

Mark Scheme (Results)

Summer 2015

Pearson Edexcel GCSE
Business Studies (5BS03)
Unit 3: Building a Business

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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:

Question Number	Answer	Mark
1(a) AO1=1	A	(1)

Question Number	Answer	Mark
1(b) AO1=1 AO3=1	<p>1 mark for the identification of a method a business might use to extend the life-cycle of a product and 1 mark for some kind of appropriate development of the method.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Changing/updating the product. • Advertising/promotion/change packaging. • Target new market segments/re-positioning. • Accept any plausible answer relating to a change in one of the 4Ps e.g. lowering price. <p>E.g. A business could change its advertising (1 mark). This will persuade people to buy it (1 mark).</p>	(2)

Question Number	Answer	Mark
1(c)(i) AO1=2	<p>1 mark for each method of collecting market research information identified.</p> <p>Possible methods of collecting market research information include:</p> <ul style="list-style-type: none"> • Questionnaires. • Focus groups. • Product trials. • Surveys. • Internet. • Newspapers/government reports/books. • Interviews. <p>Accept any two reasonable methods.</p>	(2)

Question Number	Answer	Mark
1(c)(ii) AO1=1 AO3=2	<p>For 3 marks, there will be one reason identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...', 'because...' etc.</p> <p>Possible reasons include:</p> <ul style="list-style-type: none"> • To find out more about consumers. • To find out what consumers think about the product. • To discover gaps in the market/market niches. • To find out more about competitors. • To see if the market is changing. • To allow the business to improve its marketing/profit. • Reduce risk of failure. <p>E.g. This provides the business with information about customer tastes (1 mark). This will allow the business to keep its products competitive (1 mark), which then leads to more sales (1 mark).</p> <p>This answer would gain three marks since there are at least two relevant, linked points made, following the identification of a valid reason.</p>	(3)

Question Number	Answer	Mark
2(a) AO1=1	C	(1)

Question Number	Answer	Mark
2(b) AO2=3	<p>1 mark for each method identified, not including wages. The method of motivating workers must be a realistic method that could be used by <i>IHG</i>.</p> <p>Possible methods of motivating workers include:</p> <ul style="list-style-type: none"> • Salaries/bonuses/commission. • Fringe benefits – pension, company cars, holidays etc. • Applied fringe benefits – free uniform, longer breaks, discounted/free stays in hotels etc. • Praise. • Promotion. • Job enrichment/enlargement/rotation. • Appraisal. • Training. • Employee of the month/in house competitions. • Flexible working. • Good working conditions. <p>Accept any three methods that would apply to a hotel worker.</p>	(3)

Question Number	Answer	Mark
<p>2(c)</p> <p>AO2=2 AO3=1</p>	<p>For 3 marks, one benefit will be identified and there will be at least two clearly identifiable linked strands of explanation. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation must be in the context of <i>IHG</i>/hotels if it is to secure all three marks. <u>The answer must go beyond just mentioning IHG, since the name of the business appears in the question.</u></p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Increased productivity. • Lower costs/higher profit. • Better worker retention. • Happier customers/improved brand. <p>E.g. Staff will be happier in their work (1 mark). Therefore they will work harder on reception (1 mark). Therefore guests will have a nicer stay and come back to the hotel in the future (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of a benefit. The answer is also rooted in the context of the hotel industry since the answer refers to '<i>reception</i>' and '<i>nicer stay</i>'. Without this use of context the answer can only score a maximum of 2 marks.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>2(d)</p> <p>AO2=2 AO3=1</p>	<p>For 3 marks, there will be one advantage identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation must be in the <i>IHG</i>/hotel context if it is to secure all three marks. <u>The answer must go beyond just mentioning <i>IHG</i>, since the name of the business appears in the question.</u></p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Repeat purchases. • High levels of sales/profits/cash inflows. • Ability to increase prices. • Out-compete other hotel brands. <p>E.g. One advantage is that customers will keep coming back (1 mark). Therefore <i>IHG will become more competitive compared to Travelodge</i> (1 mark). Therefore <i>IHG will gain more sales</i> (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of an advantage. The answer also makes reference to '<i>Travelodge</i>' and '<i>hotels</i>', contextualising the response. Without this use of context the answer can only score a maximum of 2 marks.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>3(a)</p> <p>AO1=1</p>	<p>A</p>	<p>(1)</p>

Question Number	Answer	Mark
<p>3(b)</p> <p>AO2=2</p>	<p>1 mark for each method identified. The suggested method to encourage customers to try <i>National Express</i>' services must be a realistic method that could be used by a coach operator.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Lower fares/ticket prices. • More frequent services. • Better trained/friendlier staff. • New routes. • Better advertising. • Faster/more comfortable coaches. • On board services such as DVDs/wifi etc. • Special offers e.g. BOGOF • Loyalty cards. <p>Accept any two methods that would apply to a coach operator. Accept generic responses if they apply to <i>National Express</i>. E.g. improved promotion/product.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>3(c)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, there will be one disadvantage identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation <u>must be</u> in the <i>National Express</i>/coach travel context if it is to secure all three marks. <u>The answer must go beyond just mentioning National Express, since the name of the business appears in the question.</u></p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Damage to the brand. • Lower sales/profits. • People choose to drive/take train. • More complaints. <p>E.g. This will lead to less people using <i>National Express</i>' product (1 mark). As a result <i>National Express</i>' sales will go down (1 mark) which will then mean that they have to sack staff to keep profits up.</p> <p>This answer would gain two marks since although a disadvantage has been stated and there are two linked strands, there is no use of context that goes beyond using the name of the business. Contextualisation could be as subtle as changing the word '<i>using</i>' to '<i>travel with</i>'. This would have elevated the answer to three marks.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>3(d)</p> <p>AO1=1 AO2=1 AO3=2</p>	<p>For 4 marks, the description will make up to four relevant points (linked or separate) associated with why low costs could allow <i>National Express</i> to remain competitive. Four marks could also be achieved through focusing on two effects plus some development of each. One mark can be given for a definition of 'low costs' or 'competitive'. <u>Without the use of context the answer can be awarded a maximum of three marks.</u></p> <p>Possible suggestions include:</p> <ul style="list-style-type: none"> • It means the business is more efficient. • It can keep its prices low. • It can make more profit than other coach companies. • It will have more profit allowing it to purchase better coaches. <p>E.g. Being competitive means that <i>National Express</i> provides a better service than other coach companies such as <i>Megabus</i> (1 mark). Having low costs means that <i>National Express</i> can lower their fares by more than other coach companies (1 mark). This means that passengers will choose them over their rivals (1 mark). This will mean <i>National Express</i> will be more profitable (1 mark).</p> <p>This answer would gain four marks since the candidate has defined 'competitive', and contextualised the answer by referring to the '<i>Megabus</i>', '<i>fares</i>' and '<i>passengers</i>'. The candidate has also described fully why having low costs allows <i>National Express</i> to remain competitive.</p>	(4)

Question Number	Answer	Mark
<p>4(a)</p> <p>AO1=1</p>	C	(1)

Question Number	Answer	Mark
<p>4(b)</p> <p>AO1=1 AO2=1</p>	<p>1 mark for the identification of a method that <i>Starbucks</i> could use to differentiate its coffee and 1 mark for some kind of appropriate development of the method in context.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • New flavours. • Unusual shaped/larger cups. • Different names for the coffee e.g. Mochas. • Lower prices. • Fairtrade/ethical sourcing of beans. <p>E.g. <i>Starbucks</i> could alter the flavour of its coffee (1 mark) by adding toffee and extra cream (1 mark). This would make its coffee stand out compared to those offered by <i>Costa</i>.</p> <p>This response would gain two marks <i>since</i> a method has been identified '<i>alter the flavour</i>' and there is some development in context '<i>by adding toffee and cream</i>'. The second sentence is unnecessary, since two marks have already been scored.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>4(c)</p> <p>AO2=2 AO3=1</p>	<p>For 3 marks, there will be one disadvantage identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation must be in the <i>Starbucks/coffee/non-payment of tax</i> context if it is to secure all three marks. <u>The answer must go beyond just mentioning Starbucks, since the name of the business appears in the question.</u></p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Damage to the brand/negative publicity. • Lower sales/profits. • <i>Costa Coffee/Caffé Nero</i> could steal <i>Starbucks'</i> customers. • Boycotts/protests. <p>E.g. Customers will no longer trust <i>Starbucks</i> (1 mark), therefore damaging <i>Starbucks'</i> brand (1 mark). As a result, customers will now buy their coffee from <i>Café Nero</i> instead (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation, following the identification of a drawback. The answer is also rooted in the context of <i>Starbucks/coffee</i> since reference is made to '<i>coffee</i>' and '<i>Caffé Nero</i>'.</p>	<p>(3)</p>

Question Number	Indicative content	
4(d) AO2=2 AO3=4	<p>The aim here is for candidates to make a judgement as to whether <i>'doing nothing'</i> (option 1) or <i>'agreeing to pay the UK government more tax'</i> (option 2) is more effective in allowing <i>Starbucks</i> to maintain high levels of profit. There is no right or wrong answer and the candidate can argue that either method is better, depending on the circumstances. Candidates might consider the following possible ideas as part of their answer:</p> <p>Do nothing:</p> <ul style="list-style-type: none"> • Paying more tax will increase costs/reduce profit. • It might not damage the brand in the longer-term. • Few people have heard about <i>UK Uncut</i>. • People might not care about what <i>UK Uncut</i> have revealed. • The media will move onto new stories quickly. <p>Agree to pay the UK government more tax:</p> <ul style="list-style-type: none"> • Prevents any loss of custom. • Removes the pressure from <i>UK Uncut</i>/bad publicity. • Limits the damage to the <i>Starbucks</i> brand in the short-term. • Restores <i>Starbucks'</i> reputation for being ethical. <p>To be evaluative and support the judgement made, the candidate might suggest that by paying more tax <i>Starbucks</i> could maintain high levels of profit. This is because paying extra tax will increase costs by less than the fall in revenue caused by bad publicity.</p> <p>An alternative route to evaluation might come through the candidate suggesting that <i>'doing nothing'</i> is the better option because any damage to the brand will only occur in the short-term and that customers will not really care enough about the issue to change to a different coffee shop brand.</p>	
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	A judgement or point is given as to which method is more likely to allow <i>Starbucks</i> to maintain high levels of profit. If there is just a simple judgement where the support shows misunderstanding 1 mark should be awarded. If this judgement/point has some simple support, the response should be placed at the top of this level.
Level 2	3-4	A judgement/point is given on one or both issues with some development/support, which includes at least <u>one</u> reason/cause/consequence etc. At the top of this level this analysis will be relevant and linked to the judgement/point made.
Level 3	5-6	A judgement/point is given on one or both issues with some development/support, which includes at least <u>two</u> reasons/causes/consequences etc. <u>and includes some balance.</u> At the top of this level there will be a conclusion drawn from the analysis <u>and the answer will be in Starbucks/UK Uncut context.</u>

Section B:

Question Number	Answer	Mark
<p>5(a)</p> <p>AO1=2</p>	<p><i>'Quality control'</i> is the process of checking that a product/service meets a certain minimum agreed standard at the end of the manufacturing process.</p> <p>2 marks for an accurate definition (one that implies that the quality is at, or above, a certain standard at the end of the manufacturing process). If an accurate definition is not given award 1 mark for an answer that suggests that the candidate has some understanding of the term. E.g. Where the quality is checked after the product has been made.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. E.g. This means that the wallets will be good enough to go into shops</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>5(b)</p> <p>AO1=1</p> <p>AO2=1</p>	<p>1 mark for the identification of a method that <i>Elvis & Kresse</i> could use to improve the quality of its products and 1 mark for some kind of <u>appropriate development of the method in context.</u></p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Use new, rather than recycled, raw materials. • Improve the design of the wallets/belts. • Improve quality control even further. • Use quality assurance. • Have more testing/checks. • Increase training given to staff. • Purchase better machinery/tools. <p>E.g. <i>Elvis & Kresse</i> could train their staff better (1 mark). This would mean that they would produce wallets with fewer mistakes (1 mark).</p> <p>This answer would gain two marks <i>since</i> a method has been identified '<i>train staff better</i>' and there is some development in context in the second sentence e.g. '<i>produce wallets with fewer mistakes</i>'.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>5(c)</p> <p>AO2=2 AO3=1</p>	<p>For 3 marks, there will be one advantage identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation must be in the <i>Elvis & Kresse</i> context if it is to secure all three marks. <u>The answer must go beyond just mentioning <i>Elvis & Kresse</i>, since the name of the business appears in the question.</u></p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Improved image • Increased revenue • Increased profit margins • Perception of higher quality • Ability to charge a higher price • Adding value <p>E.g. This will make people believe <i>Elvis & Kresse</i> wallets have a good image (1 mark); this leads to more people who are willing to pay £75 (1 mark). Therefore, <i>Elvis & Kresse</i> could increase their revenue (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation, following the identification of an advantage. The candidate also contextualises their response by referring to "£75".</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>5(d)</p> <p>AO2=4</p> <p>AO3=4</p>	<p>This question has a 2 x 4 mark split. There is one mark for identifying a benefit and one mark for identifying a drawback to the environment. The remaining three marks are for the explanation which should develop the benefit/drawback to the environment. Within the answer there should be at least three clearly identifiable strands of explanation. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation for both the benefit and drawback must be in context if it is to secure all three marks.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Less waste due to recycling. • Only uses renewable energy. • Limited pollution. • Less use of non-renewable resources. <p>Possible drawbacks include:</p> <ul style="list-style-type: none"> • Traffic congestion from deliveries in Central London. • Pollution from the export of wallets. • Pollution from the distribution of wallets around the UK. <p>E.g. Benefit: Less waste (1 mark)</p> <p><i>Elvis & Kresse</i> only use recycled fire hoses instead of leather to make the wallets (1 mark), therefore the Fire Brigade will be sending less rubbish to landfill sites (1 marks), therefore reducing the amount of pollution in the ground (1 mark).</p> <p>This answer would gain four marks since a benefit has clearly been identified and there are at least three linked strands that build the explanation, with reference to the context through the use of the words '<i>recycled fire hoses instead of leather to make the wallets</i>' and '<i>Fire Brigade</i>'. Without the use of context this answer would only be worth 3 marks.</p>	<p>(8)</p>

Question Number	Answer	Mark
6(a) AO1=2	<p>The 'design mix' is the function, cost and appearance of a product.</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests that the candidate has some understanding of the term. E.g. This is where what the product looks like and how it's made are important.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. E.g. <i>Elvis & Kresse</i> need to consider what a wallet made of fire hoses looks like.</p>	(2)

Question Number	Answer	Mark
6(b)(i) AO3=1	<p>1 mark for stating 20 kgs of fire hoses.</p> <p><u>If the candidate simply writes '20' then this should also be awarded 1 mark.</u></p>	(1)

Question Number	Answer	Mark
6(b)(ii) AO1=1 AO3=1	<p>1 mark for showing workings and 1 mark for the correct answer.</p> <p>120 kgs – 20 kgs</p> <p>therefore:</p> <p>Size of delivery A = 100 kgs.</p> <p>Candidates who state the correct workings, but make an error of calculation should be awarded 1 mark. <u>Stating 'kgs' at the end of the answer is not required for full marks.</u></p>	(2)

Question Number	Answer	Mark
6(b)(iii) AO1=1 AO3=1	<p>1 mark for showing workings and 1 mark for the correct answer.</p> <p>Arrived on day (Dec) 26(th) – Ordered on day (Dec) 12(th).</p> <p>therefore:</p> <p>Time taken for delivery B to arrive = 14 days.</p> <p>Candidates who state the correct workings, but make an error of calculation should be awarded 1 mark. <u>Stating 'days' at the end of the answer is not required for full marks.</u></p>	(2)

Question Number	Indicative content
<p>*6(c)</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=4</p> <p>AO3=4</p>	<p>The aim here is for candidates to consider whether holding stocks of raw materials (waste fire hoses) is beneficial to <i>Elvis & Kresse</i>. The question asks the candidate to 'assess', so the candidate must develop some evidence of balance within their answer. This could take the form of considering the extent to which the benefits of holding stocks of raw materials outweigh the drawbacks. Assessment could also be created by considering the size of the stocks held by <i>Elvis & Kresse</i> (only 20 kgs) which implies that factors like storage costs and the need for warehousing/insurance will be quite low. Some candidates may even suggest that <i>Elvis & Kresse</i> should hold higher levels of stock due to the increasing popularity of the brand.</p> <p>Possible reasons to hold stock include:</p> <ul style="list-style-type: none"> • Protects against uncertainty e.g. fire brigades not delivering on time due to traffic congestion in Central London/not having any waste fire hoses available. • Prevents damage to brand from the cancellation of customer orders, especially since the products are priced at a premium. • Allows <i>Elvis & Kresse</i> to fulfil customer's orders faster. • Allows <i>Elvis & Kresse</i> to cope with a surge in demand, especially since the brand is becoming very popular. • <i>Elvis & Kresse</i> only hold 20 kgs of fire hoses so the costs of holding stock are small. <p>Possible reasons to limit stock holding include:</p> <ul style="list-style-type: none"> • Will the quality of fire hoses go down whilst in storage? • There will be costs of holding stock (albeit small). • Is it worth holding just 20 kgs of fire hoses? • Being located in Central London means there should be plenty of fire stations nearby, so waste fire hoses could be delivered quickly, allowing a JIT approach.

Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate just re-states the question.
Level 1	1-2	<p>Candidate will consider one factor related to holding stocks of raw materials <u>with no development</u> - bottom of level.</p> <p>Candidate will consider one factor related to holding stocks of raw materials <u>with simple development</u> – top of level.</p> <p>Candidate will consider two factors relating to holding stocks of raw materials <u>with no development</u> – top of level.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>
Level 2	3-5	<p>Candidate will consider one factor relating to holding stocks of raw materials <u>with more detailed development</u> – bottom of level.</p> <p>Candidate will further develop their responses with a reason/cause/consequence – middle of level.</p> <p>Candidate will have <u>some evidence of balance</u> – top of level.</p> <p>At the top of the level there will be some evidence of balance to the point/judgement in the form of advantage/disadvantage, cost/benefit, pro/con or some counterbalancing factor. At the top of the level, candidates may attach some value/importance to one of the factors and there will be evidence of contextualisation.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	6-8	<p>Candidate will consider factor(s) relating to holding stocks of raw materials with development which includes <u>two</u> reasons/causes/consequences, balance with unsupported conclusion/judgement(s) all of which is in the context of the business – bottom of level.</p> <p>Candidate will consider factor(s) relating to holding stocks of raw materials with development which includes <u>two</u> reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of the business – middle of level.</p> <p>Candidate will consider factor(s) relating to holding stocks of raw materials with development which includes <u>two</u> reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of the business and using the 'it depends' rule or something similar – top of the level.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

Section C:

Question Number	Answer	Mark
<p>7</p> <p>AO1=2</p>	<p>A 'brand' is a named product which consumers perceive as being different from competing products.</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests that candidate has some understanding of the term. E.g. A product with a name or logo.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. E.g. <i>Beats by Dr Dre</i> is a brand because it has made people think that their headphones are cool compared to <i>Sony</i>.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>8</p> <p>AO1=1</p> <p>AO2=1</p>	<p>1 mark for the identification of a benefit to <i>Beats Electronics</i> from building a global brand and 1 mark for some kind of appropriate development of the benefit in context.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Wider market. • Ability to out-compete rivals such as <i>Panasonic/Sony</i> etc. • Ability to charge ever higher prices. • Greater brand recognition/repeat purchases. • Reduced risk. • Harder for potential rival firms to enter the headphone market. • Less advertising is required. <p>E.g. Having a global brand means more people will recognise the firm (1 mark). This means they will be able to sell headphones to a wider market.</p> <p>This answer would only gain one mark since although a benefit has been identified, and despite the existence of development, there is no use of context. Note that 'headphones' exists in the question so it cannot be used to contextualise the answer.</p>	<p>(2)</p>

Question Number		Indicative content
<p>*9</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=3 AO3=3</p>		<p>The aim here is for candidates to consider the size of the advantages to <i>Beats Electronics</i> from using new share capital to fund its expansion, as opposed to other sources of finance. The question asks the candidate to 'discuss', so we should expect some balance within the answer. This could come from considering the extent to which raising finance from new shares is advantageous or through a consideration of the drawbacks of doing so/the benefits of other possible sources of finance.</p> <p>Reasons why issuing new share capital is advantageous:</p> <ul style="list-style-type: none"> • Cheaper than other sources of finance such as bank loans. • Large sums of capital/money can be raised. • Relatively easy (51% of the company was sold to <i>HTC</i>). • Other sources of finance may not be available/too risky. <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • Takes time to find a buyer for the shares. • Dilutes percentage ownership of existing shareholders e.g. '<i>Dr Dre</i>'. • New shareholders may insist on changing the direction of the company. • <i>HTC</i> now owns the majority of the company. Could it force a takeover? • Legal and administration costs of issuing new shares
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	<p>One point as to why using share capital is advantageous with some simple development or two points are given with no development of either.</p> <p>An alternative route to marks in this level is if just a simple judgement or value is given to a benefit. 1 mark can be awarded for no support and 2 if some simple support is offered.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>
Level 2	3-4	<p>Reference to at least two points as to why using share capital is advantageous with some development of each. A judgement is given at the lower end of the level with some development/support, which includes at least one reason/cause/consequence etc. for each point.</p> <p>At the top of the level this analysis will be relevant and linked to the judgement.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	5-6	<p>Reference to at least two points as to why using share capital is advantageous with development of each. A judgement is given with some development which includes at least two reasons/causes/consequences etc. for each point and should include some comparison/judgement as to which point is</p>

	<p><u>more important/evidence of balance.</u></p> <p>Answers at the top of this level will refer to the <i>Beats Electronics</i>/headphone/rapidly expanding company context.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>
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Question Number	Indicative content
<p>* 10</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=4</p> <p>AO3=6</p>	<p>The aim here is for candidates to make a judgement as to whether product quality is the most important element of the marketing mix (4Ps) for <i>Beats Electronics</i>. To demonstrate the evaluative skill, candidates could consider the importance of the product relative to other elements of the marketing mix such price, place and promotion. For instance, candidates may consider that the product is more important than any other factor since this is captured by <i>Beats Electronics</i>' slogan '<i>people are n't hearing all the music</i>'. The relatively high price of £350 also suggests that the product is very important. Other candidates may use the context provided and point out that it is the brand and the promotion that is more important, since this why the company has employed Justin Bieber as a company ambassador. Some candidates might consider time periods and suggest that in the short-term branding and promotion is crucial but in the longer-term having a good product is much more important. There is no right or wrong answer to this question, but candidates should aim to make a judgement which is supported and balanced. Candidates may consider the following ideas as part of their answer:</p> <p>Reasons why the product may be important:</p> <ul style="list-style-type: none"> • It reinforces the high price of £350 per set of headphones. • <i>Beats Electronics</i> marketed to people who want better headphones than those packaged with MP3 players. • The brand will be damaged if the sound quality does not match with the company's promotion. • The company slogan is focused on the quality of the sound, suggesting that the product is very important. <p>Reasons why other factors may be more important:</p> <ul style="list-style-type: none"> • Other elements of the marketing mix (4Ps) may be more important. • Promotion is arguably more important in the short-term to build a successful brand. • Product is only one element of the marketing mix. • Without promotion customers would not get to find out about how good the sound quality is.

Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-4	<p>Candidates will consider one point with no statement – bottom of level.</p> <p>Candidate will consider one point with basic statement – middle of level.</p> <p>Candidate statements are supported - top of level.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>
Level 2	5-7	<p>Candidate will consider two reasons/causes/consequences to support point(s) – bottom of level.</p> <p>Candidate will develop their reasons/causes/consequences – middle of level.</p> <p>Candidate will have some evidence of balance – top of level.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	8-10	<p>Candidate will consider point(s) with development which includes two reasons/causes/consequences, balance with an unsupported conclusion or judgement(s) all of which is in the context of <i>Beats Electronics</i> – bottom of level.</p> <p>Candidate will consider point(s) with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of <i>Beats Electronics</i> – middle of level.</p> <p>Candidate will consider point(s) with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of <i>Beats Electronics</i> and using the 'it depends' rule or something similar – top of the level.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

