

Mark Scheme (Results)

Summer 2016

Pearson Edexcel 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.

## Section A Mark Scheme

Question Number	Question	Mark
1(a)	Answer - 50% (C)	1
1(b)	<ul style="list-style-type: none"> <li>Operating profit margin is operating profit/sales revenue X 100 <b>OR</b> Operating profit margin = (Price X Quantity sold) - (costs and expenses)/sales revenue X 100 (1)</li> <li>£60 - £30 = £30 OR (80 x 0.75) - (£25 + £5) (1+1) <b>OR</b> £30/£60 X 100 (2)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>A is not correct because this is the value of operating profit (1)</li> <li>B is not correct because this is the value of gross profit (1)</li> <li>D is not correct because this is the value of the gross profit margin (1)</li> </ul> <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>	3

Question Number	Question	Mark
2 (a)	Answer – A	1
2 (b)	<ul style="list-style-type: none"> <li>Competitive pricing takes into account prices charged by rival companies (1)</li> <li>Which should therefore result in an increase in sales for Tesco at the expense of Morrisons (1)</li> <li>If Tesco reduces the price of essential items for customers, this provides better value for money (1)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>B is wrong because market orientation usually takes into account customer product preferences (1)</li> <li>C is wrong because Tesco/Morrisons are cutting prices and therefore less likely to make as much profit (1)</li> <li>D is wrong because adding value is the difference between the price charged and the total cost of the inputs (1)</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>	3

Question Number	Question	Mark
3 (a)	Answer – A	1
3 (b)	<ul style="list-style-type: none"> <li>• A trade-off occurs when two options cannot be fully achieved (1)</li> <li>• Having more of one option will therefore lead to having less of the other option (1)</li> <li>• Small samples might be cheaper to undertake but it may not be sufficient to reflect the variations in people’s responses (1)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>• B is wrong because opportunity cost suggests that one option has been completely forgone rather than reduced (1)</li> <li>• C is wrong because this suggests that the sample size is too small or inappropriately selected (1)</li> <li>• D is wrong because this relates to launching a new product in a small portion of the market (1)</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>	3

Question Number	Question	Mark
4 (a)	Answer – C	1
4 (b)	<ul style="list-style-type: none"> <li>• Autocratic leaders make top down decisions without consulting employees (1)</li> <li>• Told/insisted therefore suggests that Andy is very authoritarian/autocratic (1)</li> <li>• As Andy provides no reason for his decision (1)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>• A is wrong because there is no suggestion that employees have been consulted / concerned for (1)</li> <li>• B is wrong because there is no evidence of employees being somehow involved in the decision (1)</li> <li>• D is wrong because this is a theory about a leaders perception of his/her employees (1)</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>	3

Question Number	Question	Mark
5 (a)	Answer - B	1
5 (b)	<ul style="list-style-type: none"> <li>• A social purpose is a non-profit motive / based on an ethical stance (1)</li> <li>• Which would be the case here given that the world's poor are likely to benefit (1)</li> <li>• As this website statement implies that profits will be distributed to others not the owner(s) (1)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>• A is wrong because this is concerned with business owners being liable for any debts a business may incur (1)</li> <li>• C is wrong because the Global Ethics website statement implies that this is not the aim of the business (1)</li> <li>• D is wrong because market segmentation relates to dividing the consumers into groups which have distinctive preferences, e.g. age, gender or income (1)</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>	3

Question Number	Question	Mark
6 (a)	Answer - D	1
6 (b)	<ul style="list-style-type: none"> <li>• Supply is the amount of goods/services provided at a given price (1)</li> <li>• Fashion tastes and preferences are a demand factor (1)</li> <li>• As they relate to the behaviour of consumers, not suppliers (1)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>• A is wrong because rents are a cost which can affect profits and therefore supply</li> <li>• B is wrong because planning regulations can take time to meet (1)</li> <li>• C is wrong because council taxation (business rates) are a cost which may affect profits and therefore supply (1)</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>	3

Question Number	Question	Mark
7 (a)	Answer - C	1
7 (b)	<ul style="list-style-type: none"> <li>• Niche product markets cater for specialised market segments (1)</li> <li>• which Children Salon is most likely to be given that it is a high fashion retailer (1 mark)</li> <li>• which means that consumers who can afford the clothing will be prepared to pay a higher price (1 mark)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>• A is wrong because niche markets tend to operate with fewer retailers (1 mark)</li> <li>• B is wrong because consumers are likely to be more discerning and therefore not form part of a mass market (1 mark)</li> <li>• D is wrong because if prices are high then it is vital to provide quality/reliable products to provide value for money/or sales will suffer (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>	3

Question Number	Question	Mark
8 (a)	Answer – D	1
8 (b)	<ul style="list-style-type: none"> <li>• Sales volume is the amount/number of products bought and sold OR unemployment is the number of people willing and able to work but out of work (1 mark)</li> <li>• When unemployment falls incomes tend to rise (1 mark)</li> <li>• Which means that sales volumes increase as people are now able to buy more products/services (1 mark)</li> </ul> <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> <li>• A is wrong because an increase in gross profits assumes that costs of sales do not increase (1 mark)</li> <li>• B is wrong because sales revenue may not increase if prices are lower, given <math>P \times Q = TR</math> (1 mark)</li> <li>• C is wrong because an increase in net profits assumes that expenses do not increase (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>	3

## Section B Mark Scheme

Question Number	Question	Marks
9	Analyse <b>two</b> non-price factors that could affect the supply of Speed One Sports Ltd's products and/or services	6
	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge and understanding: up to 2 marks are available for identifying any two non-price supply factors, e.g. costs of production, changes in technology, taxation, subsidies, government controls</p> <p>Application: up to 2 marks are available by using the context, e.g. t shirt production staff wages, computer controlled machinery is introduced, corporation tax on manufacturers profits, subsidies awarded to small businesses</p> <p>Analysis: up to 2 marks are available for explaining the above, e.g. if wages are increased this should increase production costs so supply may fall. Improved technology might speed up the production process or make the production more efficient so increase supply.</p> <p><b>NB Limit to 3 marks if only ONE non-price supply factor is referred to.</b></p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	Marks
10.	Using the case study, explain <b>one</b> reason why it might be important for Tony to be self-confident.	4
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge and understanding: 1 mark is available for defining self-confident, e.g. the belief or faith in one's ability/self-assured OR shows knowledge and/or understanding of what is meant by entrepreneurial characteristics</p> <p>Application: 1 mark for contextualising answer, e.g. Having failed with SOS Tony had the confidence to set up Little Tone Promotions</p> <p>Analysis: up to 2 marks for explaining why, e.g. because Tony's self-employment compared to his employment involves confidence in taking more risks (1 mark) especially as self-employment has no guarantee of income or regular income (1 mark)</p>	<p>1</p> <p>1</p> <p>2</p>

Question Number	Question		Marks
11	Assess the significance of having profit as a key motive for Tony and Speed One Sports Ltd.		8
Level	Marks	Descriptor	Possible content
1	1-2	Knowledge and understanding of profit/motive	e.g. total revenue minus total costs e.g. what drives an entrepreneur
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. to enable Tony to pay dividends to shareholders as it is a limited company or invest in new factory printing machinery
3	5-6	Analysis must be present, i.e. in this case the candidate will explain the costs, causes or consequences of having profits as a key motive  NB A mark of 5 can be awarded when analysis is not in context	e.g. if dividends are not paid to shareholders then they may withdraw their capital given that there is no reward for investing their money e.g. if machinery for printing/embroidery stitching wears out it will need to be replaced to keep the business operational
4	7-8	Evaluation must be present, i.e. the candidate will present arguments for and against the profits being a key motive  7 marks if ONE side in context, 8 if BOTH	e.g. SOS encourages staff to run free workshops to schools which will cost money such as travel expenses but there will be no revenue to cover those costs causing, in effect, losses

Question Number	Question		Marks
12	Evaluate how useful break-even analysis is likely to be to Speed One Sports Ltd.		8
Level	Marks	Descriptor	Possible content
1	1-2	Knowledge and understanding of break-even	e.g. the level of output where total costs are equal to total revenue
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. the number of school sportswear orders Tony needs to receive to cover the cost of supplies from Nike and printing/stitching costs
3	5-6	Analysis must be present, i.e. in this case the candidate will explain the value or not of BEA to SOS  NB A mark of 5 can be awarded when analysis is not in context	e.g. so that the SOS can forecast the amount of revenue which is necessary in the three factories to enable Tony to have the correct level of supplies, staffing and machinery
4	7-8	Evaluation must be present, i.e. the candidate will present arguments for AND against SOS using break-even analysis  7 marks if ONE side in context, 8 if BOTH	e.g. SOS is a multi-product company so it would be difficult to determine the appropriate level of output for each product within its portfolio. Services output such as cricket coaching are difficult to measure

Question Number			Marks
13a*	Assess the extent to which a rise in UK inflation might affect Speed One Sports Ltd		6
Level	Mark	Descriptor	Possible content
1	1	<p>Knowledge/understanding of inflation</p> <p><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></p>	e.g. a persistent increase in the aggregate price level
2	2	<p>Application should be present, i.e. the answer must be contextualised</p> <p><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></p>	<p>e.g. Tony's costs of manufacturing sportswear may increase</p> <p>e.g. Speed One Sports goods are not essential</p>
3	3-4	<p>Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to SOS of any increase in inflation</p> <p>NB A mark of 3 can be awarded when analysis is not in context</p> <p><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></p>	<p>e.g. in which case the prices charged by Tony may have to increase to maintain profitability on each product</p> <p>e.g. in which case factory workers wages may have to increase to meet the increase in the cost of living</p>
4	5-6	<p>Evaluation must be present, i.e. the candidate will present arguments for AND against why an increase in UK inflation might affect Speed One Sports</p> <p>5 marks if ONE side in context, 6 if BOTH</p> <p><i>QWC: To achieve a mark of 5-6, the candidate will use business terminology precisely and effectively and will organise the answer to provide a coherent and fluent response/good to excellent spelling, punctuation and grammar</i></p>	<p>e.g. but if the cost was absorbed by SOS then prices of sportswear/coaching may remain stable and sales will not decrease if consumers are price sensitive</p> <p>e.g. but wages may not be increase if already above a national minimum wage so costs need not increase/profits need not fall</p>

Question Number			
13b*	Assess the extent to which an appreciation in the exchange rate of pound sterling (£) might affect Speed One Sports Ltd		6
Level	Mark	Descriptor	Possible content
1	1	<p>Knowledge/understanding of exchange rates</p> <p><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></p>	e.g. the price of one currency expressed in terms of another
2	2	<p>Application should be present, i.e. the answer must be contextualised</p> <p><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></p>	<p>e.g. the \$US falls in value compared to the £sterling</p> <p>e.g. Many SOS supplies are sourced from overseas countries</p>
3	3-4	<p>Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to SOS of any increase in exchange rates</p> <p>NB A mark of 3 can be awarded when analysis is not in context</p> <p><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></p>	e.g. which makes Nike exports from the US less expensive for Tony to buy which should reduce his costs and so enable him to charge lower prices for SOS sportswear/enjoy higher profits on sales of SOS sportswear
4	5-6	<p>Evaluation must be present, i.e. the candidate will present arguments for AND against why an increase in the UK sterling exchange rates might affect SOS</p> <p>5 marks if ONE side in context, 6 if BOTH</p> <p><i>QWC: To achieve a mark of 5-6, the candidate will use business terminology precisely and effectively and will organise the answer to provide a coherent and fluent response/good to excellent spelling, punctuation and grammar</i></p>	e.g. but Nike may increase their prices to Tony and take advantage of the lower exchange rate of the US\$ to the UK£ so Tony's costs may be unaffected

