supply factors – things which cause producers/firms to provide more or less of a product at a given price (1 mark) and/or identifying supply factors, such as price of goods sold (1 mark), cost/factors of production (1 mark), taxation (1 mark), subsidies (1 mark), legislation (1 mark), anticipated profits (1 mark), weather conditions or climate (1 mark), science/technology (1 mark)</p> <p><b>Application: up to 2 marks</b> are available for relating the above to SuperJam, e.g. if VAT was placed on jams (1 mark), there was a bumper harvest of blueberries (1 mark), the introduction of genetically modified crops (1 mark), if Fraser's suppliers used better fertilizers (1 mark)</p> <p><b>Analysis: up to 2 marks</b> are available for expanding on the above, e.g. this could mean that the supply of the SuperJam should decrease because the VAT may lead to higher prices which may mean less profit for SuperJam (1 mark); genetically modified crops/use of fertilizers should increase the yield of crops which may reduce costs (1 mark)</p> <p>NB Both factors needed for full marks</p> <p>Use of supply and/demand diagrams should also be credited.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	Marks
10	Analyse <b>one</b> reason why it might be important for Fraser to differentiate his business.	<b>(4 marks)</b>
	Answer	Mark
	<p style="text-align: center;"><b>Knowledge 1, Application 1, Analysis 2</b></p> <p><b>Knowledge: 1 mark</b> for defining differentiation, e.g. distinguishing your product or service (1 mark) OR identifying a reason, e.g. similar products/businesses already exist; gives competitive advantage; to sell more products/increase sales volume (1 mark)</p> <p><b>Application: 1 mark</b> for applying in context, e.g. the jams are made from super fruits such as cranberries/with fruit juice not sugar (1 mark)</p> <p><b>Analysis: up to 2 marks</b> are available for identifying cause and consequence/expanding, e.g. in order to gain a competitive advantage (1 mark) which should help increase sales of jam because this is something that rivals may not do (1 mark)</p> <p>NB allow 2 marks if 2 separate analytical comments are made.</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1-2</p>

Question Number	Question		Marks
11	Assess whether or not having product trials benefits a company such as SuperJam.		<b>(8 marks)</b>
Level	Mark	Descriptor	Example
1	1-2	Knowledge/understanding must be present	definition of product trials – e.g. when a product is first launched in a market in small quantities to determine likely effective demand
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. this is something which Fraser did initially using his budget of £2
3	5-6	Analysis must be present i.e. the candidate will explain why product trials can benefit a business like SuperJam  <b>NB 5 marks not in context 6 marks analysis in context</b>	e.g. this enabled Fraser to determine the amount of finance needed and the scale or production required in order to avoid waste of ingredients
4	7-8	Evaluation must be present and in context, i.e. the candidate must present arguments for and against the use of product trials by SuperJam <i>or a named business</i>  NB 7 marks one side in context; 8 marks if both sides in context	e.g. however, the initial trials undertaken by Fraser may have proven biased because he sampled his products on people he may have known in the local neighbourhood so they may have given him more favourable opinions

Question Number	Question		Marks
12	Assess the likely value to Fraser of SuperJam being a limited company.		<b>(8 marks)</b>
Level	Mark	Descriptor	Example
1	1-2	Knowledge/understanding must be present, i.e. of limited company	e.g. limited in terms of liability
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. Fraser is very young, he might have few assets and does not wish to risk them/or may have a poor trade credit rating
3	5-6	Analysis must be present, i.e. in this case the candidate must identify and explain the value of limited liability in the context of SuperJam  <b>NB 5 marks not in context 6 marks analysis in context</b>	e.g. if SuperJam is limited in terms of liability, then Fraser's personal possessions are not at risk so he may be more likely to pursue decisions which may involve risk  e.g. it might make it more difficult for Fraser given that he is 22 to gain external finance from banks because Fraser is not really risking his own personal assets against the venture, i.e. providing effective collateral
4	7-8	Evaluation must be present and in context, i.e. the candidate must present arguments for and against SuperJam  <b>NB 7 marks if one side in context; 8 marks if both sides in context</b>	e.g. most new businesses if they fail do so in the first 12 months because of poor cash-flow or management. The banks might be reluctant to support Fraser with liquidity finance to prevent this from happening if he does not prove his commitment by being unlimited  e.g. Fraser is very young and therefore he may not want to concern himself with the legal formalities of running a limited company

Question Number	Question		Marks
13 (a)	Evaluate the extent to which each of the following might affect the continued success of SuperJam:  a) a rise in the level of unemployment in Scotland		<b>(6 Marks)</b>
Level	Marks Per element	Descriptor	Example
1	1	Knowledge and understanding of unemployment may be present  <i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i>	e.g. unemployment is the number of people willing and able to work but out of work
2	2	Application must be present, i.e. the answer must be contextualised with respect to Superjam  <i>QWC: To achieve a mark of 2 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i>	e.g. SuperJam is a luxury product
3	3-4	Analysis will apply to decision, i.e. candidate will explain why a rise in the level of unemployment in Scotland might affect the continued SuperJam  <b>NB 3 marks not in context 4 marks analysis in context</b>  <i>QWC: To achieve a mark of 3-4 the candidate will use business terminology quite well/style of writing is appropriate to the question/ reasonable to good spg.</i>	e.g. which may face a fall in demand because disposable incomes tend to fall during periods of unemployment so people may choose not to buy SuperJam but instead a cheaper alternative  e.g. Jam is a relatively cheap product so people on lower unemployed incomes may increase their spending on SuperJam's products because they can afford to buy them.

4	5-6	<p>Evaluation must be present, i.e. the candidate must present arguments for and against as to why a rise in the level of unemployment in Scotland might affect the continued success of SuperJam</p> <p><b>NB 5 marks if one side in context; 6 marks if both sides in context</b></p> <p><i>QWC: To achieve a mark of 5-6 the candidate will use business terminology precisely and effectively and will organise their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>e.g. However, jam is a relatively inexpensive product so a fall in disposable income caused by unemployment may actually increase the demand for jam for sandwiches compared to say meat</p> <p>e.g. SuperJam's target market may well be pensioners, in which case their disposable incomes will not be affected by unemployment so spending on SuperJam's products will not fall.</p>
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Question Number	Question		Marks
13 (b)	Evaluate the extent to which each of the following might affect the continued success of SuperJam:  b) an appreciation in the value of £ sterling.		<b>(6 Marks)</b>
Level	Marks Per element	Descriptor	Example
1	1	Knowledge and understanding of appreciation may be present  <i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i>	e.g. appreciation is when the external value of a currency increases
2	2	Application must be present, i.e. the answer must be contextualised with reference to Superjam  <i>QWC: To achieve a mark of 2 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i>	e.g. e.g. £1 was worth \$1.50, now worth \$2  e.g. SuperJam is probably a luxury product  e.g. SuperJam imports fruit from Sri Lanka
3	3-4	Analysis will apply to decision, i.e. candidate will explain why an increase in appreciation of sterling will affect SuperJam  <b>NB 3 marks not in context 4 marks analysis in context</b>  <i>QWC: To achieve a mark of 3-4 the candidate will use business terminology quite well/style of writing is appropriate to the question/ reasonable to good spg.</i>	e.g. imported fruits will therefore fall in price as Fraser will get more foreign currency for his £ sterling which will therefore reduce SuperJam's costs

4	5-6	<p>Evaluation must be present, i.e. the candidate must present arguments as to the extent that the appreciation of the pound might affect the success of SuperJam</p> <p><b>NB 5 marks if one side in context; 6 marks if both sides in context</b></p> <p><i>QWC: To achieve a mark of 5-6 the candidate will use business terminology precisely and effectively and will organise their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>e.g. However the costs of fruit might be a small proportion of the total costs of SuperJam in which the case the impacts on profits may be small</p> <p>e.g. it depends on the extent of the appreciation/which currencies the £ appreciates against; a small change may not affect Fraser's importation of costs at all</p>
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May 2013 Assessment Objective Mark Grid							
Question	Content	K/U	Application	Analysis	Evaluate	Total	Marker
1	1.3.6c	1	3	0	0	4	
2	1.3.3a	1	2	0	1	4	
3	1.3.1a	2	1	0	1	4	
4	1.3.3b	1	2	0	1	4	
5	1.3.3d	1	1	1	1	4	
6	1.3.4a	1	1	1	1	4	
7	1.3.2b	2	1	0	1	4	
8	1.3.6a	2	1	1	0	4	
9	1.3.2b	2	2	2	0	6	E
10	1.3.3c	2	1	1	0	4	E
11	1.3.3d	2	2	2	2	8	E
12	1.3.1b/1.3.6a or 1.3.5b	2	2	2	2	8	E
13	1.3.3c/1.3.6b 1.3.4a	2	2	4	4	12	E
<b>Total</b>		21	21	14	14	70	

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