

Mark Scheme (Results)

Summer 2015

GCE Business Studies/Economics and Business
(6BS01/01 - 6EB01/01)

Unit 1: Developing New Business Ideas

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A Mark Scheme

| Question Number | Question | Mark |
|-----------------|--|------|
| 1(a) | Answer - market orientation (D) | 1 |
| 1(b) | <ul style="list-style-type: none"> • Market orientation is when a business provides a product or service to meet the requirements of consumers OR market research is the collection and collation of data (1 mark) • Which Tesco is attempting to do by responding to its market research (1 mark) • This is pursued in order to ensure that the business achieves product/service sales (1 mark) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because this usually refers to using classifying consumers according to characteristics like gender, age, occupation, not business behaviour (1 mark) • B is wrong because market growth requires sales to actually increase (<i>for at least one supermarket</i>) (1 mark) • C is wrong because this refers to product trials, which is not the case given that this initiative is actually being done already (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|---|------|
| 2(a) | Answer - an ethical stance (C) | 1 |
| 2(b) | <ul style="list-style-type: none"> • An entrepreneurial motive is the reason/what drives a person/people to set up in business OR an ethical stance is doing the right thing for others to benefit/helping to improve the welfare of others/doing something for the community or environment (1 mark) • Donating profits to an orphanage means therefore that the owners do not seek to keep all of the profit (1 mark) • But rather choose to donate a percentage of their profits for a social purpose/charity (1 mark) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because trade off relates to having more of one thing at the expense of less of another and there is no evidence of this in the stem (1 mark) • B is wrong because this is a form of leadership style (1 mark) • D is wrong because to work independently usually means not working for an employer and there is no evidence of this in the stem (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|--|------|
| 3 (a) | Answer – rise in UK tourism to India (A) | 1 |
| 3 (b) | <ul style="list-style-type: none"> • Exchange rate is the value/price of one country's currency in terms of another (1 mark) • This means that more rupees will be exchanged for the same £ as making it cheaper to visit India (1 mark) • Which should therefore lead to an increase in the demand/visits to India (1 mark) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because this will make it more expensive for tourists from India to visit the UK (1 mark), so is more likely to cause such visits to the UK to decrease (1 mark) • C is wrong because Tata steel will now prove less expensive for UK importers (1 mark), so demand should increase (1 mark) • D is wrong because the effective price of UK chocolate bars should increase (1 mark), so demand is likely to fall (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|---|------|
| 4 (a) | Answer – operating profits were previously 290.56m euros (C) | 1 |
| 4 (b) | <ul style="list-style-type: none"> • Operating profits are net profits OR gross profits minus expenses OR total revenue minus total costs OR a gross profit margin is expressed as $\text{Gross Profit} / \text{Total Revenue} \times 100$ (1 mark) • $308 / 1.06 = 290.56$ (2 marks) OR • $308 - 290.56 / 290.56 \times 100$ (2 marks) OR • So if operating profits were 290.56m euros, this $\times 1.06 = 308\text{m}$ euros – rounded up from 307.99m (2 marks) OR • $290.56 \text{ euros} \times 0.06 = 17.43$ added to $290.56 = 308$ – rounded up from 307.99 (2 marks) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because it would be the sales <i>revenue</i> or turnover which would be double the gross profit (1 mark) • B is wrong because this represents the gross profit margin minus the increase in profits OR this cannot be calculated because the costs and expenses figures are not given (1 mark) • D is wrong because this represents the gross profit margin minus the increase in profits OR this cannot be calculated because the operating profit and turnover figures are not given. (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|---|------|
| 5 (a) | Answer – retained profit (B) | 1 |
| 5 (b) | <ul style="list-style-type: none"> • A business plan is a document which identifies how a business intends to operate/includes a cash flow forecast/includes the aim or objectives of the business OR retained profit is that profit which the business keeps from previous trading (1 mark) • Business plans help secure external finance (1 mark) • This is Lee's first/a new business which means there would be no retained profits (1 mark) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because a marketing plan usually identifies how the business intends to undertake market research/advertising/pursue aspects of the marketing mix such as promotions (1 mark) • C is wrong because premises and equipment need to be identified in order to operate OR give financiers a better idea of the costs/overheads (1 mark) • D is wrong because human resources need to be included to enable the business to plan its staffing OR help financiers gain an understanding of implementation costs/running costs/expenses (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|--|------|
| 6 (a) | Answer - Margin of safety is zero (0) (B) | 1 |
| 6 (b) | <ul style="list-style-type: none"> • Break-even occurs where total costs are equal to total revenue OR Break-even = FC/Contribution (1 mark) • A margin of safety is the difference between actual output/sales and the break-even level of output (1 mark) • Therefore if the margin of safety is zero, then the actual level of output/number of visitors must be the break-even level (1 mark) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because this refers to market equilibrium/although demand may equal supply this does not guarantee that total revenue equals total costs (1 mark) • C is wrong because a business always has fixed costs regardless of whether or not it is breaking even (1 mark) • D is wrong because a zero contribution means that any fixed costs cannot be paid for (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|--|------|
| 7 (a) | Answer – guarantee an operating profit for all the EPL clubs (C) | 1 |
| 7 (b) | <ul style="list-style-type: none"> • Operating profit is net profit OR total revenue minus total costs OR equals gross profit minus expenses (1 mark) • The will expenses/costs associated with installing Hawk-Eye (1 mark) • These may not be covered by revenue (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because the Hawk-Eye technology is not being used by other domestic leagues/is unique which causes differentiation (1 mark) • B is wrong because this could, for example, lead to the need for more investment from shareholders (1 mark) • D is wrong because the money used to finance the Hawk-Eye could have been spent on other improvements in football stadiums OR spent on for team kits/referees pay (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for formula/calculations if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

| Question Number | Question | Mark |
|-----------------|---|------|
| 8 (a) | Answer – consumer wants were met (B) | 1 |
| 8 (b) | <ul style="list-style-type: none"> • Consumer wants relates to a consumer’s desire for goods and services OR consumer wants are usually based on income, age or lifestyle (1 mark) • Consumer wants were met because sales have increased in both markets/Cath Kidston products are fashionable (1 mark) • Some foreign buyers may actually have more disposable income/more of a preference for Cath Kidston products than UK consumers which would therefore explain why international sales increased more than UK sales (1 mark) <p>Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because if the £ had appreciated this would make UK exports to other countries more expensive, causing demand to fall (1 mark) • C is wrong because low levels of trade credit simply means that when retailers attempt to buy stock on credit they might not get it, which would therefore restrict sales (1 mark) • D is wrong because high unemployment rates tends to mean a fall in levels of disposable income, which would reduce demand for goods in the UK (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p> | 3 |

Section B Mark Scheme

| Question Number | Question | Marks |
|-----------------|---|----------------------------------|
| 9. | Analyse two non-price factors which could increase the demand for PROVIDE's products | 6 |
| | <p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge and understanding: up to 2 marks are available for defining demand and/or identifying two non-price demand factors, e.g. the amount of a good or service which a consumer buys at a given price (1 mark) demographic changes (1 mark) marketing/advertising (1 mark) availability of substitutes (1 mark) seasonal variation (1 mark) increases in income (1 mark) changes in fashion, tastes and preferences (1 mark) location/place (1 mark) add value/improve quality (1 mark)</p> <p>Application: up to 2 marks are available by using the context, e.g. PROVIDE sells T-Shirts and Beanie hats or magazines or books/PROVIDEs products are alternative to the typical high street/online wider range (1 mark)</p> <p>Analysis: up to 2 marks are available for explaining the above, e.g. an increase in the number of young shoppers should lead to an increase in demand because PROVIDE matches their tastes/preferences (1 mark), advertisements on Twitter are likely to have a significant impact on the target market/gain significant exposure, so should therefore increase demand (1 mark)</p> <p>NB Limit to 4 marks if a definition of demand is given, but only one factor is analysed in context.</p> | <p>1-2</p> <p>1-2</p> <p>1-2</p> |

| Question Number | Question | Marks |
|-----------------|--|------------------------------|
| 10. | Explain one possible benefit of Matthew's leadership style to PROVIDE. | 4 |
| | <p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge and understanding: up to 1 mark is available for defining or identifying a leadership style, e.g. how a leader shares a vision or purpose with his or her staff OR democratic/paternalistic/leader with theory Y view of workers (1 mark)</p> <p>Application: up to (1 mark) is available for contextualising answer, e.g. Matthew takes time to 'develop and teach Reena' (1 mark)</p> <p>Analysis: up to 2 marks are available for explaining the benefit to PROVIDE, e.g. this should motivate Reena because she will feel valued (1 mark) which may lead to an increase in her productivity/improve her level of customer service/boost PROVIDE's sales (1 mark)</p> | <p>1</p> <p>1</p> <p>1-2</p> |

| Question Number | Question | | Marks |
|-----------------|--|--|---|
| 11 | Assess the likely value of 'pop-up' retailing to a new business, such as PROVIDE | | 8 |
| Level | Marks | Descriptor | Possible content |
| 1 | 1-2 | Knowledge/understanding of pop-up stores OR retailing | e.g. a way in which a company first sells its products in a short time period on a limited scale OR re-selling of supplies previously purchased from a wholesaler or manufacturer. |
| 2 | 3-4 | Application should be present, i.e. the answer must be contextualised | e.g. opening up a store in an otherwise empty retail unit in the Custard Factory for a limited period of time e.g. this form of retailing would be relatively inexpensive for a new business like PROVIDE compared to high street rents for businesses like River Island/compared to ASOS's overheads. |
| 3 | 5-6 | Analysis must be present, i.e. in this case the candidate will explain the costs, causes or consequences of pop-up stores for PROVIDE or any other named similar new business NB A mark of 5 can be awarded when analysis is not in context | e.g. avoids having to commit to paying a rent over a longer period which may either be too expensive or prove not to be recoverable from sales e.g. to gauge the likely consumer demand for the T-shirts or beanie hats to ensure that enough stock is available for sale once the business is better established |
| 4 | 7-8 | Evaluation must be present, i.e. the candidate will present arguments for and against the use of pop-up stores for PROVIDE or any other named similar new business NB Award a mark of 8 if both arguments are in context | e.g. PROVIDE may have to move premises to a very different location, once the pop-up rental period is over which may not be as good for sales/profitable because the 'right' customers will not be there. e.g. pop-up stores may not lead to a repeat purchase/customer loyalty if the lease has run out and the shop has moved from the Custard Factory to another location |

| Question Number | Question | | Marks |
|-----------------|--|---|--|
| 12 | Evaluate Matthew's choice of financing for his start-up capital. | | 8 |
| Level | Marks | Descriptor | Possible content |
| 1 | 1-2 | Knowledge/understanding of financing or start-up capital | e.g. start-up capital is the amount of money needed to establish a business and pay for things like market research, legal fees, lease agreements. e.g. financing means the methods and sources used to pay for costs |
| 2 | 3-4 | Application should be present, i.e. the answer must be contextualised to Matthew/PROVIDE | e.g. the loans from family or friends and Matthew's own personal savings for setting up PROVIDE |
| 3 | 5-6 | Analysis must be present, i.e. in this case the candidate will explain the value of using personal savings/finance from friends/family NB A mark of 5 can be awarded when analysis is not in context | e.g. Matthew's savings are immediately available for setting up PROVIDE which will enable him to start trading more quickly e.g. Matthew may have to pay no interest or low rates of interest if he borrows from friends/family because such loans are usually offered on better terms e.g. Matthew would probably have to pay a higher rate of interest on a commercial bank loan which would mean it would be cheaper overall to finance the £20,000 from personal savings |
| 4 | 7-8 | Evaluation must be present, i.e. the candidate will present arguments for AND against Matthew using his own savings or friends/family loans NB Award a mark of 8 if both arguments are in context | e.g. Matthew might lose interest which might otherwise be given on his savings if they had been placed in a commercial bank account e.g. Matthew may have to sacrifice some of the decision making regarding say the choice of stock of T-shirts to those members of his family or friends who might expect to have a say in the running of the business in return for their 'investment' |

| Question Number | Question | | |
|-----------------|--|--|---|
| 13a | With reference to Table 1, assess whether or not PROVIDE would be affected by a) an increase in the UK inflation rate | | 6 |
| Level | Marks | Descriptor | Possible content |
| 1 | 1 | Knowledge/understanding of inflation <i>QWC: To achieve a mark of 1, the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing</i> | e.g. a persistent increase in the aggregate/general level of prices across an economy |
| 2 | 2 | Application should be present, i.e. the answer must be contextualised <i>QWC: To achieve a mark of 2, the candidate will use some business terms but the style of writing could be better/there will be some errors in spg/the legibility of the text could have been better in places</i> | e.g. cost of supplies of stock of T-shirts, beanie hats or magazines may increase OR refers to data in Evidence B, Table 1, such as 'in recent years inflation has not increased above 4.5%' |
| 3 | 3-4 | Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to PROVIDE of any increase in the rate of inflation NB A mark of 3 can be awarded when analysis is not in context <i>QWC: To achieve a mark of 3-4, the candidate will use business terminology quite well/style of writing is appropriate to the question/reasonable to good spg</i> | e.g. alternative/independent branded clothing and magazines are not necessities, so if PROVIDE's prices increase then demand may fall e.g. if cost of supplies of T-shirts had been affected by the 4.5% inflation rate in 2011, PROVIDE may have be forced to increase prices to maintain profit margins |
| 4 | 5-6 | Evaluation must be present, i.e. the candidate will present arguments for AND against why an increase in inflation might affect PROVIDE NB Award a mark of 6 if both arguments are in context <i>QWC: To achieve a mark of 5-6, the candidate will use business terminology precisely and effectively and will organise the answer to PROVIDE a coherent and fluent response/good to excellent spelling, punctuation and grammar</i> | e.g. Matthew may not pass on to customers any increase in costs for his stock of clothing and/or books and/or magazines which may mean that prices will stay the same and so sales may not suffer, but profit margins will e.g. However, price inflation above the forecast 2.7% in 2013 may be accompanied by wage inflation which could mean that the demand for PROVIDE's T-shirts may not fall as those in work will still be able to afford the higher prices |

| Question Number | Question | | Marks |
|-----------------|--|---|---|
| 13b | With reference to Table 1, assess whether or not PROVIDE would be affected by b) a decrease in UK Government spending | | 6 |
| Level | Marks | Descriptor | Possible content |
| 1 | 1 | <p>Knowledge/understanding of government spending</p> <p><i>QWC: To achieve a mark of 1, the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing</i></p> | e.g. the amount a government spends in the economy to finance government policy objectives/the public sector/education/ the NHS /welfare state |
| 2 | 2 | <p>Application should be present, i.e. the answer must be contextualised</p> <p><i>QWC: To achieve a mark of 2, the candidate will use some business terms but the style of writing could be better/there will be some errors in spg/the legibility of the text could have been better in places</i></p> | <p>e.g. The UK Government may reduce grants to small business owners or welfare payments to young unemployed</p> <p>e.g. refers to data in Evidence B, Table 1, such as 'the table shows that UK Government spending in 2013 is forecast to fall.'</p> |
| 3 | 3-4 | <p>Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to PROVIDE of any decrease in UK Government spending</p> <p>NB A mark of 3 can be awarded when analysis is not in context</p> <p><i>QWC: To achieve a mark of 3-4, the candidate will use business terminology quite well/style of writing is appropriate to the question/reasonable to good spg</i></p> | <p>e.g. young customers in receipt of welfare payments may now suffer a decline in disposable income which might lead to a reduction in demand for PROVIDE's T-shirts or beanie hats</p> <p>e.g. if government spending had fallen below the estimated £675bn in 2013, then this might have caused job losses in the public sector, this may have reduced incomes, which could have led to a general fall in spending on clothing</p> |
| 4 | 5-6 | <p>Evaluation must be present, i.e. the candidate will present arguments for AND against why a decrease in UK Government spending might affect PROVIDE</p> <p>NB Award a mark of 6 if both arguments are in context</p> <p><i>QWC: To achieve a mark of 5-6, the candidate will use business terminology precisely and effectively and will organise the answer to PROVIDE a coherent and fluent response/good to excellent spelling, punctuation and grammar</i></p> | <p>e.g. but small business grants are difficult to obtain or can be provided by other sources such as the Princes Youth Trust, in which case Matthew's access to start-up capital might not be affected</p> <p>e.g. however, because PROVIDE's products are only an occasional purchase – books and clothing - then PROVIDE's sales may not suffer significantly given a fall in Government spending</p> |

