Mark Scheme (Results)

Summer 2019

Pearson Edexcel International Advanced Subsidiary
In Business (WBS01)
Unit 01 Business enterprise

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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: 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).

<table>
<tr><th>Question Number</th><th>Question</th><th>Marks</th></tr>
<tr><td>1 (a)</td><td>Answer D: Risk taker</td><td>1</td></tr>
<tr><td>1 (b)</td><td>Explain why this answer is correct:
Defines entrepreneur characteristics e.g. a personality trait needed for somebody to be successful in running a business (1)
OR
Definition of a risk taker e.g. someone prepared to risk loss in order to gain profit (1)
This was risky because Microsoft as a new business may not have succeeded (1)
Bill Gates may not have been able to get a well-paid job without a degree (1)
Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:
A is incorrect because when you start up a business, profit maximisation is usually the motive rather than profit satisficing (1)
B is incorrect because taking an ethical stance is a motive for starting a business rather than a characteristic needed to successfully run one (1)
C is incorrect because many entrepreneurs start a business without computer literacy skills (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.</td><td>1-3

(Total 4)</td></tr>
</table>

Question Number	Question	Marks
2 (a)	Answer **A**: customer trialling	1
2 (b)	Explain why this answer is correct: • Definition of customer trialling is a way of persuading customers to buy a product by allowing them to use for a limited time without paying **(1)** • Because customers are receiving free samples, they are more likely to try the new product **(1)** • As a result, customers who liked the free samples will use the money-off coupons to increase the sales of *Bach's Rescue'*s new product **(1)** Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • B is incorrect because *Bach's Remedies* are not charging a price by giving out free samples and the money-off coupons are a reduced price not a high price **(1)** • C is incorrect because this can involve an increase in the price but goods are being given away for free **(1)** • D is incorrect because this would reduce cash flow, *Bach's Remedies* will have to pay suppliers for goods that are not generating revenues **(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)	Answer **B**: Private Limited Company	1
3 (b)	Explain why this answer is correct: • Definition of Private Limited Company (Ltd), ownership of shares is restricted and cannot be traded to the general public. **(1)** • Sam Best is selling some ownership to a restricted group of people and not the general public **(1)** • Which means it is most likely to be a private limited company as Sam's friends and family are buying shares privately and not through a stock exchange. **(1)** Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect because Sam is not licensing his brand name or business processes to franchisees to operate their own roofing business. **(1)** • C is incorrect because Sam is not selling his shares to the general public through the stock exchange **(1)** • D is incorrect because partners do not buy shares **(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
4 (a)	Answer **B**: 7.8%	1
4 (b)	Explain why this answer is correct: Correct formula for profit for the year margin: (Gross profit – Other operating expenses) ÷Revenue X100 **(1)** **Or** Profit for the year ÷ sales revenues X 100 = Profit for the year margin **Application/Result** (1 267-69) **(1)** ÷15 357 X 100 **(1)** = 7.8%	1-3 **(Total 4)**

Question Number	Question	Marks
5 (a)	Answer **C**: Because it is more accurate	1
5 (b)	**Explain why this answer is correct:** • Definition of primary research is the first hand gathering of new data that has not been collected or published before. **(1)** • Secondary research is unlikely to give *Kellogg's* relevant data for its new products. **(1)** • The primary research will give specific data about that product within the cereal market and is therefore more accurate and useful to *Kellogg's* **(1)** **Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:** • A is incorrect because, primary research is usually a more expensive method of market research mainly because it is labour intensive. **(1)** • B is incorrect because primary research is a time-consuming process, as it involves planning, undertaking and analysing the original data **(1)** • D is incorrect because primary research is more difficult to collect than secondary research as it includes the design of specific questionnaires, conducting interviews and focus groups. **(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
6 (a)	Answer **D**: Increased ethical considerations	1
6 (b)	Explain why this answer is correct: • Defines ethical considerations as a set of moral values that people will follow for the greater good **(1)** • More consumers are becoming aware of the benefits of Fair Trade for banana farmers **(1)** • Therefore, consumers are willing to pay more for the Fair Trade product, guaranteeing a higher income for the banana farmers and increasing sales **(1)** Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example: • A is incorrect because increased unemployment levels may lead to lower income and less likely to spend on the relatively more expensive Fair Trade products **(1)** • B is incorrect because lower consumer spending levels means consumption of all goods decreases including Fair Trade bananas **(1)** • C is incorrect because Fair Trade products are associated with good environmental practices, so an increase in the sale of Fair Trade bananas implies greater environmental considerations rather than less **(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	*IHS* targets consumers concerned about their health and the environment. Explain **two** reasons why *IHS* would segment its market.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2 Analysis 2) **Knowledge/understanding** (up to 2 marks)**:** Definition of market segmentation: categorises potential customers according to common characteristics such as gender, age, income, location, because they all have different tastes and preferences **OR** Identifies two reasons for example; Meeting customer needs more effectively **(1)** Charge higher prices **(1)**	1-2
	Application: Up to 2 marks for applying contextual answers e.g. Zinah developed all-natural products after a friend was diagnosed with cancer possibly caused by chemicals in cosmetics **(1)** *IHS* employees make soap, shower gel and shampoos using local olive oil and shea butter ingredients **(1)**	1-2
	Analysis: up to 2 marks available for providing reasons/causes/consequences e.g. by producing all-natural soap products, *IHS* can differentiate their products to increase sales **(1)** Consumers are often willing to pay more for the eco-friendly products allowing *IHS* to charge more to cover the higher cost of ingredients **(1)** **Two advantages must be covered for full marks (3+3). If only one advantage covered, maximum mark of 3.** **Award for any relevant and developed advantages of market segmentation**	1-2

Question Number	Question	
8 (a)	In 2015 the government of Iraq set a minimum wage. Explain **two** likely impacts of an increase in the minimum wage on *IHS*.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding: (up to 2 marks)** Defines minimum wage as a piece of legislation **(1)** which sets the lowest remuneration that employers can pay their employees **(1)** **OR** Identifies two impacts of an increase in the minimum wage level. May need to downsize the workforce **(1)** May reduce retained profit **(1)**	1-2
	Application: Zinah wants to build *IHS* and give jobs to more women who need help in achieving financial independence **(1)** Zinah is planning to expand *IHS* in other cities across Iraq **(1)**	1-2
	Analysis: if the minimum wage level rises, *IHS* may need to shed some of its workforce to survive in business, meaning Zinah may not be able to afford to take on 100 women employees over the next two years as planned. **(1)** Having to pay a higher minimum wage means *IHS* may have to move money away from its expansion plans in order to meet its higher wages bill **(1)** **Two ways must be covered for full marks (3+3). If only one way covered, maximum mark of 3.** **Award for any relevant and developed response**	1-2

Question Number	Question	
8 (b)	Shea nuts are the main raw material used by *IHS*. They only grow in Africa and are used to make shea butter. (a) Explain **two** factors that may affect the supply of shea butter to *IHS*.	(6 marks)
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks available for defining supply as the amount a producer is willing and able to supply **(1)** at a given price in a given time period **(1)** **OR** Identifies two factors such as climate/weather **(1)** changes in costs **(1)**	1-2
	Application: up to 2 marks for applying contextual answers shea nuts are an agricultural crop from Africa and depend on the weather **(1)** shea butter can only be made from shea nuts **(1)**	1-2
	Analysis: up to 2 marks. Poor weather could reduce the yield of shea nuts thus reducing *IHS*'s capacity to source the shea butter **(1)** If the supply of shea nuts reduces and the price increases, the cost of shea butter is also likely to increase and therefore reduce supply **(1)** **Two factors must be covered for full marks (3+3). If only one factor covered, maximum mark of 3.** **Award for any relevant and developed response**	1-2

Question Number	Question	
9 (a)	The following information relates to the sales of *IHS*'s Lavender and Sage Shower Gel. • Actual monthly sales revenues $600 • Break-even level of output 50 units • Unit selling price $8 (a) Using the information above, calculate the margin of safety for *IHS*'s Lavender and Sage Shower Gel. (Show your working)	(4 marks)
	(Knowledge 1, Application 3) **Answer in units:** **Knowledge:** Correct formula for calculating the unit margin of safety = (Actual monthly sales revenue/unit selling price) – break-even level of output **(1)** **Application:** $600/$8 **(1)** =75 **(1)** – 50 = 25 units **(1)** **NB** if the answer given is 25 units reward with 4 marks. If the answer given is 25 (no units), reward with 3 marks. **Answer in dollars:** **Knowledge:** Correct formula for calculating the monetary margin of safety = Actual sales revenues – (break even $ value) **(1)** $600 -(50 units X $8) **(1)** $600-$400 **(1)** = $200 margin of safety value **(1)** **NB** if the answer given is $200 reward with 4 marks. If the answer given is 200 (no $), reward with 3 marks.	1 3

Question Number	Question		
9 (b)	Assess the likely importance to *IHS* of making a profit.		(8 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of profit must be present *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.*	e.g. profit is total revenue minus total costs For example, profit satisficing is when a business decision aims to make sufficient or adequate profits to keep the business running For example, profit maximising is when a business wants to make the most profit possible from a given amount of resources
2	3-4	Application to Zinah Saleh/ *Ishtar Handmade Soap* *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.*	For example, Zinah set up *IHS* to create a job for herself and for women in need For example, Zinah launched *IHS* to produce safer soaps and cosmetics from pure ingredients For example, *IHS* claims to be the first company in Iraq caring about eco-friendly products
3	5-6	Analysis in context must be present based on reasons/causes/costs/ consequences when deciding if profits are important for *IHS* **N.B. if analysis is not in context, limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors*	For example, Zinah will need maximum profits to support research into alternative ingredients that are safe and pure. For example, Zinah will need profits to support her plans to expand *IHS* into other stores and internationally.

		may be found which cause some passages to lack clarity or coherence.	
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.** *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.*	For example, profit may be less important to *IHS* than achieving the social and eco-friendly objectives of the business For example, Zinah may only need enough to pay herself and employees a living wage ensuring they can support themselves financially and therefore profit is less important

<table>
<tr><th>Question Number</th><th colspan="3">Question</th><th></th></tr>
<tr><td>10</td><td colspan="3">Zinah’s plans for expansion in Iraq and internationally will affect all the stakeholders in IHS.

Assess the likely impact of this expansion on the employees and suppliers of IHS.</td><td>(12 marks)</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th><th colspan="2">Possible content</th></tr>
<tr><td>1</td><td>1-2</td><td>Knowledge/understanding of stakeholders must be present.

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.</td><td colspan="2">For example, stakeholders are any party that has an interest in the outcome of a business decision or action</td></tr>
<tr><td>2</td><td>3-4</td><td>Application must be present, i.e. the answer must be contextualised to IHS.

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.</td><td colspan="2">For example, IHS currently employs 8 full-time and 12 part-time all-female workers

For example, IHS uses local products like olive oil and sources shea and cocoa butters from America and Africa</td></tr>
<tr><td>3</td><td>5-6</td><td>Analysis in context must give reasons for the (reasons/cause/consequences/ costs) impact of IHS on employees and suppliers

N.B. if analysis is not in context, limit to Level 2.

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.</td><td colspan="2">For example, by expanding, IHS offers more opportunities to unmarried women and widows to become financially self sufficient

For example, local suppliers will have increased demand for their produce, improving their sales revenues and potentially allowing them to employ more staff</td></tr>
</table>

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 **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.** *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.*	For example, if existing employees wish to continue working for *IHS* they may have to move to continue in employment For example, expansion may have a negative impact on existing employees' working hours and working practices For example, existing local suppliers may not be able to meet increased demand arising from the planned expansion For example, the business may seek other suppliers who may be able to provide larger quantities at a lower price, possibly undercutting local suppliers

<table>
<tr><td>Question Number</td><td colspan="3">Question</td><td></td></tr>
<tr><td>11</td><td colspan="3">Evaluate whether Zinah should use retained profit or a bank loan for the planned expansion of IHS.</td><td>(14 marks)</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td><td colspan="2">Possible content</td></tr>
<tr><td>1</td><td>1-2</td><td>Knowledge/understanding of retained profits and bank loans as sources of finance must be present.

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.</td><td colspan="2">e.g. retained profit is any remaining profit which are kept (retained) in the business for reinvestment in its operations.

For example, a bank loan is the most common source of loan finance for a business. Usually medium to long term, the bank sets a fixed period over which the loan must be paid, the rate of interest, the frequency and amount of repayments</td></tr>
<tr><td>2</td><td>3-4</td><td>Application must be present, i.e. the answer must be contextualised and applied to Zinah or Ishtar Handmade Soap

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.</td><td colspan="2">For example, IHS only has one shop in Baghdad's Babylon Mall

For example, IHS's current revenue is only $5 000 per month</td></tr>
<tr><td>3</td><td>5-8</td><td>Analysis in context must be present, i.e. the candidate must give reasons for deciding whether to use retained profit or a bank loan (Reasons/causes/ costs/ consequences)

N.B. if analysis is not in context, limit to Level 2.

Material is presented in a generally relevant and logical way but this may not be sustained throughout.</td><td colspan="2">For example, using retained profit will reduce the need for a bank loan,

For example, this will reduce cash outflows such as interest payments

For example, a bank loan will provide IHS with immediate finance for its expansion plan

For example, regular</td></tr>
</table>

		Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.	payments means *IHS* can plan its cash outflows each month and budget for capital and interest payments
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: the answer is clear, coherent and articulate, leading to a convincing conclusion. **N.B. if evaluation not in context, limit to Level 3.** *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.*	For example, retained profits may not provide sufficient funds for *IHS*'s expansion plans given the current income of $5 000 a month For example, whilst retained profits are a relatively cheap source of finance, the cost of borrowing capital is an opportunity cost to Zinah who could keep the profits for herself as *IHS* does not appear to have any other owners or shareholders For example, by using a bank loan Zinah can open new stores for *IHS* more quickly than by using retained profits alone. For example, a bank loan is still a more expensive source of finance than retained profits, even when interest rates are low. It may be cheaper for Zinah to wait a little longer until she has enough retained profit to open a new store. For example, taking a bank loan to open a new shop is a risky strategy as it is relying on the success of the new store to make the repayments and Zinah may lose everything in order to repay the loan if the new shop fails For example, it is unlikely

			Zinah will be able to realise her dream of international expansion for *IHS* through retained profit and bank loans alone and she may need to consider other sources of raising finance such as venture capital, or a share issue.