



Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE Business (8BS0)
Paper 2: Managing Business Activities



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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.

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Price multiplied by quantity sold. <p>NB: If candidates state 'income from sales' award 2 marks.</p>	(2)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Fixed costs plus variable costs. 	(2)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed:</p> <p>QS2: calculate, use and understand percentages and percentage changes.</p> <p>Knowledge: 1 mark for identifying the capacity utilisation formula.</p> <ul style="list-style-type: none"> • $\text{Current output} / \text{maximum possible output} \times 100$ <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Re-order formula to calculate current output $= \text{maximum possible output} \times \text{capacity utilisation}$ $= 34\,200 \times 0.92$ $= 31\,464 \text{ pasties}$ <p>NB: if the answer given is '31 464' award 4 marks.</p>	(4)

Question Number	Answer	Mark
1(d)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even.</p> <p>Knowledge: 1 mark for identifying either the profit variance formula or the profit formula.</p> <ul style="list-style-type: none"> • Actual profit – budgeted profit • Sales revenue – total costs <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Calculate the variance in revenue for steak and stout pasties = £14 370 – £12 250 = £2 120 favourable • Calculate the variance in total costs for steak and stout pasties = £5 890 – £4 210 = £1 680 adverse/unfavourable • Calculate the variance in profit for steak and stout pasties = £2 120 – £1 680 = £440 favourable <p>NB: if the answer given is simply '£440' or '+£440' award 4 marks.</p>	(4)

Question Number	Indicative content		Mark
1(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Batch production involves the manufacture of a limited number of identical products. • This allows for greater productivity/efficiency compared to job production which reduces the average costs of manufacturing a pasty. • Less capital will be required to set up a batch production process compared to a flow production process therefore they will have to raise less capital from crowd funding. • Production of pasties is flexible so different quantities/flavours etc. can be produced allowing them to meet different sized orders from cafes. <p><i>Potential counterbalance:</i></p> <ul style="list-style-type: none"> • Could lead to Posh Pasties Ltd having to hold large stocks of raw materials such as flour and meat for the different variety of pasties. • Less efficient than flow production so average costs will be higher than they could be which will reduce the profit per pasty. • Could lead to worker demotivation compared to job production because they are only involved in one part of the pasty production process. 		(8)
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.	
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.	
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.	

Question Number	Indicative content	Mark
1(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Crowd funding is where large numbers of individuals can provide direct funding for a business or project which is administered by a website such as www.crowdfunder.co.uk • Posh Pasties Ltd can raise capital from potentially a very large pool of investors making it more likely that they can purchase baking equipment. • The investors may require a lower level of reward than a bank or venture capitalist allowing James and Holly to maximise their returns. • James and Holly can avoid using a bank as its main source of finance, which may have viewed their start-up business as too risky. <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> • The amount of money raised may not be large enough to fund the project e.g. new baking ovens. • Posh Pasties Ltd will need to satisfy the expectations of potentially lots of crowd funders who may still want a return. This could reduce the returns for James and Holly. • Crowd funders may be wary to provide finance due to lack of regulation in the crowd funding industry which could result in Posh Pasties Ltd not being able to afford baking equipment/delivery vans. <p><i>Possible judgement:</i></p> <ul style="list-style-type: none"> • Since Posh Pasties Ltd is a start-up business and as James is a TV chef it is likely that crowd funding would generate enough interest in the business due to his high profile. This may then allow Posh Pasties Ltd to access more/cheaper capital compared to a bank loan. • Since Posh Pasties Ltd is a private limited company and James has a high-profile crowd funding may not be important because other sources of finance will be available e.g. selling shares. 	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Output per person/machine (1) per hour/time period (1). <p>NB: If candidates mix up production with productivity award zero marks.</p>	(2)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • A system where the product is checked/tested (1) at each stage of the production process (1). <p>NB: If candidates mix up quality assurance with quality control award zero marks.</p>	(2)

Question Number	Answer	Mark
2(c)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions. QS2: calculate, use and understand percentages and percentage changes.</p> <p>Knowledge: 1 mark for identifying the formula for gross profit margin or gross profit.</p> <ul style="list-style-type: none"> • $\text{Gross profit/sales revenue} \times 100$ • $\text{Gross profit} = \text{sales revenue} - \text{cost of sales}$ • $\text{Gross profit} = \text{operating profit} + \text{other operating expenses}$ <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Calculate gross profit = $\pounds 2\,523.2\text{m} - \pounds 757.7\text{m}$ = $\pounds 1\,765.5\text{m}$ <li style="padding-left: 20px;">or • Calculate gross profit = $\pounds 440.3\text{m} + \pounds 1\,325.2\text{m}$ = $\pounds 1\,765.5\text{m}$ • Calculate gross profit margin = $\pounds 1\,765.5\text{m} / \pounds 2\,523.2\text{m} \times 100$ = 69.97% <p>NB: if the answer given has been rounded e.g. '70%' 'or 69.9%' award 3 marks.</p>	(4)

Question Number	Answer	Mark
2(d)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for knowing what is meant by waste minimisation, e.g.</p> <ul style="list-style-type: none"> • Producing goods and services at a given quality using as few resources as possible/identification of an impact of waste minimisation. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • Could lead to greater levels of efficiency in the production of trench coats. • Could lead to less fabric/textiles needing to be ordered. • Could lead to less faulty trench coats. <p>Analysis: 1 mark for explaining why the above would affect Burberry plc, e.g.</p> <ul style="list-style-type: none"> • This could lead to falling average costs leading to higher profit margins. • This could provide a competitive advantage when the next season's clothing range is released. 	(4)

Question Number	Indicative content		Mark
2(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Stock can take the form of raw materials, work in progress and finished products. • Reduction in storage costs for fabric and trench coats which will reduce total fixed costs. • Reduction in opportunity costs since capital tied up in clothes can be reduced. • The clothing industry is dynamic so there is less chance of being left with last season's clothes which can quickly go out of fashion. <p><i>Potential counterbalance:</i></p> <ul style="list-style-type: none"> • If Burberry plc releases a range of clothes which are popular they may not be able to keep up with demand which may damage its brand image. • If there is a problem in the supply chain and deliveries of fabric are delayed, Burberry plc will not be able to manufacture trench coats. • More orders of fabric will have to be placed which will reduce the benefits of bulk buying. 		(8)
Level	Mark	Descriptor	
	0	A completely inaccurate response.	
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.	
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.	
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.	

Question Number	Indicative content	Mark
2(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Inflation is the general increase in the level of prices in an economy in a year. • Inflation could increase the costs of buying-in fabric and materials. • Inflation could reduce the purchasing power of consumers, resulting in falling trench coat sales. • Inflation could increase uncertainty and make Burberry plc reconsider its investment in its new factory in Leeds. <p><i>Potential counterbalance:</i></p> <ul style="list-style-type: none"> • The increase in inflation is so small that it will have limited effects on the cost of fabric. • Burberry plc could probably pass on any increase in costs to its consumers by increasing its prices since they sell luxury clothes. • The increase in inflation is so small that it would not affect the decision to open a new factory. <p><i>Potential judgement:</i></p> <ul style="list-style-type: none"> • Inflation is unlikely to affect Burberry plc since it targets wealthy consumers with its clothes. Therefore, even if prices are increased it is unlikely that sales will fall significantly. • The rise in inflation is so small that the impact on Burberry plc's sales will be insignificant. 	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
3.	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Lean Production Methods:</p> <ul style="list-style-type: none"> • By using fewer resources to produce the cars, McClaren Ltd can maximise the profit on each car sold and generate more profit per car. This profit can be retained into the company to fund new engine design etc. which will allow it to gain a competitive advantage. • Lean production will result in fewer defective sports cars, allowing the reliability and the performance of the cars to exceed consumer expectations. This could enhance McClaren Ltd’s brand image at the expense of its rivals. • Market orientation can be expensive to carry out and it will be difficult to find out enough information about sports car consumers to satisfy every potential consumer’s needs and wants. <p>Market Orientation:</p> <ul style="list-style-type: none"> • The business focuses on the needs and wants of the customers to become more competitive. • Market orientation will enhance the brand name of McClaren Ltd since they are giving sports car consumers precisely what they want. This means demand for the cars may become price inelastic. Therefore McClaren Ltd can charge a premium for its cars allowing them to maximise their profit margin. • Market orientation will allow McClaren Ltd to meet customer needs more effectively than other luxury car brands, such as Ferrari. This will allow them to grow its market share at the expense of their rivals, leading to higher revenues. • Lean production may be difficult to achieve and using fewer resources to produce the sports cars could have a negative impact on quality. Wealthy consumers could end up switching to a different brand of luxury sports car e.g. Porsche. <p><i>Potential recommendation:</i></p> <ul style="list-style-type: none"> • McClaren Ltd should focus on market orientation, since in the luxury car market the consumer will demand the highest level of quality and expect the car to meet their every need. Therefore, if market orientation is not maintained, competitive advantage could significantly decrease. • McClaren Ltd should focus on lean production because minimising the average cost of producing its cars will allow the profit margin to be increased. Since the volume of sales of £1m cars is low (niche market) it is critical to McClaren Ltd’s 	(20)

	competitive advantage that the profit margin is maximised.	
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

