



Mark Scheme (Results)

November 2021

Pearson Edexcel GCSE
In Business (1BS0)
Paper 2: Building a 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.

Section A

Question number	Answer	Mark
1(a)	<p>The only correct answer is B – Flat</p> <p>A is not correct because it is not a hierarchy</p> <p>C is not correct because it is the wrong hierarchy</p> <p>D is not correct because it is not a hierarchy</p>	(1) AO1a

Question number	Answer	Mark
1(b)	<p>The only correct answer is D – Person specification</p> <p>A is not correct because it does not state a person's qualities</p> <p>B is not correct because it does not state a person's qualities</p> <p>C is not correct because it does not state a person's qualities</p>	(1) AO1a

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of an impact, plus 2 further marks for explaining this impact up to a total of 3 marks.</p> <p>Pressure groups may damage the brand image of the business (1). Therefore, potential customers may switch to ethical brands (1). As a result, the sales of the business may fall (1).</p> <p>Pressure groups may cause the government to introduce new legislation (1). As a result, the activities of the business may be restricted (1). Thus, the business may not make as much profit (1).</p> <p>Accept any other appropriate response. Answers that list more than one impact 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 a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.</p> <p>Customers may become dissatisfied with the business (1). As a result, they may not make any repeat purchases (1). Therefore, the market share of the business may fall (1).</p> <p>The brand may be damaged (1). Therefore, the business cannot charge a premium price (1). As a result, profit margins may fall (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) AO1=1 AO1b=2

Question number	Answer	Mark
2(a)	<p>The only correct answer is A – Car and D – Televisions</p> <p>B is not correct because it is a service</p> <p>C is not correct because it is a service</p> <p>E is not correct because it is a service</p>	(2) AO1a

Question number	Answer	Mark
2(b)	<p>The only correct answer is C – Introducing job rotation and D – Providing training</p> <p>A is not correct because it is a not a way of improving employee retention</p> <p>B is not correct because it is a not a way of improving employee retention</p> <p>E is not correct because it is a not a way of improving employee retention</p>	(2) AO1a

Question number	Answer	Additional guidance	Mark
2(c)	<p>Substitution into correct formula:</p> <p>£575 000 – £200 000 (1)</p> <p>Answer: £375 000 (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 reason, plus 2 further marks for explaining this reason up to a total of 3 marks.</p> <p>This may make the product look more attractive (1). Therefore, customers may choose the product over those of a rival (1). As a result, market share may increase (1).</p> <p>Making the product look more attractive may be a source of differentiation (1). Therefore, potential rival businesses may find it harder to enter the market (1). As a result, the business may be able to charge a premium price (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
2(e)	<p>Award 1 mark for identification of a drawback, plus 2 further marks for explaining this drawback up to a total of 3 marks.</p> <p>This may involve a large amount of employee training (1). This is because workers at each stage of the production process are now responsible for checking their own work (1). Therefore, business costs may increase (1).</p> <p>This will require a change in culture (1). This is because employees will now need to check every stage in the production of the product (1). As a result, this could be very time consuming (1).</p> <p>Accept any other appropriate response. Answers that list more than one drawback with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(a)	<p>The only correct answer is D – Suppliers</p> <p>A is not correct because it has nothing to do with procurement</p> <p>B is not correct because it has nothing to do with procurement</p> <p>C is not correct because it has nothing to do with procurement</p>	(1) AO1a

Question number	Answer	Additional guidance	Mark
3(b)	<p>Substitution into correct formula:</p> <p>$(100\% - 34.2\% - 23.8\% - 21.3\% - 12.5\%) (1)$</p> <p>Answer: 8.2% (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>This allows customers to resolve any problems they may have with the product (1). Therefore, customer loyalty should increase (1). Thus, the business should gain repeat purchases (1).</p> <p>This could give the business a USP (1). This is because the customer now feels that the business is looking after them once they have purchased the product (1). Therefore, the business could gain a strong brand image for customer care (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 impact, plus 2 further marks for explaining this impact up to a total of 3 marks.</p> <p>The labour costs of the business may fall (1). This is because the business will not have to pay as many wages/salaries to workers (1). Thus, the break-even point of the business will fall (1).</p> <p>The motivation of the remaining staff may fall (1). This is because they may be worried about losing their jobs (1). Therefore, the business may experience a decrease in productivity (1).</p> <p>Accept any other appropriate response. Answers that list more than one impact 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"> • The business may run out of stocks of raw materials if suppliers do not deliver on time (AO1b). • The business will not be able to place bulk orders for raw materials (AO1b). • Therefore, production will stop because the business will not have any buffer stocks. As a result, customers will not receive their orders on time (AO3a). • Therefore, the average variable cost of raw materials will increase. As a result, the profit margin for the product may fall (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). 	

Section B

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a drawback to <i>Tesla</i> of using e-commerce to generate sales. Award a maximum of 1 mark if points are not linked.</p> <p>Customers may be unwilling to make an expensive purchase on the internet (1). They would be worried about making a \$35 000 payment online due to the risk of internet fraud (1).</p> <p>Customers will want to take the car for a test drive before they purchase one (1). Therefore, they may purchase a different car (1).</p> <p>Do not accept a drawback of relying on e-commerce that would not relate to <i>Tesla</i>.</p>	(2) AO2

Question number	Indicative content	Mark
4(b)	<ul style="list-style-type: none"> • <i>Tesla</i> will be able to produce large numbers of Model 3 cars (AO2). • It is a much more efficient method of producing electric cars for the mass market (AO2). • As a result, as the market for electric cars gets larger, <i>Tesla</i> will be able to satisfy demand, allowing it to generate increased sales revenue (AO3a). • Therefore, the average total cost of producing the Model 3 should fall. This should allow <i>Tesla</i> to reduce the price to \$35 000 and still make a profit (AO3a). 	(6) AO2=3 AO3a=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: $((\$50\,000 - \$35\,000) \div \$50\,000) \times 100$ (1) Answer: 30% or -30% (1)	Award full marks for correct numerical answer without working.	(2) A02

Question number	Answer	Additional guidance	Mark
5(b)	Substitution into correct formula: $(\$50\,000 + \$41\,000 + \$35\,000) \div 3$ (1) Answer: \$42 000 (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"> As global incomes increase more people should be able to afford a \$35 000 Model 3 (AO2). <i>Tesla</i> may face more competition from rival electric car manufacturers such as VW and Renault in the US and Chinese markets (AO2). Therefore, demand for electric cars should rise. As a result, it may be able to sell the extra cars that will be manufactured in its Chinese factory, allowing it to increase revenues and reduce its losses (AO3a). This may mean <i>Tesla</i> has to lower its prices below \$35 000 to compete. Therefore, profit margins on each car may fall and the company may struggle to reduce its losses (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 impact to <i>Tesla</i> if it continues to make a loss.</p> <p>It will not be able to build the new factory in Shanghai (1). Its net cash flow will fall below \$2.4 billion (1). It may not be able to reduce the price of a car to \$35 000 (1).</p> <p>Accept any other appropriate response. Do not accept impacts that are not in the context of <i>Tesla</i>. For example, making staff redundant.</p>	(1) A02

Question number	Answer	Mark
6(b)	<p>Award up to 2 marks for linked points outlining an impact to <i>Tesla</i> of a government introducing tariffs on imports from the US. Award a maximum of 1 mark if points are not linked.</p> <p>The Model 3 will now be much more expensive in countries such as China (1). Therefore, sales of <i>Tesla's</i> cars will fall (1).</p> <p><i>Tesla</i> will have to lower the price of its cars below \$35 000 in dollars (1). This is because the tariff will increase the price above its target price (1).</p> <p>Do not accept impacts that would not be appropriate for <i>Tesla</i>.</p>	(2) A02

Question number	Indicative content		Mark
6(c)	<ul style="list-style-type: none"> • <i>Tesla</i> may be forced to issue more shares because it requires so much finance (\$5 billion) (AO2). • Banks may be willing to lend <i>Tesla</i> the \$5 billion required because it is planning to produce a car which potentially could sell millions of units worldwide (AO2). • This may be a successful share issue since potential shareholders would be willing to take the risk to invest in <i>Tesla</i> due to the potential profits that the Model 3 car would generate if it is successful. Therefore, <i>Tesla</i> should be able to generate the large amount of capital required to fund the expansion (AO3a). • This loan would immediately boost cash flow and be a faster source of finance to generate than a share issue, allowing <i>Tesla</i> to build its factory in Shanghai before competitors such as VW and Renault enter the market (AO3a). • However, <i>Tesla</i> made a \$976 million loss in 2018 which makes the purchase of shares quite risky. Therefore, the percentage ownership of existing shareholders may be diluted by more than Mr Musk wants, in order to secure the \$5 billion in funding required (AO3b). • However, banks may view <i>Tesla</i> as being a high-risk company due to the \$976 million loss it made. As a result, it may charge high interest rates on any loan which may reduce the profitability of <i>Tesla</i> and lead to cash flow difficulties (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). 	

Section C

Question number	Answer	Mark
7(a)	Award 1 mark for an element of the marketing mix. Price (1). Product (1). Promotion (1). Place (1).	(1) A01a

Question number	Answer	Mark
7(b)	2018	(1) A02

Question number	Answer	Mark
7(c)	Award up to 2 marks for linked points outlining an advantage to <i>ASOS</i> of increasing the range of products offered for sale on its website. Award a maximum of 1 mark if points are not linked. It will encourage more customers in their 20s to buy clothes from the website (1). Therefore, <i>ASOS</i> should experience an increase in sales (1). The website will become more convenient to use because there is more choice (1). Thus, <i>ASOS</i> will become more attractive to customers than competitors such as Boohoo (1). Do not accept an advantage that would not be appropriate to <i>ASOS</i> .	(2) A02

Question number	Indicative content	Mark
7(d)	<ul style="list-style-type: none"> This should allow ASOS's clothing such as shirts and blouses to appear better value for money than similar items offered by Boohoo (AO2). Advertising on more social media channels such as Facebook and Twitter should lead to a greater awareness of ASOS's clothes amongst its target market of customers in their 20s (AO2). This may increase demand for ASOS's products amongst its target market. As a result, ASOS's revenues could increase, allowing profitability to increase (AO3a). This may make ASOS more attractive to its target market since customers will now be able to share how good they look in ASOS's clothes with millions of other people who are of a similar age. This should increase demand for its products, which should allow ASOS to increase revenues resulting in increased profits (AO3a). However, the gross profit margin on each item of clothing will decrease and overall profits will only increase if ASOS sells significantly more items of clothing by reducing prices. Considering the market is more competitive this may be unlikely (AO3b). However, the market has become much more competitive and it is likely that advertising on more social media channels may not be enough to boost sales since it can easily be copied by rival retailers such as Boohoo. As a result, profitability may not increase (AO3b). 	(9) A02=3 A03a=3 A03b=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	Indicative content	Mark
7(e)	<ul style="list-style-type: none"> • Allowing customers to receive their clothes the next day fulfils a customer need of the target market (AO1b). • Being able to deliver products to customers on time can be easily copied by other online/high street retailers (AO1b). • This is because 16–30 year olds will not want to wait to receive clothes for a party or special occasion where they want to wear the garments the next day (AO2). • Rivals such as Boohoo and high street retailers with websites such as Debenhams are also likely to offer high quality logistics. They too may allow customers to receive clothes the next day after ordering (AO2). • Therefore, ASOS’s logistics may become a unique selling point (USP) of the business because it provides convenience that other retailers do not offer. This reduces the importance of other factors that may be important in a customer’s decision to purchase clothing from a retailer e.g. price. Therefore, ASOS could charge a premium for the additional convenience provided. This could give the company a competitive advantage (AO3a). • As a result, logistics may not be an important source of competitive advantage since it is likely that price and fashion are much more important amongst lower income 16–30 year old customers. Therefore, logistics has a limited impact on the success of ASOS (AO3a). • However, the market is becoming increasingly competitive as more e-commerce businesses target the same market. Therefore, it is likely that ASOS’s competitive advantage from logistics will only exist in the short-term unless it can move towards same day delivery which will be harder for rivals to copy (AO3b). • However, it depends on the degree to which its target market values convenience and speed of delivery. If this is critical then it is likely that logistics will remain a major source of competitive advantage for ASOS (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).