



Mark Scheme (Results)

November 2020

Pearson Edexcel GCSE

In Business (1BS0)

Paper 1: Investigating small business

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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>The only correct answer is C - Independence</p> <p>A is not correct because it is a risk from business activity</p> <p>B is not correct because it is a risk from business activity</p> <p>D is not correct because it is a risk from business activity</p>	(1) AO1a

Question Number	Answer	Mark
1 (b)	<p>The only correct answer is B - The proportion of sales in a market made by one business</p> <p>A is not correct because it is a definition of market research data</p> <p>C is not correct because it is a definition of revenue</p> <p>D is not correct because it is a definition of a focus group</p>	(1) AO1a

Question Number	Answer	Mark
1 (c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>A unique selling point will give a small business a competitive advantage (1). This would make customers more likely to buy from the business rather than from the competition (1). This means the business will benefit from increased market share (1).</p> <p>A unique selling point will allow a small business to add value (1). This means it should be able to operate profitably (1), which reduces the chance of business failure (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question Number	Answer	Mark
1 (d)	<p>Award 1 mark for identification of an advantage, plus 2 further marks for explaining this advantage up to a total of 3 marks.</p> <p>Trade credit will allow a small business to buy now and pay later (1). This means the business has a chance to sell the goods before it has to pay its supplier (1). This will improve the cash-flow of the small business (1).</p> <p>Trade credit is a low-cost source of finance (1). If credit terms are met then no interest is charged (1). This will reduce the costs of the small business (1).</p> <p>Accept any other appropriate response. Answers that list more than one advantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) A01=1 A01b=2

Question Number	Answer	Mark
2 (a)	<p>The only correct answers are B - Internet and C - Market report</p> <p>A is not correct because it is a method of primary market research</p> <p>D is not correct because it is a method of primary market research</p> <p>E is not correct because it is a method of primary market research</p>	(2) AO1a

Question Number	Answer	Mark
2 (b)	<p>The only correct answers are C - Packaging and D - Raw Materials</p> <p>A is not correct because it is an example of a fixed cost</p> <p>B is not correct because it is an example of a fixed cost</p> <p>E is not correct because it is an example of a fixed cost</p>	(2) AO1a

Question Number	Answer	Additional guidance	Mark
2 (c)	<p>Substitution into correct formula:</p> <p>Cash inflows = $200 \times \text{£}15$ = $\text{£}3\,000$</p> <p>Cash outflows = $\text{£}500 + \text{£}1\,000 + \text{£}150$ = $\text{£}1\,650$</p> <p>Net cash flow = $\text{£}3\,000 - \text{£}1\,650$ (1)</p> <p>Answer: $\text{£}1\,350$ (1)</p>	Award full marks for correct numerical answer without working.	(2) AO2

Question Number	Answer	Mark
2 (d)	<p>Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.</p> <p>There may be disagreements between the partners (1). This means it will be difficult to make business decisions (1). This will lead to the business not being able to meet the needs of its customers (1).</p> <p>A deed of partnership may have to be produced (1). This increases the administration/legal requirements of the business (1). This will therefore increase the start-up costs of the business (1).</p> <p>Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question Number	Answer	Mark
2 (e)	<p>Award 1 mark for identification of a way the marketing mix may change, plus 2 further marks for explaining this way up to a total of 3 marks.</p> <p>A small business may have to make changes to its product (1). This is because the lifestyle of consumers may require extra features on a product (1). Therefore, the design of the product may need to change to meet consumer needs (1).</p> <p>A small business may have to change its prices (1). Economic conditions may lead to consumers having less money (1). Therefore, the consumer will feel they are still getting value for money (1).</p> <p>Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Question Number	Answer	Mark
3 (a)	<p>The only correct answer is B – They have unlimited liability</p> <p>A is not correct because a sole trader does not need to have a business qualification</p> <p>C is not correct because a sole trader cannot sell shares to raise finance</p> <p>D is not correct because some sole traders will employ staff</p>	(1) AO1a

Question Number	Answer	Additional guidance	Mark
3 (b)	<p>Substitution into correct formula:</p> <p>$(6\,000 \div 10\,000) \times 100$ (1)</p> <p>Answer: 60% (1)</p>	Award full marks for correct numerical answer without working.	(2) AO2

Question Number	Answer	Mark
3 (c)	<p>Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason up to a total of 3 marks.</p> <p>A new business idea may come about because consumers want something new (1). Existing products may not meet customer needs (1). This can lead to an entrepreneur spotting a new business opportunity in the market (1).</p> <p>A new business idea may come about because of changes in technology (1). This allows new products to be created (1). Entrepreneurs will therefore look to create demand for this new product (1).</p> <p>Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question Number	Answer	Mark
3 (d)	<p>Award 1 mark for identification of an advantage, plus 2 further marks for explaining this advantage up to a total of 3 marks.</p> <p>Market mapping will allow a small business to spot a gap in the market (1). This can lead to the business developing a product/service to help fill this gap (1). As a result, the small business may capture market share from competition (1).</p> <p>Market mapping can help a small business analyse its competitors (1). This may help the business when making business decisions (1). This may lead to a reduced risk of failure (1).</p> <p>Accept any other appropriate response. Answers that list more than one advantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question Number	Indicative content	Mark
3 (e)	<ul style="list-style-type: none"> Increased competition will affect how a small business decides what price to charge (AO1b). Increased competition will affect location decisions for a small business (AO1b). Therefore, a small business may decide to use a competitive pricing strategy to maintain market share (AO3a). Therefore, a small business may decide not to locate in an area where there is lots of competition as it will find it difficult to attract customers (AO3a). 	(6) AO1b=3 AO3a=3
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	<ul style="list-style-type: none"> Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3-4	<ul style="list-style-type: none"> Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5-6	<ul style="list-style-type: none"> Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Question Number	Answer	Mark
4 (a)	<p>Award up to 2 marks for linked points outlining a reason why cash is important to <i>On Your Bike</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Cash will allow <i>On Your Bike</i> to pay its suppliers (1). This may ensure it can continue to stock a wide range of cycles (1).</p> <p><i>On Your Bike</i> could use cash to pay its employees (1). If it can't pay the mechanics, the correct pay they may leave for another cycle shop. (1).</p> <p>Do not accept a reason that would not be appropriate for <i>On Your Bike</i>. For example, cash would be important for buying raw materials.</p>	(2) A02

Question Number	Indicative content	Mark
4 (b)	<ul style="list-style-type: none"> • It can increase the number of customers because reviews on social media platforms can be shared by other tourists when visiting London (AO2). • It is difficult for the business to respond to negative reviews of the cycle rental service (AO2). • As a result, tourists may now consider renting cycles after reading the reviews whereas previously they did not know that this service existed (AO3a). • Therefore, even if a review is incorrect anyone who reads it may doubt the excellent customer service offered by <i>On Your Bike</i> (AO3a). 	(6) A02=3 A03a=3

Level	Mark	Descriptor
		No rewardable material.
Level 1	1-2	<ul style="list-style-type: none"> • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3-4	<ul style="list-style-type: none"> • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5-6	<ul style="list-style-type: none"> • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Question Number	Answer	Additional guidance	Mark
5 (a)	Substitution into correct formula: $\text{£}1\,100\,000 \div 2,000$ (1) Answer: $\text{£}550$ (1)	Award full marks for correct numerical answer without working.	(2) A02

Question Number	Answer	Additional guidance	Mark
5 (b)	Substitution into correct formula: $\text{£}1\,100\,000 - ((\text{£}350 \times 2,000) + \text{£}150\,000)$ (1) Answer: $\text{£}250\,000$ (1)	Award full marks for correct numerical answer without working.	(2) A02

Question Number	Indicative content		Mark
5 (c)	<ul style="list-style-type: none"> Reducing costs would allow <i>On Your Bike</i> to make more profit per cycle if the average price remained at £550 (AO2). In order to reduce its costs <i>On Your Bike</i> may have to reduce the amount it spends in employing mechanics and sending them on training courses (AO2). As a result, <i>On Your Bike</i> would need to sell fewer cycles in order to cover its fixed costs and therefore break even (AO3a). This may have a negative effect on the excellent customer service at <i>On Your Bike</i>. This would cause lower demand and the business not reaching a lower break-even point (AO3a). 		(6) AO2=3 AO3a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-2	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). 	
Level 2	3-4	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). 	
Level 3	5-6	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). 	

Question Number	Answer	Mark
6 (a)	<p>Award 1 mark for stating one market segment targeted by <i>On Your Bike</i>.</p> <p>Children (or their parents) buying first cycles or scooters (1). Cycling enthusiasts interested in mountain biking (1). Tourists looking to rent cycles whilst on holiday (1).</p> <p>Accept any other appropriate response. Do not accept market segments that would not be appropriate for <i>On Your Bike</i>. For example, low income groups as the average price of bikes is £550.</p>	(1) AO2

Question Number	Answer	Mark
6 (b)	<p>Award up to 2 marks for linked points outlining an impact on <i>On Your Bike</i>. Award a maximum of 1 mark if points are not linked.</p> <p>If there is an increase in the value of the pound against other currencies, then imports will become cheaper (1). This will mean they may pay less for bikes made in other countries and therefore reduce costs (1).</p> <p>If there is an increase in the value of the pound against other currencies it will make it more expensive for foreign tourists to visit the UK (1). This will lead to a reduction in demand for <i>On Your Bike's</i> rental business (1).</p> <p>Do not accept an impact that would not be appropriate for <i>On Your Bike</i>. For example, exports will be more expensive if the pound strengthens.</p>	(2) AO2

Question Number	Indicative content		Mark
6 (c)	<ul style="list-style-type: none"> The market is growing so there will be enough demand for a second cycle shop (AO2). E-commerce will allow a wider range of customers to have access to <i>On Your Bike's</i> range of cycles and clothing (AO2). <i>On Your Bike</i> has already had success with its first shop so it knows that the business model and strategy works. This can therefore be easily replicated in a second shop and if problems occur the business now has experience of being able to respond to these problems (AO3a). Currently the shop can only sell to people that live in London. E-commerce will allow people from all over the world to buy products from the business without <i>On Your Bike</i> having to invest a huge amount of money (AO3a). However, investing in a second shop involves high costs. This investment may therefore be risky because the increased demand for the bikes may not be sustainable. If the business takes out a loan to finance the second shop it will still need to repay the loan and the interest even if demand falls (AO3b). However, <i>On Your Bike's</i> customers may not be interested in buying products using e-commerce. They may prefer to try the bike and physically inspect the product first. Also the tourist rental business does not require e-commerce to make a purchase. They need information that can already be found on website (AO3b). 		(9) AO2=3 AO3a=3 AO3b=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b). 	
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b). 	
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b). 	

Question Number	Answer	Mark
7 (a)	<p>Award one mark for stating one stakeholder of <i>Loco</i>.</p> <p>The owner of <i>Loco</i>, Joe Thwaites (1). The customers who buy the SUPs (Stand up paddleboards) (1). Employees who help build and design the SUPs (1). The team riders who use the SUPs (1).</p> <p>Accept any other appropriate response. Do not accept a stakeholder that would not be appropriate for <i>Loco</i>. For example, managers of the business.</p>	(1) A02

Question Number	Answer	Mark
7 (b)	2014	(1) A02

Question Number	Answer	Mark
7 (c)	<p>Award up to 2 marks for linked points outlining one-way Joe Thwaites could have used a business plan. Award a maximum of 1 mark if points are not linked.</p> <p>Joe could have used a business plan to set the aims and objectives for <i>Loco</i> (1). This would have helped to create USPs (unique selling points) for the SUPs that helped the business be competitive against larger manufacturers (1).</p> <p>Joe could have used a business plan to forecast the financial information for <i>Loco</i> (1). This would have helped to judge if the costs of travelling to Fuerteventura could be afforded (1).</p> <p>Do not accept ways that would not be appropriate for <i>Loco</i>. For example, to obtain finance for the expansion of the business.</p>	(2) A02

Question Number	Indicative content	Mark
7 (d)	<ul style="list-style-type: none"> • Digital payment systems make it more convenient for customers to pay for SUP products from <i>Loco</i>. This should therefore increase the number of potential customers (AO2). • Virtual meetings will make it easier for Joe Thwaites to discuss progress with the creative talent involved in the design of the SUPs (AO2). • <i>Loco</i> sells SUPs and surfing equipment throughout Europe. Digital payment systems will allow customers to buy the equipment 24/7. It will also allow payments to be made using different currencies. This helps to remove restrictions that would be in place if <i>Loco</i> only accepted traditional methods of payment (AO3a). • In order to come up with the new designs of SUPs <i>Loco</i> had to have meetings with a wide range of people ranging from manufacturers to team riders. Virtual meetings will remove the geographical barrier of having to get all of these people in the same place (AO3a). • However, digital payment systems require a lot of maintenance, so they do not become vulnerable to fraud. This, together with the costs of installing the systems, will increase the costs of <i>Loco</i>. Customers may also be wary of buying expensive surfing equipment because of possible security issues (AO3b). • However, it is difficult to inspect and test the physical product via a virtual meeting. <i>Loco's</i> brand depends upon how well the product performs. This is something that cannot be done using digital communications (AO3b). 	<p>(9) AO2=3 AO3a=3 AO3b=3</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).

Question Number	Indicative content	Mark
7 (e)	<ul style="list-style-type: none"> • <i>Loco</i> will be able to compete because its flexibility will help meet customer needs (AO1b). • The larger manufacturers already have existing market share and position (AO1b). • The owner of <i>Loco</i> was able to be innovative in designing new SUPs after working with professional SUP riders in Fuerteventura (AO2). • Stand up paddle boarding is not a mass market sport so has relatively low numbers of participants (AO2). • The flexibility of the business may allow it to make individual changes to its products as requested by its customers. Larger manufacturers may not be able to do this as the SUPs are manufactured in larger batches, or in bulk. This may be important to professional SUP riders who want bespoke products. If professional riders select <i>Loco</i> products, then the brand of the business will grow and become attractive to other customers (AO3a). • The size of the market makes it difficult for new brands to become established. Large manufacturers benefit from economies of scale and can make it difficult for new businesses to compete on price. They will have lower average costs and will benefit from spending more money on marketing (AO3a). • However, this will depend on how much the design process and time spent creating the new boards will increase the average costs of making the SUPs. This may therefore lead to higher prices. This may not affect the professional riders but will make it difficult for other riders to buy the SUPs. This could therefore discourage them from buying <i>Loco</i> boards rather than those of the larger manufacturers (AO3b). • However, the competitive nature of paddle boarding means that customers may look to buy the best equipment. The large manufacturers may find it difficult to compete with smaller businesses like <i>Loco</i> because Joe can offer personal help and advice to customers when buying their equipment. This personal touch may not be able to be directly given by a large manufacturer (AO3b). 	<p>(12) AO1b=3 AO2=3 AO3a=3 AO3b=3</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	<ul style="list-style-type: none"> • Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).
Level 2	5-8	<ul style="list-style-type: none"> • Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a) • Draws a conclusion based on sound evaluation of business information and issues (AO3b).
Level 3	9-12	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).

