



Mark Scheme (Results)

January 2019

Pearson Edexcel IAS
In Economics (WBS01)
Paper 01 Business Enterprise

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus. standing of impact of immigration with effective application

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

January 2019

Publications Code WBS01_01_1901_MS

All the material in this publication is copyright

© Pearson Education Ltd 2019

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: Supported multiple choice

N.B. If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b).

Question Number	Question	Marks
1 (a)	<i>China Construction Bank plc</i> is one of the world's biggest public limited companies. (a) Which one of the following is an advantage of being a public limited company for <i>China Construction Bank</i>? Answer D: it can raise funds through the stock exchange	1
1 (b)	Explain why this answer is correct: - Defines a public limited company as a company that sells its shares to members of the general public/the shares are traded on the stock exchange (1) <i>China Construction Bank</i> has greater access to potential investors in order to raise funds (1) - This means it can raise higher amounts of capital than other business structures. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: - A is incorrect because a plc like <i>China Construction Bank</i> has to publish its full accounts meaning its competitors can gain information that will help them to plan competitive strategies. (1) - B is incorrect since the shares can be bought and then sold on by any member of the general public through a stock exchange/<i>China Construction Bank plc</i> has no control over who owns its shares which could be bought in large quantities by rivals planning a takeover. (1) - C is incorrect because shareholders can only be held liable up to the value of the shares they have bought and paid for, their liability is limited. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.	1-3 (Total 4)

Question Number	Question	Marks
2 (a)	<i>S.B. Roofing Ltd</i> has cash flow problems. It needs to pay its employees their wages but is waiting for £4,300 from customers. Which one of the following is the most suitable source of finance to overcome this problem? Answer B: Overdraft	1
2 (b)	Explain why this answer is correct: • Definition of an overdraft - a short term, prior arrangement for a bank customer to be able to withdraw an agreed amount of money that is not in their current account. (1) • The overdraft arrangement means the wages can be paid before the money owed goes into the bank account. (1) • When customers pay their bills, the overdraft can be paid off and interest is only paid whilst it is outstanding (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect because leasing is a long-term agreement to use expensive capital equipment and is not suitable for short term cash flow problems. (1) • C is incorrect because debentures are large long-term loans raised by public limited companies for major capital projects, which is not relevant to <i>S.B. Roofing Ltd</i> paying its employees. (1) • D is incorrect because taking a bank loan would mean making a monthly repayment with interest over a longer period than they need the money for. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.	1-3 (Total 4)

Question Number	Question	Marks
3 (a)	<i>Aldi</i> is an International supermarket chain offering high quality products at prices 30% lower than rival supermarkets. The most likely reason for <i>Aldi</i> to use this strategy is to B: gain a competitive advantage	1
3 (b)	Explain why this answer is correct: • Definition of competitive advantage is a unique aspect of the business that competitors cannot easily imitate which can be based on innovation/reputation/quality/cost/price. (1) • <i>Aldi</i> differentiates itself from its rivals by charging lower prices, therefore gaining a competitive advantage (1) • Because lower prices are likely to attract more customers thereby increasing revenues and or profit (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect because <i>Aldi</i> is selling all its products to all of the market. (1) • C is incorrect because the products have already been tested in the market before being offered for sale in <i>Aldi</i>. (1) • D is incorrect because the strategy is to do with sales revenue and not costs which are dependent on the price of factor inputs such as wages, electricity and rent. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.	1-3 (Total 4)

Question Number		Marks
4 (a)	In 2004 Poland joined the European Union (EU). Many Polish workers then migrated to other European countries to seek work. (a) The most likely impact on businesses in Poland of this migration is Answer D: skills gaps cannot be filled	1
4 (b)	Explain why this answer is correct: • Definition of migration: is the movement of people from one country to another. (1) • Skilled Polish workers found employment in other European countries (1) • Therefore businesses in Poland could not find enough skilled workers to fill vacancies. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect as average wage rates are likely to rise when there is a shortage of skilled labour in Poland who will command a premium price. (1) • B is incorrect because it will be difficult to sustain economic growth when the workforce is reduced and many business may not be able to maintain current output. (1) • C is incorrect because the Polish population is being reduced which means fewer people are available and willing to work. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.	1-3 (Total 4)

Question Number	Question	Marks
5 (a)	<i>Stand 4 Socks</i> is a social enterprise manufacturing 'socks with impact'. For every pair sold, it pays to plant ten trees or vaccinate three children. (a) The most likely motivation for <i>Stand 4 Socks</i> being in business is to Answer A: make a contribution to society	
5 (b)	Explain why this answer is correct: • Definition of social enterprise: a business that has a clear mission to improve social and/or environmental well-being alongside their profit-making activities (1) • <i>Stand 4 Socks</i> pays for planting trees and vaccinating children from every pair sold, which improves the climate and reduces infant mortality. (1) • Therefore, it clearly aims to make a difference by ensuring every pair sold makes a positive contribution to society (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • B is incorrect because <i>Stand 4 Socks</i> have to pay its employees a minimum wage regardless of their motivation because it is the law. (1) • C is incorrect because if it wanted to maximise and retain its profits, <i>Stand 4 Socks</i> would not pay for planting trees or vaccinating children, it would keep all its money in the business. (1) • D is incorrect because planting trees and vaccinating children will incur extra costs. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.	
		(Total 4)

Question Number	Question	Marks
6 (a)	The United Nations predicts a world population of 9.1bn by 2050. This will require a 70% increase in current global food production to be able to feed everyone. (a) Which one of the following is a direct determinant in the supply of food? Answer D: Levels of technology	1
6 (b)	Explain why this answer is correct: • Supply is the amount a producer is willing and able to supply at a given price in a given time period. (1) • Technology can be used to increase the quantity or quality of a product supplied. (1) • For example, the increasing use of genetically modified food to increase crop yields is a use of technology in food production. (1) Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect because changes in tastes and fashion directly affects the kind of food consumed and not the availability. (1) • B is incorrect because growth in disposable incomes affects the consumers' ability to buy different kinds of food and different amounts (1) • C is incorrect because advertising to consumers affects their desires for particular types of goods and services leading to changes in demand not supply. (1) Any acceptable answer that shows selective knowledge/understanding/application and/or development. N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.	1-3 (Total 4)

Section B: Data response

Question Number	Question	
7	Explain one benefit to a new entrepreneur of having a business plan.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2 Analysis 2) Knowledge/understanding (up to 2 marks): Definition of a business plan: e.g. a written document setting out the purpose and goals of the business (1) stating how the business plans to achieve its financial, marketing and operational goals (1) OR States one benefit: e.g. a business plan will give a clear idea of the finances a business needs to operate successfully. (2) Application: Up to 2 marks for applying contextual answers e.g. a business plan will include details of the finance required (1) it will contain forecasts of projected sales and revenues to raise finance (1) Analysis: (up to 2 marks available for providing reasons/causes/consequences): potential investors or banks will want to see a business plan before deciding whether to offer financial support (1) therefore a well written business plan will offer investors the financial details they need before making a decision to invest (1) Award any relevant and developed benefit	1-2 1-2 1-2

Question Number	Question	
8 (a)	Aimee has decided to produce a cash flow forecast for <i>careercake.com</i>. (a) Explain one advantage and one disadvantage of cash flow forecasting for <i>careercake.com</i>.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) Knowledge/understanding: (up to 2 marks) Defining cash flow forecasting as money coming in/out of a business (1) over a period of time (1) OR States one advantage: e.g. it helps avoid liquidity issue (1) States one disadvantage: e.g. it may not be accurate (1) Application: Up to 2 marks for applying contextual answers e.g. identifying net cash flow (1) identifying a need for additional finance (1) Analysis: up to 2 marks are available for a reason/cost/cause/consequence: e.g. as the prediction includes net cash flow, it gives <i>careercake.com</i> time to arrange short-term finance/an overdraft (1) Online trading can fluctuate rapidly so using trends or past financial data to predict inflows and outflows may fail to provide an accurate forecast (1) One advantage and one disadvantage must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3. Award any relevant and developed response	1-2 1-2 1-2

Question Number	Question	
8 (b)	Explain two non-price factors that could affect demand for <i>careercake.com</i> 's services.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) Knowledge/understanding: up to 2 marks available for defining demand as the amount of goods or services that people are willing and able to buy (1) at a given price and a given time. (1) OR Identifies two non-price factors such as demographics (1) taste and preferences (1) Application: up to 2 marks for applying contextual answers: <i>careecake.com</i> works with over 20 UK universities (1) the rise of a digital economy (1) Analysis: up to 2 marks. More graduates looking for their first professional job may increase demand for <i>careercake.com</i>'s services (1) this could lead to more people taking advantage of online services such as those offered by <i>careercake.com</i> (1) Two non-price factors must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3. Award any relevant and developed response	1-2 1-2 1-2

Question Number	Question	
9 (a)	In 2016, it is estimated that <i>careercake.com</i> made £150 000 in revenues and £84 000 in gross profit. (a) Using the above data, calculate <i>careercake.com</i>'s gross profit margin. (Show your working)	(4 marks)
	(Knowledge 1, Application 3) Knowledge: Correct formula for calculating the Gross profit margin e.g. Gross Profit/Sales Revenue X 100 = Gross Profit Margin (1) Application: £84 000/£150 000 (1) = 0.56 (1) 0.56 X 100 = 56% (1) NB if the answer given is 56% award 4 marks. If the answer given is 56, award 3 marks. If the answer given is 0.56 award 2 marks.	1 1-3

Question Number	Question		
9 (b)	Aimee uses a competitive pricing strategy for her online entrepreneurship training courses. (b) Assess whether this is the most appropriate pricing strategy to use.		(8 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of competitive pricing must be present <i>Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</i>	For example, competitive pricing is setting the price of a product or service based on what the competition is charging
2	3-4	Application to <i>careercake.com</i> <i>Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.</i>	For example, online businesses are likely to have many competitors For example, Aimee has a distinguished track record in recruitment For example, Aimee was a judge at the 2017 Great British Entrepreneurial Awards
3	5-6	Analysis in context must be present based on reasons/causes/costs/consequences N.B. if analysis is not in context, limit to Level 2. <i>Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</i>	For example, if there are many online competitors, potential consumers may make purchasing decisions mainly based on price, therefore competitive pricing would be a sensible pricing strategy For example, in offering competitive prices, <i>careercake.com</i> may attract more graduates who won't have a lot of money to spend on yet more expensive training.

4	7-8	Evaluation must be present and in context. Award 7 marks if one side only is in context. Award 8 marks if BOTH sides are in context. N.B. if evaluation is not in context, limit to Level 3. <i>Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.</i>	For example, Aimee has a very good reputation as an award-winning ambassador and coach in careers advice and may be able to use a premium pricing strategy. For example, <i>careercake.com</i> offers real life guidance based on personal experience from experts which the competitors may not be able to match and could also attract premium prices.
---	-----	--	--

Question Number	Question		
10	Assess how economic influences may affect <i>careercake.com</i> .		(12 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of any economic influences must be present. <i>Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</i>	For example, unemployment is a measure of the number of people able to work, without a job, but actively seeking employment. For example, the exchange rate is the price of one currency against another. (Not cost as this includes any commission paid)
2	3-4	Application must be present, i.e. the answer must be contextualised to <i>careercake.com</i> <i>Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.</i>	For example, unemployment rates change from year to year and country to country For example, <i>careercake.com</i> works in 21 countries.
3	5-6	Analysis in context must give reasons for the (reasons/cause/consequences/costs) of economic influences on <i>careercake</i>. N.B. if analysis is not in context, limit to Level 2. <i>Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</i>	For example, if unemployment levels rise, more people may seek careers advice from <i>careercake.com</i> For example, if people from 21 different countries are accessing <i>careercake.com</i>'s services a depreciation in the UK currency may increase demand for its services from foreign buyers or increase its profits. For example, inflation may cause people to look for additional training in order to improve their job prospect and earn higher wages.

Level	Mark	Descriptor	Possible content
4	7-12	Low Level 4: 7-8 marks. Evaluation must be present and in context on one side Mid Level 4: 9-10 marks. Evaluation must be present and in context on both sides to illustrate the two sided argument. High Level 4: 11-12 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion. N.B. if evaluation not in context, limit to Level 3. <i>Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.</i>	For example, unemployed people usually have low income and may not be able to afford <i>careercake.com's</i> services For example, if people from 21 different countries are accessing <i>careercake.com's</i> services an appreciation in the UK currency may decrease demand for its services from foreign buyer or decrease its profits. For example, people may be struggling to make ends meet during times of inflation and choose to spend on staple foods and utilities rather than <i>careercake.com's</i> training programmes losing sales. For example, rising inflation in the UK may lead to <i>careercake.com</i> increasing its prices and becoming less competitive internationally

Question Number	Question		
11	Assess how useful ICT might be as a market research tool for <i>careercake.com</i>		(14 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of market research/social media/websites/databases. <i>Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</i>	For example, ICT refers to technologies that provide access to information through telecommunications For example, market research is a systematic gathering of data regarding buyer intentions and market conditions For example, social media is a series of applications and platforms where users communicate electronically to create online communities to share information, ideas, personal messages and other content.
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to <i>careercake.com</i> <i>Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.</i>	For example, <i>careercake.com</i> is built a global business across 21 countries using <i>LinkedIn</i> For example, <i>Careercake.com</i>'s website is an online learning platform offering interactive access to career advice and training courses For example, <i>Careercake.com</i>'s videos have had 17 million <i>YouTube</i> hits.
3	5-8	Analysis in context must be present, i.e. the candidate must give reasons for deciding the usefulness of ICT in market research for <i>careercake.com</i> (Reasons/causes/costs/consequences)	For example, <i>careercake.com</i> has access to millions of potential clients through <i>LinkedIn</i> to ask for feedback, comments and reviews to be

		N.B. if analysis is not in context, limit to Level 2. <i>Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</i>	used to inform their business decisions. For example, <i>careercake.com</i>'s interactive website can be used to solicit direct opinions from visitors to the site. For example, <i>careercake.com</i> can use its <i>YouTube</i> channel to announce and demonstrate new training courses and other products whilst collecting visitor data. For example, between the website and social media communities, <i>careercake.com</i> could build a substantial database by signing up existing and potential clients to conduct market research activities with. For example, <i>careercake.com</i> has a database that holds information relating to people taking its courses and this could be used as secondary research data
Level	Mark	Descriptor	Possible content
4	9-14	Low Level 4: 9-10 marks. Evaluation must be present and in context on one side, Mid Level 4: 11-12 marks. Evaluation must be present and in context on both sides, High Level 4: 13-14 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed:	For example, there is no way in telling the feedback <i>careercake.com</i> receives from LinkedIn is accurate and useful For example, opinions from <i>careercake.com</i>'s website visitors may be limited as not all of them will have experienced the career services or training courses on offer

		the answer is clear, coherent and articulate, leading to a convincing conclusion. N.B. if evaluation not in context, limit to Level 3. <i>Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.</i>	For example, <i>careercake.com</i>'s database research may be potentially biased as it would only hold contact details of people who had signed up to receive information from them For example, ICT cannot get information from people who do not connect with <i>careercake.com</i> either through their website or social media For example, this means they cannot get information from potential customers who do not use ICT For example, ICT methods can provide useful information but need to be supported by more traditional market research to validate the ICT data
--	--	---	--

