

Mark Scheme (Results)

Summer 2014

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.
- Quality of written communication will be assessed in Section B, Question 13a & 13b. The mark scheme for this question will indicate which strands of Quality of Written Communication are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear;
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter;
 - iii) organise information clearly and coherently, using specialist vocabulary where appropriate.

6BS01/6EB01 – June 2014 mark scheme

SECTION A - MARK SCHEME

Question Number	Question	Mark
1(a)	Answer - B	1
1(b)	<ul style="list-style-type: none"> • Operating profit margin = Operating Profit/Sales Revenue X 100 (1 mark) • £52.7m/£377m X 100 (2 mark) where the first mark is gained for applying data partially; award both marks if data applied fully in the equation or explained fully using the data. <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 incorrect because it assumes a exact correlation between revenues and operating profits, which need not be the case (1 mark) • C is incorrect because this is the difference between the increase in sales revenue (15%) and the increase in operating profits (14%) (1 mark) • D is incorrect because this is the value of costs and expenses not gross profits (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> <p>NB No marks for definition of sales revenue.</p>	3

Question Number	Question	Mark
2 (a)	Answer – D	1
2 (b)	<ul style="list-style-type: none"> • Market differentiation is the way that you make your business or product stand out/distinguished/distinctive against rivals/competitors (1 mark) • In this case H & M have combined forces with David Beckham to sell underwear which has been designed by someone/a celebrity which will give it a competitive edge or USP(1 mark) • Consequently, because they are only available in H & M the demand for the product is likely to be high/sales are likely to be successful (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 incorrect because the underwear was already being sold widely by this stage across H & M high street stores (1 mark) • B is incorrect because this would suggest that a choice has been made between selling this range of underwear at the expense of some other products/other business opportunity/assets (1 mark) • C is incorrect because market mapping is a way of identifying a gap in the market/product positioning which has probably been 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
3 (a)	Answer – D	1
3 (b)	<ul style="list-style-type: none"> • Adding value occurs where producers change inputs in a way that customers see as beneficial/attractive OR the difference between the price that is charged and the total cost of the inputs needed to create the product (1) • In this case using fresh ingredients means that the dishes should taste better/be healthier (1 mark) • As a result, the customers should feel that even with more expensive prices they are getting value for money/the owners of the business can charge a higher price (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 incorrect because contribution is an accounting term which in this case could be described as the selling price of the dishes – average variable costs of providing the food (1 mark) • B is incorrect because qualitative research may have already been undertaken given that these dishes are already on the menu (1 mark) • C is incorrect as this relates to a method of short term borrowing from suppliers, rather than a way to make dishes more attractive to consumers (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development 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 – A	1
4 (b)	<ul style="list-style-type: none"> • A market niche is a small section of a market with distinctive specialised/uncommon/rare requirements (1 mark) • Graphotism is only aimed at street/graffiti artist then the product might be classed as niche given the specific nature/likely low number of customers (1 mark) • Graphotism magazine is also niche as it is not typically sold through the usual/mass market channel of newsagents (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 incorrect because this refers to an aspect of market research rather than the nature or size of the market (1 mark) • C is incorrect because this relates to the financial liability of the owner(s) not the magazine itself (1 mark) • D is incorrect because the quantity of sales are low because it is sold quarterly, rather than monthly/ it is not a mass market product (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 - A	1
5 (b)	<ul style="list-style-type: none"> • Supply is the amount of goods/services provided at a time at a given price/price is the amount a consumer is willing and able to pay in a given time period (1 mark) • If Yahoo enter into the mobile technology market then it is likely that the quantity of mobile phones will increase (this may be shown in a supply and demand diagram)* (1 mark) • An increase in the supply of products tends to cause prices to fall (this may be shown in a supply and demand diagram)* as rival companies seek to compete with each other, usually on the basis of price (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 incorrect because this decision by Yahoo may increase the demand or websites given more mobile phone use (1 mark) • C is incorrect because profits are more likely to increase because they've reduced their work force by 14% / if the mobile market continues to be profitable then Yahoo should enjoy a share in the industry's profits (1 mark) • D is incorrect because Yahoo is not the only email host for businesses; there are others, such as Hotmail (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> <p>* diagram has to be accurate to show a positive shift in supply resulting in a reduction in price and an increase in sales volume/quantity to gain 2 marks</p>	3

Question Number	Question	Mark
6 (a)	Answer – C	1
6 (b)	<ul style="list-style-type: none"> • An ethical stance is making a decision in line with what is morally correct (1 mark) • This is unlikely to apply to Tesco as they are profit making/have shareholders who receive dividends from profits (1 mark) • Therefore Tesco Directors are more likely to make a decision based on what will affect an increase in sales revenue or 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 incorrect because rising unemployment would lead to a reduction in disposable incomes which might reduce the demand for products like cars (1 mark) • B is incorrect if the cars are not available then sales would not occur/result (1 mark) • D is incorrect because if there was an increase in motor insurance costs this could increase the cost of motoring which is likely to reduce the demand for cars (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 – C	1
7 (b)	<ul style="list-style-type: none"> • Total contribution is revenue/turnover minus total variable costs/cost of sales (1 mark) • Calculating £240 (1) – inserts £80 = (1) marks) <p>OR</p> <ul style="list-style-type: none"> • Contribution is the selling price minus variable costs per unit (1) • Variable cost per unit is therefore £80/200 = 40p (1 mark) • Therefore with a selling price averaging £1.20, average contribution = 80p X 200 = (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 incorrect because this is the value of revenue, i.e. price X quantity bought and sold (1 mark) £1.20 x 200 (1 mark) • B is incorrect because this is the value of revenue minus the fixed costs (1 mark) • D is incorrect because this figure relates to revenue minus fixed costs minus cost of sales/operating profit (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 - A	1
8 (b)	<ul style="list-style-type: none"> • Primary research is that which is conducted first-hand (1 mark) • Market intelligence is an example of secondary research (1 mark) • Because market intelligence reports have already been conducted by a market research company for general use (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 incorrect because product trials would have been used by Burger King first to gauge the likely consumer demand for its food before it became well established (1 mark) • C is incorrect because the loyalty cards would have been completed by the BK customers themselves (1 mark) • D is incorrect because observations with customers in its restaurants will have been conducted specifically by Burger King (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
9a.	Analyse one reason why Advanced Conditioning Ltd might experience an increase in sales volume	3
	<p>Knowledge 1, Application 1, Analysis 1</p> <p>Knowledge and understanding: 1 mark is available for describing what is meant by sales volume/identifying a factor, e.g. quantity bought /sold or word of mouth (1)</p> <p>Application: 1 mark is available by using the context, e.g. the number of sports injury clients/more classes (1)</p> <p>Analysis: 1 mark is available for explaining the above, e.g. because of Marvin's reputation (1)</p>	<p>1</p> <p>1</p> <p>1</p>

Question Number	Question	Marks
9b	Analyse one reason why Advanced Conditioning Ltd might experience an increase in variable costs	3
	<p>Knowledge 1, Application 1, Analysis 1</p> <p>Knowledge and understanding: 1 mark is available for describing what is meant by variable costs, e.g. costs which vary with output (1)</p> <p>Application: 1 mark is available by using the context, e.g. the stationery or energy costs of the office/the hire of studios from Virgin Active (1)</p> <p>Analysis: 1 mark is available for explaining the above, e.g. because of an increase in the number of clients/Virgin Active increases its rents (1)</p>	<p>1</p> <p>1</p> <p>1</p>

Question Number	Question	Marks
10.	Explain one reason why it might have been necessary for Marvin to prepare a business plan for Advanced Conditioning Ltd	4
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge and understanding: 1 mark is available for describing what is meant by business plan/business planning, e.g. forecast of business operations, including a cash flow forecast/statement of business objectives/plan of staffing needs or marketing methods (1)</p> <p>Application: 1 mark is available by using the context, e.g. Marvin would forecast the number of clients he might have over a period (1)</p> <p>Analysis: up to 2 marks for explaining the above, probably indicating a reason WHY first, e.g. to gain external finance from potential lenders like banks or venture capitalists (1) as a business plan's CFF should give an idea of the revenues expected to cover the cost of any loan repayments/help reduce risks taken by lenders (1)</p>	<p>1</p> <p>1</p> <p>1-2</p>

Question Number	Question		Marks
11	Evaluate the likely value of product trials to Fitness Retreat Ltd		8
Level	Marks	Descriptor	Possible content
1	1-2	Knowledge/understanding of product trials	e.g. primary market research method to enable a company to gauge consumer reactions when it first sells its products in a restricted area
2	3-4	Application should be present, i.e. the answer must be contextualised to Fitness Retreat Ltd	e.g. which Fitness Retreat might do by offering stay away breaks just in the South West of England
3	5-6	Analysis must be present, i.e. in this case the candidate will explain the costs, causes or consequences of product trials for Fitness Retreat Ltd NB A mark of 5 can be awarded when analysis is not in context	e.g. to gauge the likely consumer demand for professional sports services/well-being away breaks to the greater expense of attempting to sell nationwide
4	7-8	Evaluation must be present, i.e. the candidate will present arguments for and against the value of product trials to Fitness Retreat Ltd NB A mark of 7 is awarded when only one side is in context; award 8 marks for both sides in context	e.g. product trials may be take place in a region - Dorset - where the consumers are not typical of the general population in terms of income, tastes and preferences therefore basing a business' future on this form of test marketing could prove expensive mistakes, especially given the overheads involved, like hiring hotels

Question Number	Question		Marks
12	Assess whether or not an <u>increase</u> in unemployment might affect Fitness Retreat Ltd.		8
Level	Marks	Descriptor	Possible content
1	1-2	Knowledge/understanding of unemployment	e.g. the number of people willing and able to work but out of work and in receipt of welfare benefits such as job seekers allowance
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. the unemployed may not be able to take advantage of personal fitness training
3	5-6	Analysis must be present, i.e. in this case the candidate will explaining how unemployment may/may not affect Fitness Retreat Ltd NB A mark of 5 can be awarded when analysis is not in context	e.g. this is because disposable incomes of the unemployed tends to fall as people are on benefits rather than wages so could not afford luxury wellbeing stay away breaks
4	7-8	Evaluation must be present, i.e. the candidate will present arguments for AND against whether Fitness Retreat Ltd will be affected by an increase in unemployment NB A mark of 7 is awarded when only one side is in context; award 8 marks for both sides in context NB If candidate simply attempts to evaluate what might happen if unemployment increases then...but if unemployment falls then... this is NOT evaluation.	e.g. Fitness Retreat Ltd targets a niche market with clients who are likely to be well paid and at less risk of losing their jobs which means that sales may not be so affected

Question Number	Question		Marks
*13a	Evaluate the extent to which Fitness Retreat might be affected by limited liability		6
Level	Mark	Descriptor	Possible content
1	1	<p>Knowledge/understanding of limited liability</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. where the owners of a business are not liable for any debts beyond the amount invested in the company
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>	e.g. the professional sports trainers/chef/Marvin would not lose their personal possessions in the event of business failure
3	3-4	<p>Analysis must be present, i.e. in this case the candidate will explain a consequence to Fitness Retreat Ltd of having limited liability</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>	e.g. Shareholders are more willing to invest in the company because if it failed because of a lack of clients they would not lose all of their possessions
4	5-6	<p>Evaluation must be present, i.e. the candidate will present arguments why limited liability might not be that important</p> <p>NB A mark of 5 is awarded when only one side is in context; award 6 marks for both sides in context</p>	<p>e.g. limited liability might not be that important for this business as banks might have been willing to provide the capital needed as it is an innovative fitness concept which is likely to be successful</p> <p>e.g. banks might actually be</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>less likely to lend to the business because the owners like Marvin and the masseur or chef are not really risking much of their own money/personal assets other than the capital they have invested</p>
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Question Number	Question		Mark
13b	Evaluate the extent to which Fitness Retreat Ltd might be affected by changes in government taxation policy		6
Level	Mark	Descriptor	Possible content
1	1	<p>Knowledge/understanding of government taxation</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. income tax rate, income tax thresholds, corporation tax, purchase tax (VAT), capital gains tax
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>	e.g. Income tax increases might reduce the ability of clients to pay for stay away breaks
3	3-4	<p>Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to Fitness Retreat Ltd of any changes in taxation policy</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>	e.g. Because their disposable incomes could be reduced and so spending on non-essential products or services like stay away breaks might fall
4	5-6	<p>Evaluation must be present, i.e. the candidate will present arguments for AND against why changes in taxation policy might affect Fitness Retreat Ltd</p> <p>NB A mark of 5 is awarded when only one side is in context; award 6 marks for both sides in context</p>	<p>e.g. The brand image of Fitness Retreat Ltd might be so strong that clients might continue to pay for stay away breaks, even if income tax is increased</p> <p>e.g. the reduction in the higher income tax band in 2013 from 50% to 45% may have actually</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>increased the number of clients for FR because as a result high income people can now afford such luxury breaks because they will be able to keep more of their income</p>
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