



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel International GCSE
In Business Studies (5BS05/01
Unit 5: Introduction to Economic Understanding

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information, please visit our website at www.edexcel.com.

Our website subject pages hold useful resources, support material and live feeds from our subject advisors giving you access to a portal of information. If you have any subject specific questions about this specification that require the help of a subject specialist, you may find our Ask The Expert email service helpful.

www.edexcel.com/contactus

Pearson: helping people progress, everywhere

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

Summer 2017

Publications Code 5BS05_01_1706_MS

All the material in this publication is copyright

© Pearson Education Ltd 2017

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*

Section A:

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

Question Number	Answer	Mark
1(b) AO1=1	1 mark for the identification of any one element of the marketing mix. The four possible answers are: <ul style="list-style-type: none">• Product• Promotion• Price• Place	(1)

Question Number	Answer	Mark
1(c) AO1=1 AO3=2	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. Possible negative externalities include: <ul style="list-style-type: none">• Pollution/waste (accept all forms)• Congestion overcrowding• Global warming• Loss of 'green belt' land E.g. Business growth could lead to extra vehicles on our roads (1 mark). As a result, carbon emissions would increase (1 mark) and this could lead to health problems. (1 mark). This answer would gain 3 marks since there are at least two relevant, linked points made. The negative externality is 'carbon emissions' and the candidate has identified the cause and a consequence. As with all 'explain' questions the factor/reason/method does not have to come first.	(3)

Question Number	Answer	Mark
<p>1(d)</p> <p>AO1=1</p> <p>AO3=2</p>	<p>For 3 marks, there will be one reason identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...', 'because...' etc.</p> <p>Possible reasons include:</p> <ul style="list-style-type: none"> • A more highly skilled workforce/labour market • Improved employability • Access to better paid jobs • Improved standard of living <p>E.g. Improving literacy rates will improve the skills of the workforce (1 mark). As a result, more people will be able to secure good jobs (1 mark) and this will lead to less money being spent on unemployment benefits. (1 mark).</p> <p>This answer would gain 3 marks since there are at least two relevant, linked points made, following the identification of a valid reason.</p>	<p>(3)</p>

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

Question Number	Answer	Mark
2(b) AO1=2	<p>The <i>Single European Market</i> is a group of European countries where there are no restrictions on trade between member states.</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. Countries trading together in the EU.</p> <p>The 2 marks should be awarded for definitions that make reference to <u>no restriction on trade (specific examples could be used, e.g. no quotas)</u> and reference to <u>countries in the EU</u>.</p>	(2)

Question Number	Answer	Mark
2(c) AO2=2 AO3=1	<p>For 3 marks, one reason 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 fuel/energy if it is to secure all 3 marks.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Lower transportation costs • Lower costs of production • Increased demand due to customers having more disposable income • Increase in tourism from cheaper air fares <p>E.g. As oil prices fall so will the cost of transportation due to lower fuel prices (1 mark). As a result, the business will be able to deliver products for less (1 mark) and this could lead to higher profit margins (1 mark).</p> <p>This answer would gain 3 marks since there are at least two linked strands that build the explanation following the identification of a benefit. The answer is also rooted in the context since it refers to '<i>fuel prices</i>' and '<i>transportation</i>'. Without this use of context the answer can only score a maximum of 2 marks.</p>	(3)

Question Number	Answer	Mark
<p>2(d)</p> <p>AO1=1 AO2=1 AO3=2</p>	<p>For 4 marks, the description will make up to four relevant points (linked or separate) associated with the impact of a weaker euro on UK businesses. Four marks could also be achieved through focusing on two effects plus some development of each. <u>Without the use of context the answer can be awarded a maximum of 3 marks.</u></p> <p>Possible impacts include:</p> <ul style="list-style-type: none"> • Increased buying power of UK importers • Fall in demand for UK exporters • Lower sales as UK consumers buy directly from EU • Less tourism in the UK from EU <p>E.g. UK importers will get more euros for each pound when buying from EU countries (1 mark). As a result, this would lead to lower costs when importing products or resources (1 mark). UK exporters may also be affected by a weaker euro as the cost of their products would be more expensive to EU buyers (1 mark). As a result, the demand for their products could fall and this could reduce sales revenue. (1 mark)</p> <p>This answer would gain 4 marks since the candidate has identified two impacts, one for importers and another for exporters. Each impact has been explained with at least one linked strand of development. The answer is also in context by referring to 'UK importers/exporters', as these are specific businesses in the UK that might be directly affected by a change in the euro exchange rate.</p> <p>1 mark could also be awarded for an accurate definition of a weak euro.</p> <p><u>In this question context can be drawn from recognition of businesses in the UK that import from the EU or export to the EU.</u></p>	<p>(4)</p>

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

Question Number	Answer	Mark
3(b) AO1=3	<p>1 mark for each factor that might be a source of competitiveness for a business.</p> <p>Possible sources include:</p> <ul style="list-style-type: none"> • Productivity • Unique selling point • Brand image • Quality • Customer service/satisfaction • Marketing mix <p>Accept any other relevant source of competitiveness.</p>	(3)

Question Number	Answer	Mark
3(c) AO2=2 AO3=1	<p>For 3 marks, there will be one way 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 <i>Five Guys</i> context if it is to secure all 3 marks. <u>The answer must go beyond just mentioning Five Guys, since the name of the business appears in the question.</u></p> <p>Possible ways include:</p> <ul style="list-style-type: none"> • More advanced machinery/production techniques • Bulk-buying • Greater market power • Any other way economies of scale are achieved <p>E.g. Five Guys could buy in bulk (1 mark). This would lead to its average costs falling (1 mark) and this would allow Five Guys to lower its prices to become more competitive.</p> <p>This answer would gain 2 marks since although a benefit has been stated and there are two linked strands, there is no use of context that goes beyond using the name of the business. Contextualisation could be as subtle as adding '<i>meat for its burgers</i>' into the first sentence, as this is linked to the nature of its product or adding 'in the UK' to the last line. This would have elevated the answer to 3 marks.</p>	(3)

Question Number	Answer	Mark
<p>3(d)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, there will be one factor 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 <i>Five Guys</i> context if it is to secure all 3 marks. <u>The answer must go beyond just mentioning Five Guys, since the name of the business appears in the question.</u></p> <p>Possible factors include:</p> <ul style="list-style-type: none"> • Number of substitutes • If customers see the product as essential • Brand loyalty • Customer satisfaction • Quality <p>E.g. The number of other fast food restaurants in the local area will affect the price sensitivity of demand for <i>Five Guys</i> burgers (1 mark). This is because customers will have more choice if there is lots of competition and are easily able to choose a cheaper alternative (1 mark). This may lead to <i>Five Guys</i> having to lower its prices in order to compete (1 mark).</p> <p>This answer would gain 3 marks since there are at least two linked strands that build the explanation following the identification of a factor. The answer is also rooted in the context of <i>Five Guys</i> since the answer refers to '<i>fast food restaurants</i>'. Without this use of context the answer can only score a maximum of 2 marks.</p> <p>'burgers' cannot be awarded as context since the word appears in the question stem.</p>	<p>(3)</p>

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

Question Number	Answer	Mark
4(b) AO1=1 AO2=1	<p>1 mark for the identification of a socially responsible method and 1 mark for some kind of appropriate development/explanation. The development must be in the <i>Evolve Health Club/gym industry</i> context if it is to secure both marks.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Investing in the local community • Giving money/profits to charity • Spreading awareness of health issues • Encouraging people to stay fit • Paying workers more • Any other policy that indicates the business cares for other stakeholders beyond the owners/shareholders <p>E.g. <i>Evolve Health Club</i> could educate its customers about the risks of over exercising (1 mark). This would help them avoid injuries. (1 mark)</p> <p>This response would gain 2 marks since a relevant method/action has been identified '<i>educate its customers</i>' and there is some development in context '<i>avoid injuries</i>'. The answer is in context of <i>Evolve Health Club /gym industry</i>.</p>	(2)

Question Number	Answer	Mark
<p>4(c)</p> <p>A02=2</p> <p>A03=1</p>	<p>For 3 marks, there will be one drawback 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>Evolve Health Club</i> context if it is to secure all 3 marks. <u>The answer must go beyond just mentioning <i>Evolve Health Club</i>, since the name of the business appears in the question.</u></p> <p>Possible drawbacks include:</p> <ul style="list-style-type: none"> • Cost of merging • Conflict of strategy • Diseconomies of scale • Lack of flexibility <p>E.g. Through a merger with <i>Real Gyms</i>, <i>Evolve Health Club</i> would increase its number of gyms (1 mark). This would make communication more difficult (1 mark). As a result, mistakes could be made, such as ordering the wrong exercise bikes (1 mark).</p> <p>This answer would gain 3 marks since there are at least two linked strands that build the explanation, following the identification of a drawback. The answer is also rooted in the context of <i>gyms/fitness centres</i> since reference is made to '<i>exercise bikes</i>'.</p>	<p>(3)</p>

Question Number		Indicative content
4(d) AO2=2 AO3=4		<p>The aim here is for candidates to make a judgement as to whether opening a large out of town gym (option 1) or increasing training for its employees (option 2) will be the most effective at increasing the number memberships at <i>Evolve Health Club</i>. There is no right or wrong answer and the candidate can argue that either method is better, depending on the circumstances. Candidates might consider the following possible ideas as part of their answer:</p> <p>New large out of town gym:</p> <ul style="list-style-type: none"> • Attract new customers • Increase revenue for the company • Potential to gain a bigger market share • Allow them to compete with other large gyms • Increase brand awareness of <i>Evolve Health Club</i> <p>Employee training:</p> <ul style="list-style-type: none"> • Motivate the workforce • Improve employee skills • Employees will provide better customer service • Could become a competitive advantage for <i>Evolve Health Club</i> <p>To be evaluative and support the judgement made, the candidate might suggest that the opening of a new gym will allow <i>Evolve Health Club</i> to increase its memberships outside city centres. However, this contradicts its current strategy of opening small gyms in city centres, and they may not understand the market.</p> <p>An alternative route to evaluation might come through the candidate suggesting that the training of staff would be the better option as this might help the company attract customers away from <i>Virgin Active</i>.</p>
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	A judgement or point is given as to which option is most effective in allowing <i>Evolve Health Club</i> to increase membership numbers. 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 one 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	<p>A judgement/point is given on one or both issues with some development/support, which includes at least two reasons/causes/consequences etc. and includes some balance.</p> <p>At the top of this level there will be a conclusion drawn from the analysis and the answer will be in the context of <i>Evolve Health Club/gym industry</i></p>

Section B:

Question Number	Answer	Mark
5(a) AO1=2	<p>'Economic growth' is the percentage increase in gross domestic product per year.</p> <p>2 marks for an accurate definition featuring a measure (GDP) and time period (per year). If an accurate definition is not given award 1 mark for an answer that suggests the candidate has some understanding of the term. E.g. The GDP of a country.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. This will involve one part of the above definition, but gives an appropriate example such as a developed explanation of GDP.</p>	(2)

Question Number	Answer	Mark
5(b) AO1=1 AO2=1	<p>1 mark for the identification of relevant factor that may have caused a fall in demand for housing in China and 1 mark for some appropriate development/explanation. The development must be in the context of the Chinese housing market.</p> <p>Possible factors include:</p> <ul style="list-style-type: none">• Increase in house prices• Rise in inflation• Rise in interest rates• Fall in consumer confidence• Any form of internal/external shock• Fall in income/GDP <p>Accept any other relevant factor.</p> <p>E.g. Demand for housing may have fallen in China due to lower consumer confidence (1 mark) due to the fact that economic growth fell to 7% (1 mark). This answer would gain 2 marks as the development is in the context of China.</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 way 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 context of China/Chinese consumers if it is to secure all 3 marks.</p> <p>Possible ways include:</p> <ul style="list-style-type: none"> • Improve the quality of their products • Lower the price of their products • Stimulate demand through promotion and advertising <p>E.g. Chinese businesses could encourage Chinese consumers to purchase from home by improving the quality of their products (1 mark). This would help them compete with the perceived quality of foreign goods (1 mark). This would add value to their goods and make them more desirable to Chinese consumers (1 mark).</p> <p>This answer would gain 3 marks since there are at least two linked strands that build the explanation, following the identification of a way. The candidate also contextualises their response by referring to "perceived quality".</p>	<p style="text-align: right;">(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 1 mark for identifying an advantage and 1 mark for identifying a disadvantage of China reducing import tariffs on consumer goods. The remaining 3 marks are for the explanation, which should develop the advantage/disadvantage to <i>the Chinese economy</i>. Within the answer there should be at least three clearly identifiable strands of explanation. These may contain connective words such as, 'this leads to...', 'because...' etc. The explanation for both the advantage and disadvantage must be in context if it is to secure all 3 marks.</p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Better standard of living in China • Better trade relations with foreign countries • Boost in spending and economic growth • Effect on inflation • Benefit domestic businesses – lower import costs <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Import of foreign goods will hinder domestic business. • Loss of tax revenue for Chinese government • Effect on inflation <p>E.g. Advantage: Better trade relations with foreign countries (1 mark)</p> <p>The reduction in import tariffs will increase trade with foreign countries (1 mark) in return this may reduce protectionism imposed by other nations (1 mark) which could lead to China being able to increase exports and boost its manufacturing industry (1 mark).</p> <p>This answer would gain 4 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 '<i>boost its manufacturing industry</i>'. Without the use of context this answer would only be worth 3 marks.</p>	<p style="text-align: right;">(8)</p>

Question Number	Answer	Mark
<p>6(a)</p> <p>AO1=2</p>	<p>'Investment' is spending on capital goods that helps contribute to increased production. Can also involve spending on human capital.</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests the candidate has some understanding of the term. E.g. spending money to help a business grow.</p> <p><u>No not accept answers that refer to investment for profiteering / speculation. E.g. buying shares in a company.</u></p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. E.g. spending to help a business, e.g. building a new airport.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>6(b)</p> <p>AO1=1</p> <p>AO2=1</p>	<p>1 mark for the identification of a benefit of increased investment in the UK tourist industry and 1 mark for some relevant development.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Increased jobs/lower unemployment • Increased GDP • Benefits other industries such as hotels and restaurants • Tax revenue received <p>E.g. An increase in Chinese tourists will increase economic activity in the UK (1 mark). This will directly create demand for businesses such as hotels and restaurants. (1 mark)</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>6(c)</p> <p>AO2=2</p> <p>AO3=1</p>	<p>For 3 marks, there will be one way 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 context of the UK / UK tourist industry if it is to secure all 3 marks.</p> <p>Possible ways include:</p> <ul style="list-style-type: none"> • Investigation by the Competition Commission • Government regulators • Encourage new competition within the industry • Pressure groups • UK/EU legislation • Self-regulation within the industry <p>E.g. One way to regulate the UK tourist industry would be to impose new legislation (1 mark). For example, introduce a new law to ensure hotels are not able to overcharge guests. This would mean that consumers trust UK travel companies (1 mark) leading to more foreign travellers visiting the UK (1 mark).</p> <p>This answer would gain 3 marks since there are at least two linked strands that build the explanation, following the identification of a way. The candidate also contextualises their response by referring to "hotels".</p>	<p>(3)</p>

Question Number	Indicative content
<p>*6(d)</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=3</p> <p>AO3=5</p>	<p>The aim here is for candidates to consider the impact of the government providing subsidies to environmentally friendly business. The question asks the candidate to 'assess', so the candidate must develop some evidence of balance within their answer. This could take the form of considering the extent to which the benefits of using subsidies could help reduce pollution in China. Assessment could also be created by considering other measures that the government could use. Some candidates may suggest alternative methods such as taxation or legislation.</p> <p>Possible benefits of providing subsidies to environmentally friendly businesses:</p> <ul style="list-style-type: none"> • A subsidy would give an incentive for businesses to be 'green' • Greener technologies and techniques could be developed • Green businesses receive recognition from customers <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • A subsidy will not force businesses to be environmentally friendly • Paying subsidies could be expensive • Trade-off in spending the subsidy on other areas of the economy • Any other policy that could be better than paying a subsidy, e.g. taxation or legislation

Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate just restates the question.
Level 1	1-2	<p>Candidate will consider one factor related to using a subsidy with no development - bottom of level.</p> <p>Candidate will consider one factor related to using a subsidy with simple development – top of level.</p> <p>Candidate will consider two factors relating to using a subsidy 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 using a subsidy 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 and there will be evidence of contextualisation.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	6-8	<p>Candidate will consider factor(s) relating to using a subsidy with development which includes two reasons/causes/consequences, balance with unsupported conclusion/judgement(s) all of which is in the context of China – bottom of level.</p> <p>Candidate will consider factor(s) relating to using a subsidy with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of China – middle of level.</p> <p>Candidate will consider factor(s) relating to using a subsidy with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of China and using the 'it depends' rule or something similar – top of the level.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

Section C:

Question Number	Answer	Mark
<p>7</p> <p>AO1=2</p>	<p>'Productivity' is the measure of output per worker over a period of time.</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests the candidate has some understanding of the term. <u>Answers not accepted that do not show an understanding of the difference between productivity and production. E.g. how much a business produces would score 0.</u></p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>8</p> <p>AO1=1</p> <p>AO2=1</p>	<p>1 mark for the identification of a trade-off that <i>Lego</i> might have faced when producing <i>The Lego Movie</i>.</p> <p>Possible trade-offs include the loss of the benefit from:</p> <ul style="list-style-type: none"> • Increasing its spending on promotion of its toys • Developing a new product line • Expanding overseas • Investment in research and development <p>Accept any other loss of benefit as a result of an alternative business decision.</p> <p>E.g. <i>Lego</i> would face the trade-off of increasing the spending on promotion of their products. (1 mark)</p> <p>This answer would only gain 1 mark since although a trade-off has been identified, there is no development. For this development to escalate the answer to 2 marks it would also have to be in the context of <i>Lego</i>. For example, by making reference to a specific toy line.</p>	<p>(2)</p>

Question Number	Indicative content
<p>*9</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>AO2=3 AO3=3</p>	<p>The aim here is for candidates to consider the importance of profit to the success of <i>Lego</i>. The question asks the candidate to 'discuss', so we should expect some balance within the answer. This could come from considering the limitations of profit as a measure of business success or introducing another measure that is equally important to the success of <i>Lego</i>.</p> <p>Possible reasons why profit is important:</p> <ul style="list-style-type: none"> • Profit is the reward for running a business • Profit can be reinvested to help the business grow • Profit will keep shareholders happy • Profit indicates that the business is healthy and unlikely to fail <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • Other measures are also important, e.g. social success, market share • Does not indicate customer satisfaction • Only considers the business from a financial point of view • What are the objectives of the business? Is it profitability?

Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	<p>One point as to why profit is important to business success with 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. 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 profit is important to business success (or not) 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 profit is important to the success of <i>Lego</i> with development of each. A judgement is given with some development which includes at least two reasons/causes/consequences etc. <u>and should identify some balance in terms of a limiting factor or drawback of profit as a measure of success.</u></p> <p>Answers at the top of this level will refer to the <i>Lego</i> context with a supported conclusion/judgement.</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 the extent to which the growth of <i>Lego</i> will benefit consumers. To demonstrate the evaluative skill, candidates could consider the benefits that a large business or a monopoly might bring. This could include product innovation, price reductions through economies of scale or reliability of the brand. Candidates should also show balance in their answer by considering some of the drawbacks that consumers might experience from <i>Lego</i> becoming a global business with a dominant position in the market. For instance, increased prices due to lack of competition or a lack of choice or fall in quality. Some candidates may use the context provided and point out that other businesses may launch competing products or that <i>Lego</i> prides itself on quality and innovation. 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 consumers may benefit from the growth of <i>Lego</i>:</p> <ul style="list-style-type: none"> • The introduction of new product lines • Fall in price as economies passed on to the consumer • New types of product through innovation • <i>Lego's</i> products are educational <p>Reasons why consumers may not benefit from the growth of <i>Lego</i>:</p> <ul style="list-style-type: none"> • Less choice in construction toy market • No incentive to keep prices low • No incentive to maintain product quality • <i>Lego</i> may become complacent and stop innovating

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

(Total for paper = 90 marks)