



Mark Scheme (Results)

October 2020

Pearson Edexcel GCE A Level
In Business (9BS0)
Paper 2: Business activities, decisions and
strategy

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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 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for a definition, e.g. a business with limited liability which issues shares that are not available to the general public as a means of raising finance.</p> <p>OR a financial reason, e.g. Limited liability may also encourage potential investors because it protects their personal assets.</p> <p>Application: up to 2 marks for, e.g.:</p> <ul style="list-style-type: none"> • Tended Ltd is a small, young and rapidly expanding business. • it needs funds to develop the 'Tended Protect'. • it operates in the dynamic and competitive 'wearable technology' market. <p>Analysis: 1 mark for, e.g.:</p> <ul style="list-style-type: none"> • it's easier for Tended Ltd to raise finance by selling shares privately to develop and expand the business. 	(4)

Question Number	Answer	Mark
1 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS3: construct and interpret a range of standard graphical forms QS8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>Knowledge: 1 mark for an understanding of net gain expected value – initial cost (this can be implied)</p> <p>Application: up to 3 marks for:</p> <ul style="list-style-type: none"> • Marketing campaign: $(0.6 \times \text{£}3 \text{ million}) = \text{£}1.8 \text{ million}$ $(0.4 \times -\text{£}50,000) = - \text{£}20,000$ • Expected value: $\text{£}1.8 \text{ million} - \text{£}20,000 = \text{£}1.78 \text{ million}$ • Net gain: $\text{£}1.78 \text{ million} - \text{£}360,000 = \text{£}1.42 \text{ million}$ <p>NB: Award 4 marks if candidate only states $\text{£}1.42 \text{ m}/1.42 \text{ million}$ Award only 3 marks if candidate only states $\text{£}1.4 \text{ m}/1.4 \text{ million}$</p>	(4)

Question Number	Indicative content	Mark
1 (c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A business plan details how the business plans to develop over time. It includes elements such as a forecast of cash flow and profit. <p>Value of a business plan:</p> <ul style="list-style-type: none"> • It allows an investor to assess the scale of the risk they are facing. For a start-up such as Tended Ltd this would be quite high. Therefore, a business plan is more likely to result in a successful loan application. • Tended Ltd secured a £50,000 loan from Enterprise Loans. A business plan may have helped secure this loan. • It could reduce risk because it forces the entrepreneur to consider all factors that could cause the business idea to succeed/fail, such as the high level of competition in the wearable technology market. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • The time required to produce a business plan may have a significant opportunity cost, such as product development time. • Leo Scott Smith is a young entrepreneur who may lack the knowledge and experience to produce an accurate business plan, especially as Tended Ltd operates in a dynamic market. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Tended Ltd is rapidly expanding and may need additional finance to support this expansion. A business plan might be essential for attracting future investment. • Tended Ltd is still a relatively small business and might be able to raise finance from family and friends, who may not require a detailed business plan. 	(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 knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with 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 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
1 (d)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Knowledge of problems of rapid growth such as diseconomies of scale, communication and overtrading. <p>Ways in which the problems have been managed:</p> <ul style="list-style-type: none"> • Good leadership may have enabled Tended Ltd to overcome communication difficulties e.g. employees have pulled together as a team. • Overtrading difficulties were eased by obtaining additional finance – Tended Ltd was loaned £50,000 from Enterprise Loans. • Development issues, such as creating new products e.g. new smartwatch were addressed through securing the additional necessary funding from Enterprise Loans. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • In the short-term communication and co-ordination may have still been a problem as a result of the rapid expansion of the workforce from a team of one to 10 employees in eight months. • Despite obtaining additional finance, Tended Ltd may have struggled with overtrading – the business had difficulties raising finance and still faced cash flow issues on a few occasions. • Longer term development issues may not be managed – these may include finding bigger premises and obtaining more suppliers for new products such as smartwatches. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Tended Ltd has survived and overcome the problems of rapid growth, because it is still constantly innovating and staying agile through careful planning and effective management of the increased workload. • Tended Ltd may not overcome all the problems of rapid growth. This is because Leo Scott Smith is young and may lack experience to solve problems such as effectively managing a bigger workforce. 	(12)

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	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	5-8	Accurate knowledge and understanding, supported 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	9-12	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
1 (e)	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p style="text-align: center;">Marks for application and analysis – include up to 4 marks</p> <p>QS8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>For developing a new smartwatch:</p> <ul style="list-style-type: none"> • The Ansoff Matrix would classify this strategy as product development. There may be greater demand for smartwatches as consumers are losing interest in smart phones. Smartwatches are expected to make up 50% of wearable technology sales. • The wearable technology market is predicted to be worth \$34 billion in 2020. Consequently, there may be greater opportunities to increase sales and market share. • Tended Ltd is constantly innovating and taking risks. This may enable it to gain first mover advantage through developing a new improved smartwatch. • It is still a relatively small and agile company, this may enable it to respond quickly to the opportunities arising in the dynamic wearable technology market. • Based upon the decision tree, the smartwatch could generate revenue of £1 million if it is a success. • However, there is an increased risk associated with developing new smartwatches especially as the market is dominated by powerful rivals such as Apple and Samsung. <p>For a marketing campaign:</p> <ul style="list-style-type: none"> • The net gain of the marketing campaign is estimated to be £1.42 million compared to £1.3 million for the smartwatch. • Ansoff would classify this strategy as market penetration. This may be considered a safer option because Tended Ltd is focussing on its existing product and existing market. • Tended Protect has a USP of a wearable personal safety device. This may enable it to gain a competitive advantage over its rivals such as Fitbit. 	

- Tended Ltd is growing rapidly – this may indicate the popularity of Tended Protect. A marketing campaign could increase market share through greater sales and wider distribution.
- However, the Tended Protect could be considered a niche market product. Consequently, there may be limited opportunities to increase sales and market share.

Possible recommendations

- Tended Ltd should choose the smartwatch option because it may offer the quickest way to increase market share. Being a small company it may be able to develop a new smartwatch quicker than larger less agile rivals such as Apple and Samsung.
- Tended Ltd should choose the marketing campaign because it has quickly established itself in the niche market of personal safety. It should focus on increasing its market share of this market, rather than try and compete with more powerful rivals such as Apple and Samsung.

Examples of possible 'MOPS' responses

Market – the technology wearables market is dynamic and rapidly growing. Technology giants such as Apple and Samsung may dominate, but there could be opportunities for smaller companies.

Objectives – Tended Ltd's aim is to increase its market share of the global wearable technology market. It has quickly established itself and is growing rapidly.

Product – The 'Tended Protect' has a USP of a wrist worn wearable safety device which uses artificial intelligence. Tended Ltd is an innovative business which employs highly skilled workers, this may enable it to quickly adapt and respond to market changes.

Situation – Tended Ltd is ambitious and expanding rapidly. It aims to exploit the opportunities offered by the dynamic technology wearables market. It has already established itself with the success of Tended Protect, a marketing campaign could help the future growth of this product and enable it to increase its market share.

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	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 cause(s) and/or consequence(s)/effect(s).
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 cause(s) and/or consequence(s)/effect(s) 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 knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s) are complete, showing an understanding of the question. Arguments are 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 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 recommendation(s).

Question Number	Answer	Mark
2 (a)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for a knowledge of SWOT, e.g. strengths/internal weaknesses/external opportunities/external threats</p> <p>OR a benefit, e.g. enables the business to gain a better understanding of its internal strengths/internal weaknesses/external opportunities/external threats.</p> <p>Application: up to 2 marks for:</p> <ul style="list-style-type: none"> • internal strength - Sports Direct generated sales revenue of £3.359.5 million in 2018. • internal weakness - Sports Direct lost £85 million as a result of its investment in Debenhams. • external opportunity - Buying House of Fraser provides an opportunity to transform it into 'the Harrods of the High Street'. • external threat – Growth in online sales (growing at 10x the rate of physical store sales). <p>Analysis: 1 mark for:</p> <ul style="list-style-type: none"> • SWOT analysis is key to planning Sports Direct's strategy for achieving its aim to be the 'Selfridges of Sport', because it can use its strengths to exploit opportunities. 	(4)

Question Number	Answer	Mark
2 (b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skill assessed: QS1: calculate, use and understand ratios, averages and fractions</p> <p>Knowledge/Understanding: 1 mark for:</p> <p>Formula for operating profit margin: $\frac{\text{operating profit}}{\text{sales revenue}} \times 100$</p> <p>Application: 3 marks for:</p> <ul style="list-style-type: none"> • $\text{Gross profit} = 3,359.5 - 2,024.4 = 1,335.1$ • $\text{Operating profit} = 1,335.1 - 1,156.1 = 179$ • $\text{Operating profit margin} = \frac{179}{3,359.5} \times 100 = 5.33\%$ <p>NB Award 4 marks if candidate only states 5.33% for operating profit margin Award 3 marks if not accurately to 2 decimal places Award 3 marks if candidate fails to add % e.g. 5.33 Award 2 marks if candidate calculates operating 179 as this suggests that they have calculated gross profit</p>	(4)

Question Number	Indicative content	Mark
2 (c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A sales forecast is a prediction of the expected level of sales volume/revenue for a business for a future period. <p>Potential usefulness:</p> <ul style="list-style-type: none"> • Sports Direct can plan how many stores it will need in order to achieve its aim of becoming the ‘Selfridges of Sport’. • Online purchases account for almost 20% of retail sales, Sports Direct can plan to expand this side of its business by increasing the capacity of its Shirebrook warehouse and employ more staff. • Sports Direct can plan how much stock such as sportswear it needs to order from suppliers such as Nike and Adidas. <p>Potential limitations:</p> <ul style="list-style-type: none"> • External factors such as changes in the economy and social trends may affect the accuracy of sales forecasts. For example, consumers may boycott Sports Direct as a result of the bad publicity it has received thus reducing sales. • Its usefulness may be limited by the type of market Sports Direct operates in; the retail market is undergoing considerable structural change, which may result in inaccurate sales forecasting for its stores. • Past performance is no guarantee of the future – predicting future sales based on previous year’s sales could therefore be incorrect. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Sales forecasting is a useful planning tool, without it Sports Direct could encounter problems such as running out of stock and not having sufficient employees to work in the warehouse. • Sports Direct is moving into a new market through its acquisition of House of Fraser – this lack of knowledge of this type of customer’s preferences could lead to inaccurate sales forecasts. 	(10)

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Level 3	5-6	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with 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 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
2 (d)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Corporate culture is the unwritten code that affects the attitudes and behaviour of employees within a business. <p>Possible consequences:</p> <ul style="list-style-type: none"> • Low morale resulting from workers being paid below minimum wage/fearing their bosses/experiencing security checks/workers feeling forced to attend despite being ill. • High labour turnover and poor productivity may result from low morale. • Sports Direct may gain bad publicity from the media e.g. the Guardian newspaper and the BBC, which could result in consumers boycotting their products. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • This culture may force employees to be more productive and not take time off work because they are scared of losing their jobs through Sports Direct's 'six strikes' system. • Despite possible bad publicity from the media, consumers may be still attracted to Sports Direct because of the low prices it charges. • The workers at the warehouse could be considered to be unskilled and consequently Sports Direct may consider this autocratic style of leadership to be the most effective. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Sports Direct is reviewing its Human Resource strategies which may lead to better treatment of its employees and consequently avoid the potential negative consequences. • Sports Direct may argue that its corporate culture has contributed to its success. This is because Sports Direct achieves high levels of efficiency enabling it to reduce its costs and charge lower prices. 	(12)

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Level 4	9-12	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
2 (e)	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Labour turnover measures the percentage of employees leaving a business over a period of time. <p>Arguments for an employee share ownership scheme:</p> <ul style="list-style-type: none"> • Employee share ownership is a financial incentive whereby companies give shares to their employees or sell them at rates below the market price. • Sports Direct is changing its Human Resource strategies; employee share ownership may be one way to improve motivation because employees will now have a direct interest in the success of the business. • Sports Direct is profitable - in 2018 it generated an operating profit of £179 million. Consequently, its employees would benefit from a share ownership scheme. • Employees could have a direct interest in the financial performance of the business and consequently may be less likely to leave and more likely to accept current working practices. • Sports Direct has ambitious expansion plans. It aims to be the 'Selfridges of Sport'. An employee share ownership scheme may encourage its workers to remain with the business, because they could directly benefit from its growth through increased dividend payments and a rising share price. • However, the value of employee ownership may depend upon the number of shares each employee owns and the amount of dividends received. <p>Arguments for empowerment:</p> <ul style="list-style-type: none"> • Empowerment is a non-financial method of motivation in which employees are given more control over their day to day work. • Empowerment indicates that managers are now becoming less autocratic and consequently workers may feel more appreciated. This may improve morale, particularly at the Shirebrook warehouse, where workers are reported to fear their bosses. • It could be argued that many of the jobs at Sports Direct either in the stores or the warehouse are boring and repetitive. Empowerment may enable the employees to gain more authority and be more interested in their work, resulting in lower labour turnover. 	

- Empowerment may be preferred by the management rather than employee share ownership to achieve the aim of reducing labour turnover, because the owners of Sports Direct would not have to share the company's profits with its employees.
- However, some employees may not want the increased responsibility of empowerment as they may prefer to be told to what to do by their supervisors.

Potential recommendation

- Sports Direct should choose employee share ownership because it may lead to improved employee commitment and loyalty, as workers now have a direct financial interest in the success of the business.
- Sports Direct should choose empowerment because it needs to improve its damaged reputation amongst its workers resulting from its current Human Resource strategies.

Examples of possible 'MOPS' responses

Market - Sports Direct is in the retail market. This market is experiencing rapid structural change. Improving labour turnover is important because it may enable Sports Direct to provide better customer service, which could provide a competitive advantage.

Objectives - Sports Direct aims to be the 'Selfridges of Sport'. Its acquisition of House of Fraser indicates that it is now targeting customers who visit department stores, who may have higher expectations of customer service. A more stable workforce with good product knowledge could develop good relations with customers and improve customer service.

Product - Sports Direct currently sells sportswear at competitive prices. It favours a 'cost leadership' strategy according to Porter's Strategic Matrix. Improving labour turnover could reduce recruitment and selection costs resulting in greater efficiency.

Situation - Sports Direct is successful and has ambitious expansion plans. However, it is currently suffering from bad publicity. Better treatment of its employees may lead to an improved reputation and help to reduce labour turnover in the future.

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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 cause(s) and/or consequence(s)/effect(s) 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 by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are 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 use of 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.

