



Examiners' Report

June 2017

IAL Business Studies 1 WBS01 01

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June 2017

Publications Code WBS01_01_1706_ER

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Introduction

Section A

All questions in Section A are the Supported Multi Choice Questions (SMCQ).

The vast majority of students were able to identify the correct answer most of the time in part (a).

A significant number of marks for SMCQs can be gained for explaining why other distracters are wrong. However, these responses need to be fully applied explanations and not just a definition.

A number of students did not go on to develop **why** their answer was correct in part (b). This means they are unable to access further marks for fully explaining their correct choice of answer. Too many students repeated the words from the question or stem in their answers, which cannot be rewarded as application.

In many cases, often the distracters were correctly dismissed and the definitions correct. However, the development and/or the application were where the candidates lost marks too often.

For example, students often just state 'X is wrong' and then give a definition which gains no marks. This response needs to be applied in relation to the business or issue in the stem or question. For example, X is wrong because - then explain how or why it does not apply.

In terms of applying the person, business, concept or issue in the question, it is not enough to just mention the name of the business, or quote from the question stem. The student must do something with the information to ensure it is fully applied in some way.

Section B

There was a significant improvement in the way students were attempting evaluation level responses in the essay type question. This resulted in students being able to access the available higher levels marks.

However, students still need to be aware that in terms of applying the person, business, concept or issue in the question, it is not enough to just mention the name of the business, or quote from the question stem. Students really must do something with the information to ensure it is fully applied in some way.

One way of identifying whether an answer is truly applied is to use the 'Cadbury Rule'. If you can substitute the name of the business in the response with 'Cadbury' and it makes no difference to the answer – it is generic and not truly applied.

However, if using 'Cadbury' prevents the answer from making any sense, because it can only be related to the business in the stem or question, it is likely to be fully applied.

When students fail to truly apply their answer, it limits the number of marks they can access.

A well analysed or evaluated response will be limited to the previous level if there is no application. In reality, this means a well analysed response that is not applied to the context in the stem or question will only be able to be rewarded with a maximum of 4 marks.

That said, it was heartening to see a greater number of students attempting to give context to both sides (analysis and evaluation) which helped achieve some high scoring papers in this series.

Question 1

Q1 part (a) was correctly answered in almost every case. (Answer D a risk taker)

In part (b), there was a tendency to define an entrepreneur, often followed by a list of entrepreneurial characteristics. The question required either an overall definition of entrepreneurial characteristics or a risk taker.

Too often candidates tried to define entrepreneurial characteristics by listing particular and often accurate traits. However, the question was seeking to understand how these characteristics are important in achieving success as an entrepreneur.

Candidates struggled to apply this knowledge and to analyse the risk being taken. The argument that there is a risk because there are many competitors was developed insufficiently and therefore little more than a lift from the stem of the question.

Many candidates offered valid arguments as to why the distracters were incorrect, however the problem of linking this back to the question so that the response is not simply a definition of the distracter remains challenging for a number of candidates.

In defining risk, a significant number of students did not identify what was meant by risk or state risk of loss or failure.

A: Computer Literate was rarely attempted. When it was attempted, responses tended to be simple statements that it was not an entrepreneurial characteristic. Some good responses noted that Gautam Lulla had to be computer literate because he set up an online platform.

B: Social Entrepreneur was not well understood. Responses ranged from use of social media, a social life and 'doesn't know everyone so cannot be a social entrepreneur'.

C: Profit Maximiser was the most popular choice to dismiss. A significant number tried to dismiss this by explaining it was operating in a market with lots of competitors but did not discuss how this would impact on profit maximisation (i.e. price competition). A small number discussed it in terms of it being a new business so not profitable.

This shows a good example of this question being answered quite well and able to access available marks.

1 Gautam Lulla started his business, *Travel Tripper*, which allows customers to book hotel rooms online. He knew many competitors already existed.

(a) Which **one** of the following entrepreneurial characteristics **best** describes Gautam Lulla?

(1)

- A Computer literate
- B Social entrepreneur
- C Profit maximiser
- D Risk taker

Answer



(b) Explain why this answer is correct.

(3)

entrepreneurial characteristics are the traits ~~to~~ a person who starts a business requires to have in order to be successful

(D) is the correct answer because even though Gautam knows there are many competitors in the ~~hotel~~ hotel booking market he still is taking the risk of starting up his business believing he will be successful

(C) is incorrect because he isn't just trying to maximise profit he's trying to compete with the other competitors in order to gain market share this may involve placing his prices lower than the competitors



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Examiner Comments

Part (a) correct Risk Taker (1 mark)

Knowledge: an easy mark with a good definition of an entrepreneur (1 mark).

Mark given for Application in why D is correct 'because [despite the risk] he is still going up against competitors in the online booking market' (1 mark).

The final mark was given for the dismissal of distractor C, this was well developed in terms of how actions against competitors may involve lower prices and lower profits (1 mark).

Total rewarded for this Q1 example: 4 marks



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Examiner Tip

Always attempt to dismiss the distractors if possible. It can open opportunities to pick up marks if any points are missed when explaining why part (a) is correct.

This shows an example where part (a) is correct but there are not marks accessed for part (b) because the answers were not fully developed enough.

1 Gautam Lulla started his business, *Travel Tripper*, which allows customers to book hotel rooms online. He knew many competitors already existed.

(a) Which **one** of the following entrepreneurial characteristics **best** describes Gautam Lulla?

(1)

- A Computer literate
- B Social entrepreneur
- C Profit maximiser
- D Risk taker

Answer

D

(b) Explain why this answer is correct.

(3)

D is correct because it allows customers to book hotel rooms online. He knew many competitors already existed. It is a risk taker.
~~risk taker~~

A is incorrect because computer literate is not entrepreneurial ~~charact~~ characteristics.

entrepreneurial characteristics for example self confidence, resilience, risk taker etc.



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Examiner Comments

Part (a) correct Risk Taker (1 mark)

Part (b)

No definition of an entrepreneur (0 marks)

Attempt at application is just a repeat of the stem and cannot be rewarded with any marks (0 marks)

Statement 'is a risk taker' is not developed to explain what that means in terms of Gautam Lulla's actions (0 marks)

Dismissal of distractor A states that computer literate is not an entrepreneurial characteristic. This is not developed in any way, needs to explain why this is relevant to the question (0 marks)

Total rewarded for this example: 1 mark



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Examiner Tip

Start with a definition. It may help clarify your thoughts and structure your answer

Question 2

Q2 part (a) appeared to be answered correctly in a high number of cases. (Answer B secondary research)

In part (b) full marks were commonly achieved. Students clearly understood the difference between secondary and primary research.

In terms of the distractors some students still defined them without stating why they were incorrect.

A clear example of this question being well answered to access all available marks.

2 The UK Office for National Statistics publishes a report showing the amount of building materials used each year.

(a) For a building company, this report is **best** described as a source of

(1)

- A primary research data
- B secondary research data
- C demographic data
- D qualitative data

Answer

B

(b) Explain why this answer is correct.

(3)

Secondary research is second hand information which already exists. Since the building company relied the UK office for statistics reports and didn't conduct the research themselves it would be a source of secondary research. Not A because primary research is the collection of first hand information which would be gathered by the own business and not rely on another. Not D because qualitative data is mostly words information that is in detail where as statistics are to do with numerical data which would be quantitative.



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Examiner Comments

Part (a) correct Secondary Research (1 mark)

Knowledge: a good definition of secondary research (1 mark).

Application: Building company relied on UK Office for National Statistics and didn't conduct the research themselves (1 mark).

No analysis for third mark of why part (a) is correct.

Dismissal of distractor A because primary research is collected first hand which is the vital part of the statement (1 mark).

Dismissal of distractor D was particularly well explained, giving detail and development of qualitative data and statistics are numerical which is quantitative (1 mark).

Total rewarded for this example: 4 marks



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Examiner Tip

When answering questions about the difference between primary and secondary research, the fact that one is collected first hand and the other is from sources collected for other purposes is key.

This is an example of a weaker answer for why it is secondary research.

2 The UK Office for National Statistics publishes a report showing the amount of building materials used each year.

(a) For a building company, this report is **best** described as a source of

(1)

- A primary research data
- B secondary research data
- C demographic data
- D qualitative data

Answer

B

(b) Explain why this answer is correct.

(3)

B is right because secondary research data comes from statistics reports.

A is wrong because primary research comes from looking at the competitors (for example)

C is wrong because it comes from graphs.



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Examiner Comments

Part (a) correct – Secondary Research (1 mark)
Knowledge: Why B is correct should have been an easy mark with a definition of secondary research but this is not the reason why it is secondary research. Not developed enough (0 marks)

Dismissal of distractor A is not developed into a correct example of primary research (0 marks)

Dismissal of distractor C is incorrect and not developed (0 marks)

Total rewarded for this example: 1 mark



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Examiner Tip

Lack of development of why distractors are incorrect loses potential marks

Question 3

Q3 part (a) generally scored the correct answer (Answer D raw materials)

On the whole, this question was well answered by the majority of students in terms of describing variable costs. There was very little application to the café or ice cream production but where it was present it was usually well considered (including impact of seasons).

In answering why the distractors were incorrect, the dismissal of B (rent) was the most popular choice with a significant number of students identifying that it had to be paid monthly regardless of output or whether the café was open or not.

Distractor A (manager's salary) was regularly dismissed as a fixed cost paid monthly.

Very few students selected C (insurance). This distractor tended to be included when all three distractors were rolled into a single statement and dismissed as all fixed costs that did not depend on how much ice cream was produced/level of output – even with all three distractors dismissed in the statement, this could only achieve one mark.

A good example of variable costs as a correct answer.

3 A Month of Sundaes is a café in Yorkshire that manufactures its own traditional ice cream. It has a number of fixed and variable costs.

(a) Which **one** of the following is a variable cost for the café?

(1)

- A Manager's salary
- B Café rent
- C Insurance
- D Raw materials

Answer

D

(b) Explain why this answer is correct.

(3)

Variable costs are costs that increase as output ~~decreases~~ increases.

In this case the more ice cream or coffee is produced, the more raw materials are needed the more ~~of~~ the cost for the materials will increase.

B is wrong because ~~that is~~ ~~as~~ ~~rent~~ is assumed to be a fixed cost meaning it does not change with output; no matter whether the ~~ice~~ café produces lots of ice cream or none - rent will stay the same.



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Examiner Comments

Part (a) correct Raw Materials (1 mark).

Clear definition of variable costs for knowledge mark (1 mark).

Application of raw materials for ice cream or coffee dependent on the amount produced (1 mark).

Dismissal of Distractor B: rent as a fixed costs because it does not change no matter how much ice cream is produced (1 mark).

Total rewarded for this example: 4 marks

A disappointing example of part (b) after getting part (a) correct.

3 A Month of Sundaes is a café in Yorkshire that manufactures its own traditional ice cream. It has a number of fixed and variable costs.

(a) Which **one** of the following is a variable cost for the café?

(1)

- A Manager's salary
- B Café rent
- C Insurance
- D Raw materials

Answer

D

(b) Explain why this answer is correct.

(3)

Variable cost : can change cost.

D is correct because the Raw materials very easy change, can
since the raw materials quantity, price, style..

B is incorrect because the cafe rent should fixed..



ResultsPlus Examiner Comments

Part (a) correct – Raw Materials (1 mark)

Definition of variable costs not developed to show clear understanding of what this means (can change what cost?) (0 marks)

Statement 'because raw materials very easy change' but not how or why (0 marks)

Dismissal of distractor B is not developed into how/why cafe rent is a fixed cost (0 marks)

Total rewarded for this example: 1 mark



ResultsPlus Examiner Tip

When making statements try to include how and/or why your statement is right or wrong to help develop your answer.

Question 4

Q4 part (a) was generally correctly answered (Answer C for expansion)

A small minority of students gave a definition of profit. The definition of a sole trader was not accepted because the question is specifically about the use of profit and is also part of the answer when dismissing distractor A.

Distractor A was a popular answer with the vast majority of students understanding that as a sole trader, Jenny could share profits with shareholders.

Distractor B (utility bills) was the most misunderstood with many students believing these were paid out of profits.

Distractor D (staff wages) was dismissed by a large number of students stating that as a sole trader, Jenny would not have any staff because she worked alone. This was not rewarded with any marks as it cannot hold true. Sole traders can employ other people.

This is quite a good example of what a sole trader is most likely to use profits for. Also shows how a distractor can be dismissed with application to the business in the question

4 *Paws for Thought*, a profitable dog-grooming business, is owned by Jenny, a sole trader.

(a) Jenny is **most** likely to use her profit to pay

(1)

- A shareholders ✓
- B utility bills
- C for expansion ✓
- D staff wages

Answer

C

(b) Explain why this answer is correct.

(3)

Profit is sales revenue minus total cost.

C is correct because for ~~sole~~ sole traders like Jenny, the profit remained is usually kept to ~~hers~~ herself or for reinvestment purposes. Therefore, the remaining profit will most ~~for~~ probably used for expanding her business.

A is wrong because Jenny is a sole trader which means that she runs the business on ~~the~~ her own. Therefore there is no shareholders to share the profit with.



ResultsPlus Examiner Comments

Part (a) correct for expansion (1 mark).

Good definition of profit - to the point (1 mark).

Analysis: profit kept for reinvestment/expansion (would also accept survival/to make more profit) (1 mark).

Correct dismissal of distractor A because Jenny is a sole trader, therefore no shareholders (allowed this mark because of the link with Jenny as sole trader). A stronger response would include a development that only private or public limited companies will have shareholders.

Total rewarded for this example: 4 marks

An example of getting part (a) wrong but student can still access marks for dismissing the distractors.

4 *Paws for Thought*, a profitable dog-grooming business, is owned by Jenny, a sole trader.

(a) Jenny is **most** likely to use her profit to pay

(1)

- A shareholders
- B utility bills
- C for expansion
- D staff wages

Answer

B

(b) Explain why this answer is correct.

(3)

Sole trader is the person who start a business by their own. And the sole trader is self-employed. B is correct, because Jenny is a sole trader, and that means she ~~is~~ will pay all the bills by her own. Because she has unlimited liability.

A is incorrect, because shareholder is for limited company, but Jenny ^{is} just a sole trader. So she doesn't need to pay shareholder.

D is incorrect, because Jenny is a sole trader, that means she has no staff, so she doesn't to pay staff wages.



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Examiner Comments

Part (a) incorrect, answered B 'utility bills' instead of C 'for expansion' (0 marks)

Cannot gain marks for why part (a) is correct if they did not get this part of the answer right (0 marks)

Explanation that a sole trader pays all the bills herself because she has unlimited liability is incorrect in both terms of unlimited liability is not why she pays the bills or that it comes from profits. Bills are part of a businesses total costs which are paid from sales revenues (0 marks)

Dismissal of distractor A is correct in recognising that as a sole trader, Jenny does not have any shareholders (1 mark)

Dismissal of distractor D is incorrect, even a sole trader can employ staff but these are also a cost to the business paid weekly or monthly before profit is calculated

Total rewarded for this example: 1 mark

Question 5

Some students correctly answered part (a), debentures. However, a significant number of students answered incorrectly. The majority of incorrect answers gave distractor C, venture capitalists. A surprising number gave answer B, trade credit.

Most students struggled to accurately identify debentures as the correct response and then many more failed to offer a correct definition. The most common response was that venture capital would be the most appropriate investment and when this was developed, no marks were achieved. The understanding of debentures overall was clearly very vague and so this was an opportunity for the strongest students to show the depth of their understanding and gain valuable marks.

Students who did answer correctly with debentures, were able to explain it was long term finance for large amounts of money. A few went on to develop their answer by stating that as an MNC this was a suitable source of finance for Tata Power.

Of the incorrect answers, a large number of students didn't think debentures were suitable for a company like Tata Power because they could not tell if it was a plc or ltd company, yet the stem clearly stated it was a multi-national corporation. Students need to understand that plc's are incorporated by shares and the level of finance required for such large organisations would usually be raised by selling shares publicly via the stock markets, or debentures.

In dismissing the distractors, the majority of students merely explained what they were rather than why they were incorrect. This meant the students giving an incorrect answer to part (a) were not able to access the two potential marks available on part (b).

A good example of this challenging question about debentures – answered well and accessed all available marks.

5 A private investor is willing to lend £1.2m to *Tata Power*, a large multinational corporation.

(a) What is the **most** appropriate financial arrangement for the investor?

(1)

- A Debenture
- B Trade credit
- C Venture capital
- D Leasing agreement

Answer

A

(b) Explain why this answer is correct.

(3)

Debenture is a long-term loan with fixed rate of interest & repayment date, which is usually use for large capital projects. Tata Power is a large multinational corporation so they are able to issue ~~debentures~~ £1.2m debenture since it ~~only be~~ can only be issued by large public limited companies.

C is wrong because venture capital is usually for small businesses / startups with high element of risk.



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Part (a) correct – Debenture (1 mark)
Correctly identifies the main elements of debenture (1 mark).

Application mark for knowing that Tata Power were able to issue £1.2 million debentures and know as a multinational they were able to do this (1 mark).

Correctly dismissed venture capitalists because they support start-ups and risky businesses.

Total rewarded for this example: 4 marks

An example of the most common incorrect answer and a demonstration why the student could not access any of the marks.

5 A private investor is willing to lend £1.2m to *Tata Power*, a large multinational corporation.

(a) What is the **most** appropriate financial arrangement for the investor?

(1)

- A Debenture
- B Trade credit
- C Venture capital
- D Leasing agreement

Answer

C ~~A~~ ~~B~~ ~~D~~

(b) Explain why this answer is correct.

(3)

Financial ~~is~~ resource can be internal or external.
Venture capital is a long-term finance which is suitable for a private ~~limited~~ limited company.
The question says that a private investor is willing to lend £1.2m to *Tata Power*.

So, it needs a long-term finance which is suitable for a private sector.

So, 'C' is correct.

Trade credit is a ~~is~~ medium-term finance ~~which~~ which is suitable for a buying mechanism so, 'B' is incorrect.



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Examiner Comments

Part (a) incorrect – Venture Capitalist (0 marks)

Explanation of why part (a) is correct cannot access any marks as the student did not answer this part of the question correctly. Venture capitalists usually invest money into a business in return for some equity rather than just lend £1.2million (0 marks)

The dismissal of distractor B is incorrect as trade credit would not be used for the purchase of (capital) machinery but because it is a short term for the purchase of stock or raw materials and this is not what the investor is offering.

Total rewarded for this example: 0 marks

Question 6

The majority of students answered part (a) correctly with A – increase in cost of supplies.

In answering part (b), most students were able to define inflation correctly and identify the impact it would have on the cost of supplies for *Tyneside Safety Glass*.

There was a lot of misunderstanding about how inflation decreases uncertainty or reduces business confidence, therefore neither of these distractors were very well dismissed.

Distractor B tended to be well dismissed with some very clear explanations of how inflation causes falls in export orders.

A good example of this question about the effects of UK inflation – answered well and able to access all available marks.

6 The UK inflation rate increased in the three months up to February 2016.

(a) Which **one** of the following is **most likely** to be the effect on *Tyneside Safety Glass*, a UK manufacturing business?

(1)

- A Increase in costs of supplies ✓
- B Increase in export orders ✗
- C Increase in investment
- D Increase in business confidence

Answer

A

(b) Explain why this answer is correct.

(3)

Inflation is the persistent rise in the general price level in an economy.

Answer A is correct as, due to the increase in the inflation rate, the prices of raw materials required to produce glass would have increased, thus leading to an increase in the cost of supplies for 'Tyneside Safety Glass'.

Answer B is incorrect as a rise in inflation will cause the goods produced by 'Tyneside Safety Glass' to reduce in terms of international

'Safety Glass' to reduce in terms of international competitiveness, and so will actually cause a reduction in export orders.



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Examiner Comments

Part (a) correct - 'increase in cost of supplies' (1 mark).
Definition of inflation includes all key points - general price level/in an economy/persistent (indicates ongoing for a time period) (1 mark).

Application: developed in terms of rising costs of raw materials (glass) used by Tyneside Safety Glass (1 mark).

Dismisses distractor B in terms of how/why the rise in inflation would reduce export orders for Tyneside Safety Glass and competitiveness (1 mark).

Total rewarded for this example: 4 marks

A weaker answer to the question of rising UK inflation, explaining where marks were not accessed.

6 The UK inflation rate increased in the three months up to February 2016.

(a) Which **one** of the following is **most** likely to be the effect on *Tyneside Safety Glass*, a UK manufacturing business?

(1)

- A Increase in costs of supplies
- B Increase in export orders
- C Increase in investment
- D Increase in business confidence

Answer :

A

Inf. ↑

(b) Explain why this answer is correct.

(3)

With the inflation, prices rise, therefore the cost of supplies rises for a company such as Tyneside Safety Glass.

It's not D since the confidence will decrease, people would ~~not~~ put less confidence in other companies.

It's not answer C since everything will be sold at a higher price. So the company is likely to see a decrease in the investment.



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Examiner Comments

Part (a) correct – 'increase in cost of supplies' (1 mark)

Does not explain why costs of supplies rise. The first statement is actually the answer to part (a) in writing and this cannot be rewarded twice. (0 marks)

Dismissal of distractor D does not explain how/why confidence will decrease (0 marks)

Dismissal of distractor C also needs to say how/why a company will see a decrease in investments

(0 marks)

Total rewarded for this example: 1 mark

Question 7

The majority of students were able to identify limited liability as a benefit of becoming a private limited company. Some responses were well developed in explaining that this meant shareholders could only lose the value they invested in the company and they could not lose personal assets.

Application to the case study was weak. Only a few students related their answers to the benefits for Arthur Kay. Some did attempt this by stating Arthur Kay would not lose his personal assets. However, this is not enough for application as any name could be substituted for Arthur Kay and it would make no difference to the answer given (the Cadbury Rule).

Very few students attempted analysis which meant access to all available marks was limited. Those that attempted analysis related it to Arthur Kay's plans for the future.

There were some good answers about non-disclosure of financial records as a key benefit.

This question asks for two benefits to Arthur Kay of being a private limited company. Students need to clearly identify each benefit and explain each one through application and analysis, as demonstrated in this full mark example.

There are two marks available for knowledge, 2 marks for application and 2 marks for analysis.

7 Explain **two** benefits to Arthur Kay of *bio-bean ltd* being a private limited company.

A private limited company is a form of business organisation which is owned by shareholders and has limited liability and ~~the~~ shares are not available on the stock market.

Firstly, Arthur Kay has limited liability, which means that he will not ~~lose~~ lose more money than the amount of ^{money} ~~money~~ that he invested as well as other investors that injected money in it like Shell oil, as they invested 40 000 pounds. Therefore, as he has limited liability, it is less risky to invest in the business so he has attracted ~~many~~ many investors, which ~~make~~ encourages ~~business~~ business confidence. Secondly, ~~the~~ shares are not available on the stock market, so as he is a social entrepreneur and he is concerned about the environment, he will not ~~lose~~ lose control to outsiders, which could not be socially concerned and change ~~the~~ his business.

ethics. Therefore, he will maintain the control of his business as long as he remains as a private limited company.



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Examiner Comments

Knowledge marks can be given for a full definition of a private limited company, or for identifying two benefits.

Knowledge: This example gives an acceptable definition of a private limited company but also identifies two benefits (limited liability and cannot lose control of the business). However, as there are only two knowledge marks available, even combined, this part of the response only achieves 2 marks.

Application: other investors like Shell oil have invested £400K/he is a social entrepreneur concerned about the environment (2 marks).

Analysis: attracted more investors which encourages business confidence/shares not available on the stock market so won't lose control to outsider not socially concerned (2 marks).

This example achieved the full 6 marks available.



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Examiner Tip

Try to follow the process of knowledge, application and analysis for each item to ensure you access all of the available marks.

A weaker example which on first read appears to be well considered until the mark scheme is applied.

7 Explain **two** benefits to Arthur Kay of *bio-bean ltd* being a private limited company.

Private limited company is a small to medium sized business that is ~~run~~ run by a family or a group of individuals who own ~~to~~ it.

One benefit of being an ltd is to have a limited liability. This will benefit the business ~~to~~ and owners to not worry about failing the business. Because if the business

lost, the owners will only lose what they have invested. As a result of this, it will help gaining business confidence and to produce more.

Another benefit of being an ltd. is to have decision ~~made~~ made amongst each other. This will allow the business to be more successful and more profitable. As a result, business will expand and customers will be willing to purchase.



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Examiner Comments

Definition is not relevant nor strictly correct as it could apply to other business structures such as a partnership. (0 marks)

Benefit of limited liability (1 mark) is explained and developed in terms of 'meaning owners will only lose what they have invested' (1 mark)

Application: no mention of Arthur Kay or *bio-bean ltd* throughout the response (0 marks)

Analysis: a number of assertions that do not develop into what these are and how/why they are relevant to the question (0 marks)

Total for this example 2 marks

Question 8 (a)

The majority of students gave a full definition of demand and identified two non-price factors of demand. This question was generally well answered with good application to the case study.

Some students did not answer the question asked, which was about non-price factors that could *increase* demand for bio-bean's services. Incorrect responses included government influences such as taxation *decreasing* demand; technological changes through Arthur's new invention would increase supply.

In this example we are looking for two non-price factors of demand relevant to the services provided by *bio-bean Ltd*.

Again, there are two marks for knowledge, two for application and two for analysis.

preferred
seasonality

8 (a) Explain **two** non-price factors that could increase the demand for bio-bean Ltd's services.

(6)

Demand is how much of a given product, customers are willing and able to buy at a given price.

Firstly, external factors such as the state of the economy could increase demand for Bio-bean's services. If there is a boom and the economy is thriving it is likely that everyone will be able to afford more, including the transport and heating industries that Bio-bean sell to, meaning they will purchase more biodiesel and biomass pellets from them.

Additionally, seasonality could also affect demand for Bio-bean's services. Since Bio-bean sell to transport and heating industries it is likely that demand for Bio-diesel will be higher in the winter when more people require heating, alternatively in the summer demand may decrease as people will not need as much ~~fuel~~ or any heating at all.



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Examiner Comments

Knowledge marks can be accessed for either a definition of demand or identifying two non-price factors of demand to a maximum of 2 marks.

In this example we have a partial definition of demand (1 mark).

Goes on to identify 'state of the economy' which alludes to 'income' which is a non-price factor of demand (1 mark).

Student also identified 'seasonality' which is correct as a non-price factor of demand but all knowledge marks have been allocated so no further marks at that point.

Application: will purchase bio diesel and bio mass fuel pellets (1 mark)/ will be more in winter and less in summer (1 mark).

Analysis: which will affect the demand for *bio-beans's* services (1 mark).

Total for this example: 5 marks

A weak example of non-price factors of demand.

- 8 (a) Explain **two** non-price factors that could increase the demand for *bio-bean ltd's* services.

(6)

Demand: Demand is the amount of products that consumer willing and able to buy at the given price.

Arthur kay and his team had to clearly express this to the judges of the pitch and convince them that our idea has the potential to make a really difference. Both ~~two~~ to London's green economy and on a more global environmental scale.

They have proposed a business solution that addresses the huge amount of waste produced and carbon emissions from fuel.



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Examiner Comments

Knowledge: Partial definition of demand (1 mark)

The lines that follow the definition are all lifted directly from the case study with no attempt made to analyse them in terms of the question set. This was a common occurrence in this particular series.

Question 8 (b)

Many student responses included both a definition of patents and two reasons for obtaining them, but only 2 knowledge marks were available. The questions required students to demonstrate knowledge and understanding of patents as a legal document that guarantees the exclusive rights to use or licence inventions or innovations.

There were several misunderstandings. For example, there were descriptions of the Data Protection Act and intellectual property rights. Some students stated patents were required to protect musical scores, original stories and artwork.

There were a small number of instances where students gave the advantages and disadvantages of obtaining patents. The question asked for two reasons why bio-bean Ltd would want to obtain patents. This meant students wasted time and effort in not answering the question asked.

This example is a weaker answer because the candidate gives the same reason twice instead of developing two different reasons.

(b) Explain **two** reasons why *bio-bean Ltd* would want to obtain patents.

(6)

Patent is the business use to protect their business invention.

The b-b company want to obtain patents because EU and US are two biggest market for renewable energy and have the highest per capita consumption of coffee in the world.

And if b-b company have patent for their ideas, that means other ~~to~~ competitors can't use the same ideas for their company. If other competitors want to use, the competitor's company will pay some profit to b-b company, and then b-b company can get ^{more} profit.

And another is the b-b company can protect their business idea, let other competitor can't use it to make more profit. And then b-b company can use this idea to make more profit.



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Examiner Comments

Knowledge: definition is incomplete. It is not the business use that is key but the fact it is a legal document that offers the protection for a business invention (0 marks).

Application: EU and US are two biggest markets for renewable energy and coffee consumption (1 mark).

Knowledge: reason – means other competitors can't use the same idea (1 mark).

Analysis: consequence - if other companies want to use it, will have to give some profit to bio-bean (1 mark given). This makes an interesting point. Bio-bean could licence their patented equipment which is what is implied in the response and deserved to be rewarded with a mark.

The last paragraph just repeats the points already made and cannot be rewarded twice for the same information.

Total for this question: 3 marks

This is a good example of two reasons why bio-bean would want to obtain patents to achieve full marks.

(b) Explain **two** reasons why *bio-bean ltd* would want to obtain patents.

(6)

Patents are a legal protection for a product that discourages competitors to produce a same good, it will last for 20 years.

It's seen in the passage 'We have obtained EU and US patents because they are the two biggest markets for renewable energy and have the highest per capita consumption of coffee in the world.' First, bio-bean ltd would want to obtain patents to protect their goods and services so that their competitors can't copy them. If their competitor produces the same or similar goods and services, bio-bean can sue them for civil offense.

Second, bio-bean Ltd would want to obtain patents to discourage competitors to enter the market. A patent will protect bio-bean Ltd's goods and services, so it will make their product special, thus they will gain a competitive advantage over their competitors. It will create customer loyalty because bio-bean ^{Ltd} is the only firm that recycles coffee waste so consumers will be willing to buy bio-bean Ltd's products.

(Total for Question 8 = 12 marks)

Sue. → civil offense.

Protect their product

Scare off competitors.

Customer loyalty.



ResultsPlus

Examiner Comments

Maximum of 2 knowledge marks available for either a full definition of a patent or identifying two reasons to obtain them.

Knowledge: In this case, there is a partial definition of a patent - legal protection for a product (1 mark)

Application: quotation 'obtained EU and US patents, biggest markets for renewable energy and highest consumption for coffee in the world' (1 mark)

Analysis: consequence, if competitors produce same/similar... can sue them (1 mark)

Knowledge: discourage competitors from entering the market (1 mark)

Application: a patent protects goods and services/makes the product special (1 mark)

Analysis: gives a competitive advantage and creates customer loyalty (1 mark)



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Examiner Tip

When asked for two reasons, ways, factors, etc, try to set out your answer to make a Knowledge/Application/Analysis point for each part of your response

Question 9 (a)

A large proportion of students were able to calculate the correct answer and gain full marks. Some students confused the formula and used gross profit rather than net profit/profit for the year.

A large number of students lost a mark for not correctly calculating the answer to 2 decimal places as asked, but either rounded up or left it at several decimal places. Some lost a mark for not including the % sign to indicate their understanding this was not a monetary amount.

On the whole, this question was well answered.

This is an example of a full mark answer for the calculation of a profit for the year margin.

9 Projected sales and costs figures for *bio-bean ltd's* next annual accounts are as follows:

- Expenses £270 200
- Cost of Goods Sold £140 000
- Revenues £650 000

(a) Calculate, to 2 decimal places, *bio-bean ltd's* projected profit for the year margin.
(Show your working.)

(4)

$$\frac{\text{profit of year}}{\text{Sales revenue}} \times 100$$

$$650,000 - (140,000 + 270,200) = 239800$$

410200

~~608800~~

$$\frac{239800}{650000} = 0.3689 \times 100$$

~~650000~~
650000

36.89% is the projected profit for the year margin



ResultsPlus Examiner Comments

Correct formula given.
 Correct calculation and placement of profit for the year divided by sales revenue and multiplied by 100 to give percentage.
 Answered to two decimal places with % sign to indicate knowledge that it is a margin rather than a whole number.
 Total for this example: 4 marks



ResultsPlus Examiner Tip

Make sure you answer the question in the format required. For example, to two decimal places and as a percentage.

This is an example of where the student has only partially calculated the answer but because they have not placed the figure anywhere in the formula they missed the mark that could have been rewarded for this.

9 Projected sales and costs figures for *bio-bean ltd's* next annual accounts are as follows:

- Expenses £270 200
- Cost of Goods Sold £140 000
- Revenues £650 000

(a) Calculate, to 2 decimal places, *bio-bean ltd's* projected profit for the year margin. (Show your working.)

(4)

Net Profit margin = ~~profit / Revenue~~ × 100%

$$\frac{\text{Revenues} - \text{cost of sales} - \text{expenses}}{\text{Revenues}} \times 100\%$$

$$= \frac{650000 - 140000 - 270200}{650000} \times 100\%$$

$$= 239800$$



ResultsPlus Examiner Comments

Correctly calculated the profit for the year figure (£239,800) but did nothing with it. Therefore 0 marks.
 Had the student placed the figure correctly in the formula, they could have gained 1 mark even if the other figures were incorrect or incorrectly placed
 Total for this example 0 marks



ResultsPlus Examiner Tip

Always try and write out the formula and set the figures out for vital marks

Question 9 (b)

Students generally answered this question quite well, in terms of analysing the impact of *bio bean Ltd's* impact on stakeholders.

This is the first of the level-based answer questions which means students need to show Level 1 knowledge/understanding; Level 2 application; Level 3 analysis; Level 4 evaluative counter arguments.

Whilst the majority understood what was meant by the term stakeholders, a significant number confused the term stakeholder with shareholder. Whilst a shareholder may be a stakeholder in a business, the meanings are not the same at all. Stronger answers were able to demonstrate clear understanding in these differences.

A small number of student were able to evaluate the likely impacts. However, evaluation was not attempted by a significant number of students, meaning they could not access the higher marks available.

This questions asks the student to assess the likely impact of *bio-bean's* trading activities on two stakeholders.

Each stakeholder will be assessed in terms of Knowledge/Application/Analysis/Evaluation for 4 marks each.

(b) Assess the likely impact of *bio-bean Ltd's* trading operations on **two** stakeholders.

(8)

Stakeholders are a group of people or individual who are interested in the activities of a business. The community will be affected by the outcome of the business because if the business is doing well and companies are run in a more sustainable way then the community will be living in better living conditions. There won't be as much pollution to damage the earth and it's giving the world more time to produce new sources. The investors are interested in the activities of the business because collectively they invested a large amount of money and will be hoping to make a return on the company's profits. If the company doesn't become a success then

investors will be upset that they invested into something that could cause them to have to give more money. If they are associated with the business and bio-bean gets a bad reputation it's reflected badly on them and could tarnish their reputation. As there isn't a huge deal of competition with similar ideas investors could make a lot of money if bio-bean owns most of the market and is high in demand.



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Examiner Comments

L1 Knowledge: this example gives a correct definition of stakeholders and identified two stakeholder groups (community and investors). However, there are only two knowledge marks available (2 marks).

Community: L2: Application - not as much pollution to damage earth (1 mark); Analysis - communities living in a sustainable way will have better living conditions (1 mark).

Investors: L2: Application - bio-bean owns most of the market (1 mark); Analysis - hoping to make a return on the company's profits (1 mark).

L4: no evaluation or counter argument such as bio bean's collection vans may give excess fuel emissions and not benefit the environment (0 marks).

Total for this example: 6 marks

This is an example where the student lacks understanding of what is meant by the term stakeholders in the context of the question.

(b) Assess the likely impact of *bio-bean ltd's* trading operations on **two** stakeholders.

(8)

Stakeholders are people who take part in somehow in the business, either in the running/ or in buying for example.

Arthur Kay is the co-founder of energy start-up bio-bean ltd. they both had to convince the judges of The Pitch about their idea and how their potential.

By being two stakeholders, they have the advantage of having ~~the profit~~ more capital, as they can put together more money than one person as well as additional skill, each of them could focus more on their area of expertise to make more efficient their business.

However, they ~~to~~ may have different views on some decisions which have to be made, which create conflict within the business. Also they must share the profit, this may influence them in making some of their decisions ~~to~~ to benefit themselves.



ResultsPlus Examiner Comments

L1 Knowledge: definition is not fully developed but does identify people who take part in the running (implies employees or directors) or in buying (could imply customers or suppliers) (2 marks)

The rest of this response discusses to stakeholders in very general terms. The response would be more suited to a discussion about business partners. For example, 'both had to convince the judges of the Pitch' and 'can put together more money'.

This does not answer the question and no other marks can be allocated
Total for this example 2 marks.

Question 10

A generally well answered question on the importance of profit to Arthur Kay.

Another levels-based answer question which means students need to show Level 1 knowledge/understanding; Level 2 application; Level 3 analysis; Level 4 evaluative counter arguments.

Most students knew what was meant by profit and how it was achieved. There was a lot of excellent analysis about Arthur Kay's attitude towards maximising or satisfying profits with good context. However, a small number of students insisted profit was important to pay wages to keep staff motivated.

Evaluation tended to be less well developed with a significant number of students not able to produce a counter argument on the importance of profit to Arthur. The stronger responses discussed Arthur's commitment to the environment and his ethical motives but not everyone identified this.

A small number of students did not attempt this question and a significant number copied paragraphs from the case study rather than attempt to answer the question.

A good example that explores Arthur Kay's attitude to profit.

10 Assess the likely importance to Arthur Kay of making a profit from running *bio-bean Ltd.*

(12)

Profit is revenue - cost which is a measure of how the business is doing in long term perspective. "Arthur has launched the social enterprise business." This shows us that Arthur is a social entrepreneur which means his main objective is serving the society and he is not as much profit oriented. But, profit, for bio-beans is important because it will help bio-beans continue serving the community for a longer time and this will therefore help Arthur in achieving his objectives which are reduce waste as much as possible. However if Arthur completely ignores profit his business will suffer. Profit is used to run the business in the long term, therefore ensuring

you are not running on a loss which might eventually lead you to close down your business. If Arthur doesn't give much importance to making profit he might end up shutting down his business because he will not be able to cover his costs in the long run.

Another importance of profit is that it is a measure of the success of the business. If bio-beans is making a lot of profit Arthur and his shareholders will realise that his business is doing well which might act as a motivation for him and the people working in his business to be more efficient ~~and~~ which will therefore serve the environment even better making him surpass his objectives.

However since Arthur is a social entrepreneur his main focus shouldn't only be on profit or this might lead him to try minimize the cost completely in order to make the most profit and this might end up affecting the community. Therefore in conclusion, profit is important for survival for bio-beans but it should be ~~the~~ the only thing they focus on, a healthy

(Total for Question 10 = 12 marks)

balance between serving the community and making profit will guarantee optimum success for Arthur and bio-beans in general.



ResultsPlus Examiner Comments

L1 Knowledge: Gives clear and correct definition of profit.

L2 Application: Arthur Kay set up bio-bean ltd as a social enterprise (context).

L3 Analysis: profit is important to run business in the long run; there are shareholders in the business (therefore profit important).

L4 Evaluation: as a social enterprise (context) focus on profit only could effect the community.

Student clearly understands attitudes to profit. Develops several arguments at L3 and L4. Give a clear and coherent answer with a convincing conclusion.

Total for this example 11 marks. Not 12 because the same context was used at L3 and L4 so it is one-sided.



ResultsPlus Examiner Tip

Try to introduce relevant context for both sides of the analysis/ evaluation counter arguments.

This is an example of an answer that is not very well organised. Series of random statements make it difficult to identify the levels of response.

10 Assess the likely importance to Arthur Kay of making a profit from running *bio-bean ltd.*

(12)

With Arthur Kay making a profit from running bio-bean ltd, can provided enough extra finance which he can use to expand the business and invest in other business ideas. When the business is making profit it shows the business is profitable attracting ~~poten~~ the attention of potential investors who can provide extra sources of finance. Profits obtained from the organisation can be used to ~~found~~ develop other ~~as~~ departments within the firm. Profits can also be used to as financial incentives to motivate ~~is~~ employees within the organisation allowing them to increase their productivity level ~~of~~ for the business. Even the owners can receive extra cash from the profits obtained, which they can use to ~~finance~~ develop their personal life.



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Sorting through the random statements we find some discussion on the use of profit to expand the business, provide extra finance, develop other departments, incentivise employees, etc. These are L3 analytical statements, not fully developed and not in context of either Arthur Kay or bio-bean ltd. As a result, this response has to be limited to the top of Level 2 and can only achieve 4 marks.



ResultsPlus Examiner Tip

Try and organise your answer in terms of levels of response from L1 through to L4. Make it easy for the examiner to identify your key points to ensure you access the best available marks.

Question 11

Whilst there were some very good responses from a large number of students, on the whole, this question was not well answered.

The final levels of response question which means students need to show Level 1 knowledge/understanding; Level 2 application; Level 3 analysis; Level 4 evaluative counter arguments.

The question asked about *bio-bean's* contribution to the circular economy. A significant number of students discussed their answer in terms of contribution or advantages to the business itself. Responses included that it gives a competitive advantage, customer loyalty, brand image, none of which are relevant to the question asked.

Some answers were vague. For example, 'it contributes a lot to the circular economy' which is meaningless without the use of context, applied from the case study.

A significant number of students used the 'time consuming and expensive' argument for why a business may not want to contribute to a circular economy. This is becoming very common in evaluative questions. This argument can only be rewarded where it is correct and relevant, which it was not in this question.

A lot of students ran out of time and therefore answers to a number of responses were rushed and unfinished.

That said, there were some very good evaluative responses. A significant number of students clearly understood the circular economy and produced excellent analytical responses. Some of which were developed into evaluative answers that accessed the higher level marks.

This example does not have any L1 knowledge response. It starts with L2 application. This does not affect the final mark as levels of response questions are marked at the level the work is presented at.

The key point in levels of response questions is to ensure application and context is present as this can limit an answer to the previous level if there is no context at all.

11 Evaluate the extent to which *bio-bean ltd* contributes to a circular economy.

(14)

Bio-bean ltd contributes greatly to the circular economy as they reuse the waste ~~product~~ made in production of coffee and turn it into a ~~use~~ usable source of energy which is renewable, organic, ~~and~~ therefore producing less waste when it is consumed. Without the services of the company, the coffee waste would simply pile up, polluting the environment.

However, it can be argued that turning coffee waste into fuel is an energy demanding processes and simply adds on to emissions into atmosphere making bio-bean ltd no better than other companies. Furthermore, only one company provides these services and there is 200,000 tonnes of coffee yearly. It is unlikely that the company uses all the waste produces. ~~consider~~ considering that the company may potent its idea, it may take another 20 years to make actual improvements for the environment and by that time, the damage may be irreversible.



ResultsPlus Examiner Comments

The question asks students to evaluate the extent to which bio-bean ltd contributes to the circular economy.

L2 Application: starts with bio-bean's reuse of waste into reusable energy and moves straight to L3 analysis with a cause/consequence - without bio-bean's services would pollute the environment.

L4: argues the process of turning coffee waste into energy is itself an energy demanding process, adding to emissions. Uses a different context to L3 - only one company provides this service yet 20,000 tonnes of coffee waste produced annually.

Evaluation is given on both sides each with context.

This example is rewarded at Mid L4 11 marks.

Not High L4 because it only develops one or two strands (not several) and no convincing conclusion.

This example shows a number of assertions - statements made that are not developed in the context of the question.

11 Evaluate the extent to which *bio-bean ltd* contributes to a circular economy.

(14)

Circular economy is an attractive and viable alternative that businesses have already started exploring today. A circular economy aims to keep products, components and materials ~~out~~ out of waste. Bio-bean ltd is one of the businesses that uses coffee waste to being used for power to heat the building. Arthur Key has ~~been~~ the most brilliant idea for a renewable business start. This will reduce coffee wastes and develop in the countries environment. People will be more likely to support and purchase from bio-bean to ~~reduce~~ reduce wastes. This helps them to move towards the circular economy.



ResultsPlus Examiner Comments

L1 Knowledge: defines the circular economy (from the evidence)

L2 Application: context of Arthur's idea to re-use coffee waste to heat the building

The statements are assertions that are not fully developed to achieve L3.

This example achieves L2 and given 3 marks

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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