



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCSE
In Business Studies (5BS03/01)
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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear*
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter*
 - iii) organise information clearly and coherently, using specialist vocabulary when appropriate.*

Section A:

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

Question Number	Answer	Mark
1(b) AO1=1 AO3=1	<p>1 mark for the identification of a method that a business could use to collect qualitative market research and 1 mark for some kind of appropriate development of the method.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Questionnaires/surveys • Observation • Focus Groups • Interviews • Internet. <p>E.g. The business could use a survey (1 mark) to ask questions about a person's opinion (1 mark).</p> <p>This answer would gain two marks <i>since</i> a method has been identified through the use of the word 'survey' and there is some development e.g. 'ask questions about a person's opinion'.</p>	(2)

Question Number	Answer	Mark
1(c) AO1=2	<p>1 mark for each element of the Boston Matrix identified.</p> <p>Possible elements include:</p> <ul style="list-style-type: none"> • Problem Child/Question Mark or '?' • Rising Star/Star • Cash Cow • Dog. <p>Note: Question Mark/'?' and Problem Child are different ways of representing the same element in the Boston Matrix. Therefore, only award candidates 1 mark in total for either of these two elements.</p>	(2)

Question Number	Answer	Mark
1(d) AO1=1 AO3=2	<p>For 3 marks, there will be one benefit 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 benefits include:</p> <ul style="list-style-type: none"> • Fewer mistakes/less confusion • Increased motivation • Lower unit costs • Increased productivity • Staff retention/lower labour turnover. <p>E.g. Workers will now know what they have to do in their work (1 mark). This will lead to them becoming more motivated (1 mark), therefore productivity will increase (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 benefit.</p>	(3)

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

Question Number	Answer	Mark
2(b) AO1=3	<p>1 mark for stating each method of remuneration.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Salary • Wage • Bonus • Piece rate • Commission • Fringe benefit. 	(3)

Question Number	Answer	Mark
<p>2(c)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, one advantage 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>Ed's Easy Diner</i> if it is to secure all three marks. <u>The answer must go beyond mentioning Ed's Easy Diner, since the name of the business appears in the question.</u></p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Improved customer loyalty • Increased sales • Can charge a higher price • Will enhance the menu • Source of differentiation/USP. <p>E.g. <i>Ed's Easy Diner</i> would benefit since more customers would be attracted by the new and unusual type of food, such as the doughnut burger (1 mark). This leads to the restaurant earning more revenue (1 mark). As a result, each diner would reach its break-even point in a smaller amount of time (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 advantage. Context is provided through the use of the words 'food', 'restaurant' and 'diner'. Note that the words 'Ed's Easy Diner' and 'doughnut burger' do not provide context since these words appear in the question.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>2(d)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, one disadvantage 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>Ed's Easy Diner</i> if it is to secure all three marks. <u>The answer must go beyond mentioning Ed's Easy Diner, since the name of the business appears in the question.</u></p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Cash flow problems • Communication problems • Mistakes/poorer quality • Requires more sources of finance. <p>E.g. In order to open more restaurants, <i>Ed's Easy Diner</i> will require more capital such as a bank loan (1 mark). <i>Ed's Easy Diner</i> will now have to pay interest on this loan (1 mark). As a result, <i>Ed's Easy Diner's</i> total costs will increase (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 disadvantage. Context is provided through the use of the word '<i>restaurant</i>'. Note that the use of the name '<i>Ed's Easy Diner</i>' does not provide context since the name of the business appears in the question.</p>	<p>(3)</p>

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

Question Number	Answer	Mark
3(b) AO2=2 AO3=1	<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>Jack Wills</i>/clothes retailing context if it is to secure all three marks. <u>The answer must go beyond mentioning Jack Wills, since the name of the business appears in the question.</u></p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Improved cash flow • Value of coats and jumpers will go down in the summer • Make way for new stocks • Having old stock could damage the <i>Jack Wills'</i> brand. <p>E.g. <i>Jack Wills</i> will want to stock its spring clothes such as T-shirts (1 mark). Therefore, de-stocking winter clothes like coats will leave more space for spring clothes in its shops (1 mark). Therefore, <i>Jack Wills</i> will be able to give its customers what they want (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 advantage. Context is provided through the use of the words '<i>T-shirts</i>', '<i>spring</i>', '<i>coats</i>' and '<i>winter</i>'. Note that using the name '<i>Jack Wills</i>' does not provide context since this name appears in the question.</p>	(3)

Question Number	Answer	Mark
<p>3(c)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, there will be one method 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>Jack Wills</i>/clothes retailing context if it is to secure all three marks. <u>The answer must go beyond mentioning Jack Wills, since the name of the business appears in the question.</u></p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Training • Promotion • Improved working environment • Employee discount. <p>E.g. <i>Jack Wills</i> could offer training to its employees about its products (1 mark). This will make employees feel more valued (1 mark). As a result they will satisfy their self-esteem needs on Maslow's hierarchy.</p> <p>This answer would gain two marks since although a method has been stated and there are two linked strands, there is no use of context that goes beyond using the name '<i>Jack Wills</i>'. Contextualisation could be as subtle as changing the word '<i>products</i>' to '<i>clothing range</i>'. This would have elevated the answer to three marks.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>3(d)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, there will be one impact 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>Jack Wills</i>/clothes retailing context if it is to secure all three marks. <u>The answer must go beyond mentioning Jack Wills, since the name of the business appears in the question.</u></p> <p>Possible impacts include:</p> <ul style="list-style-type: none"> • May only be able to import a certain amount of clothes • Imports may become more expensive • Imported clothes may take longer to arrive • <i>Jack Wills</i> may have to source clothes from alternative suppliers. <p>E.g. Imposition of import protection controls such as tariffs will make importing hoodies more expensive (1 mark). Therefore, unit costs will increase (1 mark). As a result, the profit on each <i>Jack Wills</i>' hoodie will go down (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 impact. Context is provided through the use of the word '<i>hoodies</i>'. Note that using the name '<i>Jack Wills</i>' does not provide context since this name appears in the question.</p>	<p>(3)</p>

Question Number	Answer	Mark
4(a) AO1=1	D	(1)

Question Number	Answer	Mark
4(b) AO2=1 AO3=1	<p>1 mark for the identification of a disadvantage to <i>PepsiCo</i> resulting from holding more stock and <u>1 mark for some kind of appropriate development of the disadvantage in context.</u></p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Cash flow will worsen • Stock could go out of date • Excessive stock could be wasteful if the launch fails • Increased warehousing/storage costs. <p>E.g. Buying more stocks of Stevia will reduce cash flow (1 mark). This is because <i>PepsiCo</i> will to pay more cash out to suppliers (1 mark).</p> <p>This answer would gain two marks since a disadvantage has been identified '<i>reduce cash flow</i>' and there is some development '<i>to pay more cash out to suppliers</i>'. Context is provided by the use of the word '<i>Stevia</i>'.</p>	(2)

Question Number	Answer	Mark
4(c) AO2=2 AO3=1	<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. The explanation <u>must be</u> in the <i>PepsiCo</i>/soft drinks context if it is to secure all three marks. <u>The answer must go beyond mentioning <i>PepsiCo</i>, since the name of the business appears in the question.</u></p> <p>Possible reasons include:</p> <ul style="list-style-type: none"> • Source of differentiation • Allows it to compete with Coca-Cola Life • Makes the product appear healthy/more ethical • Could add value. <p>E.g. Green is used on the cans to make it stand out, (1 mark). This is because consumers now view it to be healthier (1 mark). Therefore, consumers will be willing to pay more for each can (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 reason. Context is provided through the use of the word '<i>cans</i>'. Note that using the name '<i>Pepsi True</i>' does not provide context since this name appears in the question.</p>	(3)

Question Number	Indicative content
<p>4(d)</p> <p>AO2=2</p> <p>AO3=4</p>	<p>The aim here is for candidates to make a judgement as to whether 'increase the number of retailers who stock Pepsi True' (option 1) or 'lower the price of a can of Pepsi True' (option 2) is more effective in allowing <i>PepsiCo</i> to increase the sales of Pepsi True. There is no right or wrong answer and the candidate can argue that either option is better, depending on the circumstances. Candidates might consider the following possible ideas as part of their answer:</p> <p>Option 1: Increase the number of retailers who stock Pepsi True:</p> <ul style="list-style-type: none"> • Will increase consumer awareness of Pepsi True • More likely to get impulse sales • Greater accessibility to potential consumers • Retailers may be happy to stock the drink due to sales of existing <i>PepsiCo</i> brands. <p>Option 2: Lower the price of each can:</p> <ul style="list-style-type: none"> • Pepsi True will become more attractive than rival drinks e.g. Coca-Cola Life • Represents better value for money • Makes consumers more willing to give Pepsi True a product trial • Depends on how much price is reduced by/change in demand. <p>To be evaluative and support the judgement made, the candidate could suggest that option 1 might be better since increasing the number of retailers that stock Pepsi True will increase access to the product. This is because purchasing online through <i>Amazon</i> is unlikely to result in any impulse sales.</p> <p>An alternative route to evaluation might come through the candidate suggesting that option 1 is the better option since lowering the price may not work unless the consumer has greater access to the product in the first place. Candidates may also argue that the success of option 2 is dependent on how demand/sales react to the reduction in price.</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>PepsiCo</i> to increase its sales of Pepsi True. If there is just a simple judgement or 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 the Pepsi True/soft drink context.</u>

Section B:

Question Number	Answer	Mark
5(a) A01=2	<p>'Product differentiation' is making a product different compared to rival products in the market place.</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. Where a product is different.</p> <p>An imperfect definition can be raised to two marks through the use of an example or some kind of accurate elaboration. E.g. Differentiation makes <i>Hotel Chocolat</i> appear better than <i>Cadbury's</i>.</p>	(2)

Question Number	Answer	Mark
5(b) A02=1 A03=1	<p>1 mark for the identification of a valid consumer protection law and <u>1 mark for some kind of appropriate development in context.</u></p> <p>Possible consumer protection laws include:</p> <ul style="list-style-type: none"> • Sale of Goods Act • Trade Description Act • Supply of Goods and Services Act • Data Protection Act. <p>E.g. Sale of Goods Act (1 mark). This means that chocolates sold must be of satisfactory quality (1 mark).</p> <p>This response would gain two marks since a valid consumer protection law has been identified through '<i>Sales of Goods Act</i>' and there is some development '<i>chocolates sold must be of satisfactory quality</i>'. Context is provided through the use of the word '<i>chocolates</i>'.</p>	(2)

Question Number	Answer	Mark
<p>5(c)</p> <p>AO2=2</p> <p>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>Hotel Chocolat</i>/cocoa farming context if it is to secure all three marks. <u>The answer must go beyond mentioning Hotel Chocolat, since the name of the business appears in the question.</u></p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Can make sure quality of raw materials is high • Lower unit costs • Deliveries could become more reliable • Guarantees access to raw materials. <p>E.g. Having its own cocoa farm means that <i>Hotel Chocolat</i> can buy cocoa for less compared to other suppliers (1 mark). This is because the price it pays will not include any profit made by suppliers (1 mark). Therefore, the profit made on each slab of Billionaire Shortbread sold will increase (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. Context is provided through the use of the words '<i>slab</i>' and '<i>Billionaire Shortbread</i>'. Note that the words '<i>Hotel Chocolat</i>' and '<i>cocoa farm</i>' do not provide context since these words appear in the question.</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 <i>Hotel Chocolat</i>. The remaining three marks are for the explanation which should develop the benefit/drawback to <i>Hotel Chocolat</i>. Within the answer there should be at least three clearly identifiable strands of explanation. This 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"> • Higher motivation • Faster decision making • Ability to react to changes in the market • Better communication • Increases shared ideas within the business. <p>Possible drawbacks include:</p> <ul style="list-style-type: none"> • Stores may become less uniform • Brand may become confused • Managers may need training • Decentralisation may increase costs • Loss of control. <p>E.g. Benefit: Faster decision making (1 mark).</p> <p>Decentralisation allows individual store managers to make decisions. Therefore, they can decide which range of chocolates to stock depending on their knowledge of the local market (1 mark) rather than checking with head office first. Therefore, each store is more likely to meet customer needs (1 mark) and as a result is likely to have more customers (1 mark).</p> <p>This answer would gain four marks since an advantage 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 phrase '<i>chocolates</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>'Buffer stock' is a supply of raw materials or finished products held by a business to protect against higher than expected demand/late delivery by suppliers or it is a minimum stock level held by a business.</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. stock held just in case.</p> <p>An imperfect definition can be raised to two marks through the use of an example or some kind of accurate elaboration. E.g. The buffer stock at <i>Hotel Chocolat's</i> Plymouth store is 20 slabs of Billionaire Shortbread.</p>	(2)

Question Number	Answer	Mark
6(b)(i) AO1=1	<p>1 mark for the identification of '260 slabs'.</p> <p><u>If the candidate simply writes '260', then this should also be awarded 1 mark.</u></p>	(1)

Question Number	Answer	Mark
6(b)(ii) AO1=1 AO2=1	<p>1 mark for workings and 1 mark for the correct answer.</p> <p>Size of delivery 'C' = 240 slabs - 20 slabs = 220 slabs.</p> <p>Candidates who state the correct workings, but make an error in the calculation should be awarded 1 mark. <u>Stating 'slabs' at the end of the answer is not required for full marks.</u></p>	(2)

Question Number	Answer	Mark
6(b)(iii) AO1=1 AO2=1	<p>1 mark for workings and 1 mark for the correct answer.</p> <p>Time taken for delivery 'B' to arrive after re-ordering = 16 days - 10 days = 6 days.</p> <p>Candidates who state the correct workings, but make an error in the 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 the impact on profit from <i>Hotel Chocolat</i> charging high prices for chocolate in its stores. The question has the command word 'assess', so the candidate must develop some evidence of balance within their answer. This could take the form of considering the extent to which charging high prices will increase profit. Assessment could also be developed by suggesting that <i>Hotel Chocolat</i> operate at the top end of the market so charging high prices reflects the quality of the products. An alternative route to attaining assessment marks could come through the consideration of the drawbacks of charging high prices e.g. it makes them look uncompetitive compared to <i>Cadbury's</i>.</p> <p>Possible reasons why charging high prices could increase profit:</p> <ul style="list-style-type: none"> • It increases profit per box of chocolates • Contribution per box of chocolates increases • Helps to reflect a sense of luxury/differentiation • Type of consumer targeted is unlikely to be put off by high prices. <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • <i>Hotel Chocolat's</i> chocolates are already very expensive compared to <i>Cadbury's</i> • Consumers may perceive them to be too expensive • Depends on how demand reacts to the high prices • High prices simply reflect the higher quality of the chocolates.

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 charging higher prices for chocolates with no development - bottom of level.</p> <p>Candidate will consider one factor related to charging higher prices for chocolates with simple development – top of level.</p> <p>Candidate will consider two factors relating to charging higher prices for chocolates with no development – 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 charging higher prices for chocolates with more detailed development – bottom of level.</p> <p>Candidate will further develop their responses with a reason/cause/consequence – middle of level.</p> <p>Candidate will have some evidence of balance – 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.</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 charging higher prices for chocolates with development which includes two reasons/causes/consequences and balance all of which is in the context of the business – bottom of level.</p> <p>Candidate will consider factor(s) relating to charging higher prices for chocolates with development which includes two reasons/causes/consequences, clear balance with a 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 charging higher prices for chocolates with development which includes two 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
7 AO1=2	<p>The '<i>design mix</i>' is the function, cost (economic manufacture) and appearance (aesthetics) of a product which contribute to its successful design.</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 the looks of the product and how good it is are important.</p> <p>An imperfect definition can be raised to two marks through the use of an example or some kind of accurate elaboration. E.g. The Quadski has great functionality which makes it attractive to customers.</p>	(2)

Question Number	Answer	Mark
8 AO2=1 AO3=1	<p>1 mark for the identification of a drawback to GSA from tighter health and safety regulations and <u>1 mark for some kind of appropriate development of the drawback in context.</u></p> <p>Possible drawbacks include:</p> <ul style="list-style-type: none"> • GSA may have to re-design the Quadski to meet the new regulations • There may be a restriction as to how the Quadski can be used • The way in which the Quadski is manufactured may have to change • GSA may face increased costs • It may reduce the size of the market. <p>E.g. By tightening regulations this may mean that under-18s can no longer use the Quadski (1 mark). This will reduce the size of the market GSA can sell to (1 mark).</p> <p>This answer would gain two marks since a drawback has been identified '<i>under 18s can no longer use the Quadski</i>' and this is developed through '<i>reduce the size of the market</i>'. Contextualisation is provided through the use of the name '<i>Quadski</i>'.</p>	(2)

Question Number	Indicative content
<p>*9</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=3</p> <p>AO3=3</p>	<p>The aim here is for candidates to consider the scale of the advantages to GSA from using retained profit to fund the development of new products, as opposed to other sources of finance. The question asks the candidate to '<i>discuss</i>', so we should expect some balance within the answer. This could come from considering the extent to which using retained profit is advantageous or through a consideration of the drawbacks of doing so/the benefits of other possible sources of finance.</p> <p>Reasons why using retained profit is advantageous:</p> <ul style="list-style-type: none"> • Cheaper than other sources of finance such as bank loans • It is quicker than using other sources of finance • Does not involve diluting ownership • Involves limited/no risk • Other sources of finance may not be available/too risky. <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • Does the company have enough retained profit? The Quadski cost £115 million to develop • The retained profits could be put to better use elsewhere. E.g advertising • Shareholders may want higher dividends instead • Retained profit takes time to accumulate.

Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	<p>One point as to why using retained profit to fund the development of new products 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 retained profit to fund the development of new products 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 retained profit to fund the development of new products is advantageous. 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 more important/evidence of balance.</p> <p>Answers at the top of this level will refer to the <i>GSA/Quadski</i> 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>

Question Number	Indicative content
<p>*10</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=4 AO3=6</p>	<p>The aim here is for candidates to make a judgement as to whether improvements in productivity are important to GSA. To demonstrate the evaluative skill, candidates could consider the importance of improved productivity relative to other factors. For instance, candidates may consider that improved productivity is critical since it will lower unit costs so that either profit per Quadski increases or it gives GSA the scope to lower prices. Other candidates may suggest that other factors such as the quality of the product, promotion, branding etc. are much more important to GSA. Some candidates may state that the products made by GSA have no competition so therefore productivity is not critical since high prices can be successfully charged. 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 improved productivity may be important:</p> <ul style="list-style-type: none"> • Will reduce unit costs • Leads to a higher profit per unit • Could provide scope to lower prices • Will allow for more retained profit to fund new products. <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • GSA have little competition • The part of the market targeted has a willingness to pay high prices • Other factors may be much more important. E.g. promotion, product quality, branding etc.

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 GSA/Quadski – 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 GSA/Quadski – 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 GSA/Quadski and using the '<i>it depends</i>' 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>

(Total for paper = 90 marks)