

A Level Business



Sample Assessment Materials

Pearson Edexcel Level 3 Advanced GCE in Business (9BS0)

First teaching from September 2015

First certification from 2017

Issue 1

Pearson Edexcel Level 3 Advanced GCE in Business (9BS0)

Sample Assessment Materials

First certification 2017

Edexcel, BTEC and LCCI qualifications

Edexcel, BTEC and LCCI qualifications are awarded by Pearson, the UK's largest awarding body offering academic and vocational qualifications that are globally recognised and benchmarked. For further information, please visit our qualification websites at www.edexcel.com, www.btec.co.uk or www.lcci.org.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus

About Pearson

Pearson is the world's leading learning company, with 40,000 employees in more than 70 countries working to help people of all ages to make measurable progress in their lives through learning. We put the learner at the centre of everything we do, because wherever learning flourishes, so do people. Find out more about how we can help you and your learners at: www.pearson.com/uk

References to third party material made in these sample assessment materials are made in good faith. Pearson does not endorse, approve or accept responsibility for the content of materials, which may be subject to change, or any opinions expressed therein. (Material may include textbooks, journals, magazines and other publications and websites.)

All information in this document is correct at the time of publication.

ISBN 978 1 446 91468 7

All the material in this publication is copyright
© Pearson Education Limited 2014

Contents

1	Introduction	1
2	General marking guidance	3
3	Paper 1: Marketing, people and global businesses	5
4	Paper 1 Mark Scheme	23
5	Paper 2: Business activities, decisions and strategy	37
6	Paper 2 Mark Scheme	55
7	Paper 3: Investigating business in a competitive environment (Pre-release)	69
9	Paper 3: Investigating business in a competitive environment	71
10	Paper 3 Mark Scheme	87

Introduction

The Pearson Edexcel Level 3 Advanced GCE in Business is designed for use in schools and colleges. It is part of a suite of GCE qualifications offered by Pearson. These sample assessment materials have been developed to support this qualification and will be used as the benchmark to develop the assessment students will take.

General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked **unless** the candidate has replaced it with an alternative response.

Write your name here	
Surname	Other names
Pearson Edexcel Level 3 GCE	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Centre Number <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> </div> <div style="text-align: center;"> Candidate Number <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 2px;"></div> </div> </div>
<h1 style="margin: 0;">Business</h1> <h2 style="margin: 0;">Advanced</h2> <h3 style="margin: 0;">Paper 1: Marketing, people and global businesses</h3>	
Sample assessment material for first teaching September 2015 Time: 2 hours	Paper Reference <h2 style="margin: 0;">9BS0/01</h2>
<div style="border: 1px solid black; border-radius: 10px; padding: 10px; display: flex; justify-content: space-between; align-items: center;"> You do not need any other materials. <div style="border: 1px solid black; padding: 5px; text-align: center; width: 100px;">Total Marks</div> </div>	

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

S47518A

©2014 Pearson Education Ltd.
1/1/1/1/1



Turn over ►

PEARSON

Answer ALL questions.

SECTION A

Read the following extracts (A to C) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Sony launches PlayStation 4 (PS4) at a price close to cost

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

Experts consider the PS4 to be the most powerful video games console ever produced. 5
The global mark-up per console is surprisingly low at 4.2%.

Component costs	US dollars (\$)
Electrical components	348
Controller	18
Box contents	6

(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

Extract B

China lifts the ban on video games consoles

In 2014, the Chinese government removed its ban on the manufacture and sale of video games consoles. The decision gave Microsoft, Nintendo and Sony access to the potentially lucrative Chinese market. Analysts believe that sales of video games consoles in China could reach \$13bn and that the Chinese Government's decision to liberalise the video games console market in the country had created 'significant opportunities for the major console manufacturers'. 5

Kazao Hirai, the Managing Director of Sony, stated that China's large population of young people, together with rising incomes will result in China becoming an important growth market. However, he believed positioning the brand will be an important factor in allowing Sony to generate sales at the expense of its competitors. 10

(Source: ©The Guardian)



Extract C

Talks start on ASEAN enlargement

Negotiations have started between the Association of South East Asian Nations (ASEAN) and its six major trading partners with the aim of creating the world's largest regional trading bloc by the end of 2015. The addition of six new members: China, India, Australia, Japan, New Zealand and South Korea will expand the 10-country trading bloc which will become known as ASEAN+6. An enlarged ASEAN will cover more than half the world's population and will have a combined GDP of \$17.23tn (trillion).

5

It is hoped that the new members of ASEAN+6 will agree to the further liberalisation of markets and reduce tariffs and non-tariff barriers.

(Source: adapted from <http://www.thejakartapost.com/news/2013/01/31/talks-asean6-trade-bloc-kick-may.html>)



S 4 7 5 1 8 A 0 3 1 7

3

Turn over ►

1 (a) Explain how Sony could be disadvantaged by operating in a dynamic market.

(4)

.....

.....

.....

.....

.....

.....

.....

.....



(b) Using the data in Extract A, calculate the UK retail price of a PS4 to the nearest pound if the exchange rate is £1 = \$1.68. You are advised to show your working.

(4)

.....

.....

.....

.....

.....

.....

.....

.....



5

Turn over ►

(10)

[illegible]

(12)

[illegible]

7

Turn over ►

(20)

[illegible]

S 4 7 5 1 8 A 0 8 1 7

(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS



SECTION B

Read the following extracts (D to F) before answering Question 2.

Write your answers in the spaces provided.

Extract D

Vi-Spring focuses on growth

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation. 5

The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India. 10

(Source: ©VI-SPRING Ltd)

Extract E

China imposes a 10% tariff on imported furniture

China's demand for imported furniture continues to grow. A recent report stated that imports of furniture into China had increased by more than 25% during 2012. The report also stated that 'faced with a choice, Chinese consumers do not want to buy domestically produced furniture – they are too concerned about the quality'.

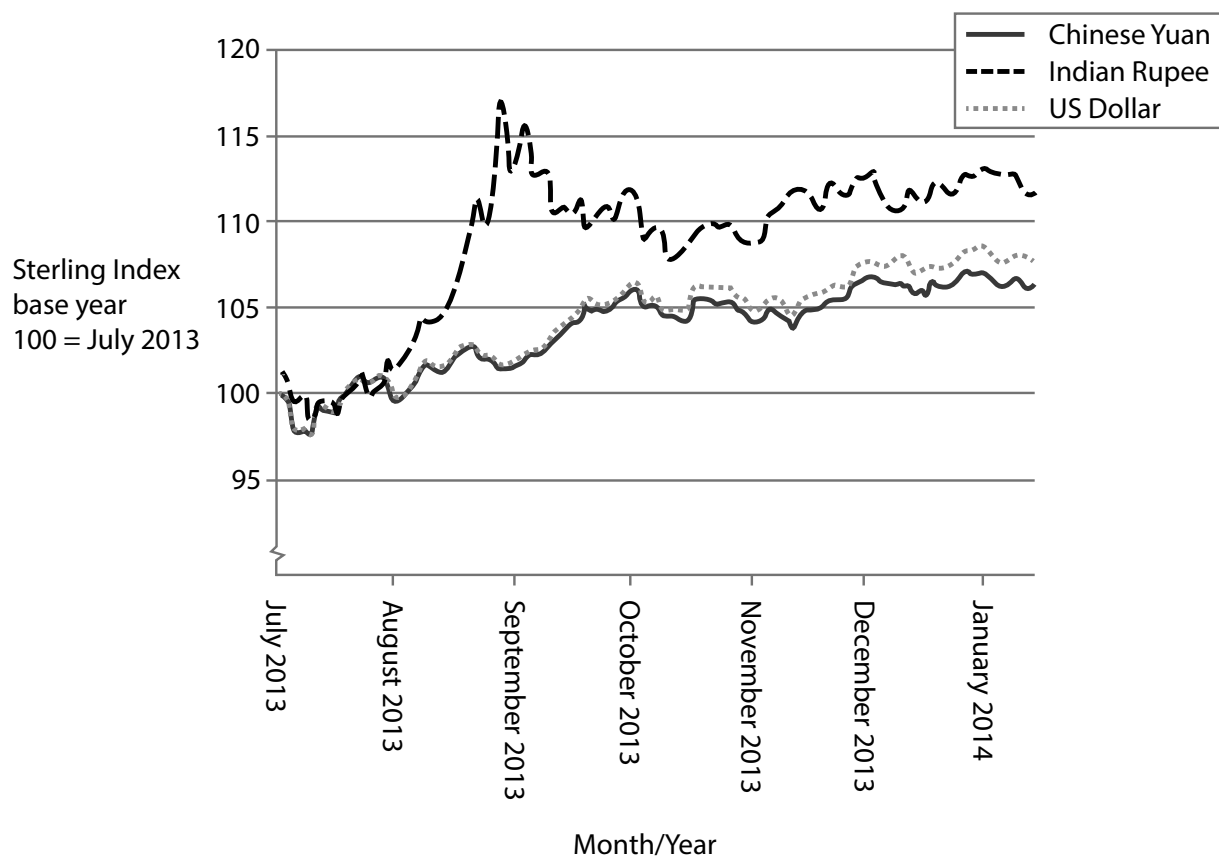
Faced with a decline in sales, Chinese manufacturers have successfully persuaded their government to impose a 10% tariff on all imported furniture made out of leather, wood or bamboo. 5

(Source: adapted from <http://www.chinainportexport.org/china-to-levy-10-tariff-on-imported-furniture/>)



Extract F

Currency Index of the pound (£) against selected currencies July 2013 to January 2014



(Source: ©Ratesfx.com)



S 4 7 5 1 8 A 0 1 1 1 7

11

Turn over ►

2 (a) Explain how high levels of market orientation might benefit Vi-Spring.

(4)

.....

.....

.....

.....

.....

.....

.....

.....



(b) Explain how Vi-Spring could be disadvantaged by operating in a niche market.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



13

Turn over ►

(10)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

(12)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting or typing. There are no margins, text, or other markings on the page.

Turn over ►

(20)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(Total for Question 2 = 50 marks)

TOTAL FOR PAPER = 100 MARKS

S 4 7 5 1 8 A 0 1 7 1 7

Question Number	Answer	Mark
1(a)	<p align="center">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding what is meant by a dynamic market, e.g.</p> <ul style="list-style-type: none"> • a market that is subject to rapid/continuous change. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • video games consoles are a technological product/technology advances at a rapid rate • competitors such as Nintendo Wii or Microsoft Xbox will be continually launching new products. <p>Analysis: 1 mark for developing a reason/cause/consequence of operating in a dynamic market, e.g.</p> <ul style="list-style-type: none"> • video games consoles will therefore require large amounts of investment in design • therefore it is easy to lose market share. 	(4)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none"> unit cost = $\\$348 + \\$18 + \\$6 = \\372 <p>Application: up to 3 marks for</p> <ul style="list-style-type: none"> calculate mark-up = $\\$372 \times 1.042 = \\387.62 convert US retail price to UK £ = $387.62 / 1.68$ UK retail price = £231 <p>Or</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none"> unit cost = $\\$348 + \\$18 + \\$6 = \\372 <p>Application: up to 3 marks for</p> <ul style="list-style-type: none"> convert US retail price to UK £ = $372 / 1.68 = £221.43$ apply mark up of 4.2% UK retail price = £231 <p>NB: if answer given is £231 award 4 marks.</p>	(4)

Question Number	Indicative content	Mark
1(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Removal of restrictions that would discourage international trade. • Opportunity to sell more games consoles. • The Chinese console market is estimated to be worth \$13 billion. • Opportunity to enter a market with high-growth rates/income elastic demand/positive income elasticity. • Greater ability to outsource production to China. • Larger economies of scale. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Competition will intensify. • Demand will become price elastic. • First mover advantage becomes crucial. • Profit margin may be squeezed. 	(10)

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

Question Number	Indicative content	Mark
1(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Access to more emerging markets with income elastic demand. • Lower costs of accessing these markets. • Access to cheaper raw materials. • Removal of any trade barriers/restrictions. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Increased competition. • Demand in the market may become more price elastic. • Importance of a low unit cost becomes more important. 	(12)

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	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	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>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Helps to differentiate the games console compared to Nintendo and Microsoft. • Increases consumer recognition. • Erects barriers to entry to keep competition out. • Reduces price elasticity of demand. • Opportunity to build a strong brand given that China has a large population of young people who may be more brand sensitive. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Quality of the games console and the range of games on sale may be more important. • Depends on whether rival games console manufacturers decide to brand their consoles heavily. • Other elements of the marketing mix may be more important such as price, other methods of promotion and distribution channels (place). 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect 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 and thorough knowledge and understanding, supported throughout 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 well developed. Quantitative 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.

Question Number	Answer	Mark
2(a)	<p align="center">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding what is meant by market orientation, e.g.</p> <ul style="list-style-type: none"> the consumer is the most important factor when providing products. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> beds are handcrafted around individual needs Vi-Spring produce one of the world's most expensive beds. <p>Analysis: 1 mark for developing a reason/cause/consequence of the high level of market orientation, e.g.</p> <ul style="list-style-type: none"> therefore Vi-Spring are able to charge high premium prices for their beds makes it more difficult for competitors to enter this market. 	(4)

Question Number	Answer	Mark
2(b)	<p align="center">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding what is meant by niche market, e.g.</p> <ul style="list-style-type: none"> • it is a small, specialised market segment. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • lack of economies of scale in the purchase of silk and British Shetland wool • the number of customers for £80 000 beds may be too few. <p>Analysis: 1 mark for developing a disadvantage of operating in a niche market, e.g.</p> <ul style="list-style-type: none"> • resulting in higher unit costs • therefore each bed will require a high profit margin. 	(4)

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Protect Chinese furniture manufacturers from foreign competition. • Reduce the chances of higher unemployment in the Chinese furniture industry. • Raise taxation revenues from the tariff. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Tariff will not necessarily work since Chinese consumers are more concerned about quality. • Could lead to retaliatory protectionism by other nations on Chinese exports. • May not encourage Chinese manufacturers to increase efficiency/quality. 	(10)

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

Question Number	Indicative content	Mark
2(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • There is likely to be less waste, given the high skills of the craftsmen, which is important considering cost of raw materials. • Highly motivated craftsmen are more likely to lead to increased productivity. • Build quality of the beds will be higher – reinforcing the quality nature of the product. • Provides branding advantages since hand-made is synonymous with high quality. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Much more expensive to employ. • They may require costly and time-consuming training. • They may be difficult to replace. • Depends on whether machinery could be used to complete the same task at the same quality. • Depends on what % of the production of the bed is completed by hand. 	(12)

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	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	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>Knowledge 4, Application 4, Analysis 6, Evaluation 6 Marks for application and analysis – include up to 4 marks for quantitative skills</p> <p>Quantitative skills assessed: QS4: interpret index numbers QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content (quantitative skills)</p> <ul style="list-style-type: none"> • Reference to graph which demonstrates an understanding of an index: Chinese Yuan appreciating by 6-7%, US dollar appreciating by 7-8% and Indian Rupee fluctuating with a peak in August/September 2013 and overall appreciation of 11-12% (QS4) • The pound (£) has been strengthening over six months to varying degrees across the three markets. (QS9) • The impact will depend on how much the £ has appreciated (reference to percentage changes for each currency) (QS9) <p>Indicative content</p> <ul style="list-style-type: none"> • This should make prices in Chinese, Indian and US markets appear more expensive. • Demand in China, India or the US could decline. • A high percentage of the raw materials is sourced from the UK. • Luxury beds produced abroad would appear less expensive in a foreign currency relative to a Vi-Spring bed. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • The beds are aimed at individuals with a high income, therefore Vi-Spring are less likely to be affected. • Demand in Chinese, Indian or US markets is likely to be price inelastic. • Income inequality in China and India could result in much lower PED than the US. • Negligible effects due to low PED and lack of raw material imports. • Vi-Spring could have hedged to reduce its reliance on day-to-day exchange rate movements. • Depends on the degree to which Vi-Spring rely on foreign markets to make sales. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect 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 and thorough knowledge and understanding, supported throughout 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 well developed. Quantitative and qualitative information are 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 qualitative information 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.

NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.

Write your name here

Surname

Other names

Pearson Edexcel
Level 3 GCE

Centre Number

--	--	--	--	--	--

Candidate Number

--	--	--	--	--	--

Business

Advanced

Paper 2: Business activities, decisions and strategy

Sample assessment material for first teaching
September 2015

Time: 2 hours

Paper Reference

9BS0/02

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

S47519A

©2014 Pearson Education Ltd.



PEARSON

Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Microsoft buys Nokia handset business for €5.4bn

Nokia is selling its mobile phone division for €5.44bn (£4.6bn) in a deal that will result in 32 000 staff transferring to Microsoft. This takeover marks the boldest step yet taken by Microsoft in its recently announced strategy of moving decisively into the device-manufacturing business. Prior to this deal, Microsoft provided Nokia with Windows software at a reduced cost to prevent it from developing its own operating system. 5

Microsoft hopes this move will allow it to design hardware for its software products and will therefore bring it the kind of success enjoyed by competitors such as Apple.

As part of this deal, Microsoft is also providing €1.5bn of immediate financing to Nokia who have been unable to raise external finance. Even inside cash-rich Microsoft, Nokia's phone division will face serious challenges. In 2010, revenue from sales of Nokia handsets was €7.2bn. By 2013, revenue had fallen by 61%. 10

(Source: adapted from 'China lifts 13-year ban on video game consoles' by Fred McConnell, 7 January 2014, © Guardian News and Media Limited 2014)

Extract B

Worldwide mobile device sales to end users by vendor in Quarter 1 2011 and Quarter 1 2012 (thousands of units)

Company	Quarter 1 2011 units	Quarter 1 2011 market share (%)	Quarter 1 2012 units	Quarter 1 2012 market share (%)
Samsung	68 782.0	16.1	86 567.6	20.7
Nokia	107 556.1	25.1	83 162.5	19.8
Apple	16 883.2	3.9	33 120.5	7.9

(Source: adapted from www.gartner.com)

Extract C

Mobile phone usage forecast

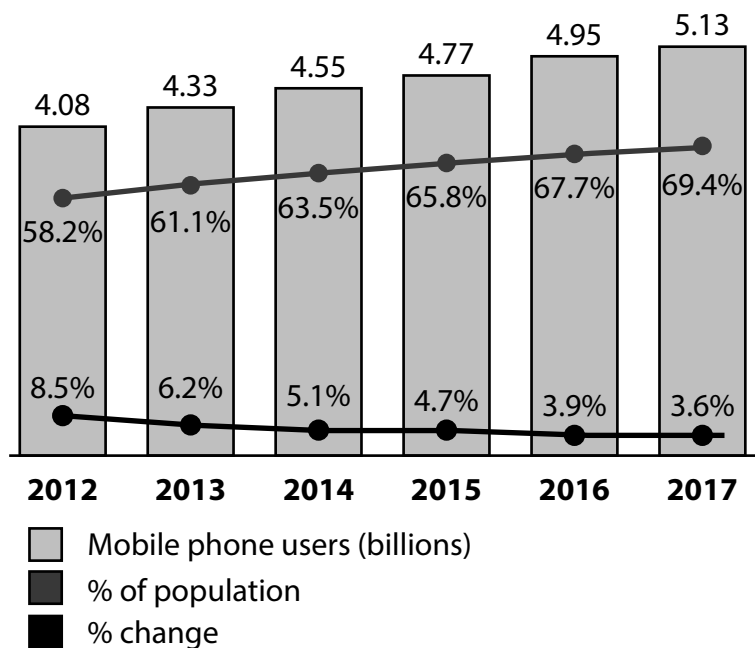


Figure 1

**Mobile Phone Users Worldwide,
2012–2017 (billions, % of population and % change)**

(Source: © eMarketer Inc)

Mobile phone users are rapidly switching over to smartphones as devices become more affordable due to technology advances. Smartphone users currently account for the majority of mobile phone users.

Extract D

Quality management at Samsung

At Samsung, 'Fostering the individual' and 'change begins with me' are commonly heard phrases. This relates to quality management. Samsung manufactures its smartphones at the Gumi factory, which is part of a global network of Samsung facilities.

In 2012, Samsung produced a total of 400 million phones, or 12 phones every second. Samsung uses cell production, with each employee standing within a three-sided workbench that has all the necessary tools and supplies an arm's reach away. The employee is then responsible for the overall assembly of the phone. Furthermore, computer stations located throughout the assembly facility can call up real-time manufacturing data from any Samsung facility in the world. 5

Samsung employees are given incentives to come up with cost-saving ideas and a proportion of these cost-savings is returned to the employee as a bonus. 10

In May 2012, three weeks before the Galaxy S III was to be shipped, a Samsung customer told the company that the back covers for the smartphone looked cheaper than the demonstration models shown to clients earlier. There were 100 000 covers in the warehouse with the inferior design which were scrapped and replaced. 15

(Source: <http://www.businessweek.com/articles/2013-03-28/how-samsung-became-the-worlds-no-dot-1-smartphone-maker>, Sam Grobart, March 28, 2013)

- 1 (a) Using the data in Extract A, calculate Nokia's sales revenues in 2013. You are advised to show your working.

(4)

- (b) Explain **one** reason why diseconomies of scale might affect a business such as Microsoft.

(4)

(c) Using the data in Extract C, assess the usefulness of the forecast for a business such as Nokia.

(10)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(12)

[illegible]

(20)

[illegible]

(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Young's Seafood Limited

Young's Seafood Limited is the leading UK fish and seafood processor, providing frozen and chilled, branded and retailer branded fish. Its teams create over 2 000 different products including smoked salmon, breaded scampi, fish pies, battered fish and fillets. Fish can play an important part in a healthy diet and official health guidance suggests that people should try to eat fish at least twice a week.

5

The following table shows the turnover and profit for Young's Seafood Limited in 2011 and 2012.

	January to December 2011	January to September 2012
Turnover	£458m	£425m
Operating profit	£9m	£7m
Operating profit margin	1.97%	1.64%

(Source: adapted from [www.youngseafood.co.uk/about us](http://www.youngseafood.co.uk/about-us))

Extract F

How to be an ethical consumer of fish

Until now, only a few fisheries have been awarded the coveted blue label by the Marine Stewardship Council (MSC). Mackerel from the North Sea, and off Cornwall and Hastings, have met the eco-credentials of sustainability and traceability from sea to fork.

Determined consumers could track the catch from trawlers taking part in the 'responsible fishing scheme' run by the Sea Fish Industry Authority, although it is mainly aimed at ensuring a sustainable approach elsewhere in the supply chain – wholesalers and supermarkets, for instance.

5

The MSC's Fishonline website suggests fish to avoid include Atlantic cod, halibut and wild salmon and beam-trawled brill and turbot from the North Sea. Organically farmed salmon is fine, as are black bream, sea bream and flounder from Cornish waters or off the north and north-west coast of Wales.

10

Much of the fish eaten in Loch Fyne restaurants, an outlet praised recently by *Ethical Consumer* magazine, comes from inshore trawlers off the Cornish coast or ports and fish farms in Iceland and Norway.

(Source: adapted from 'How to be an ethical fish consumer' by James Meikle, 26 March 2008, © Guardian News and Media Limited 2014)

Extract G

Benson's Foods is one of the fastest-growing canned fish brands in the UK. It supplies retailers and supermarkets across the UK. Benson's sales rose by more than 45% in 2012.

Fish products bought from overseas need to be as fresh as possible before they are canned. Any payment delays to foreign suppliers could prove costly to Benson's as exchange rates can change dramatically at any time.

5

As consumer food prices are generally increasing, it is vital that Benson's remains competitive on price to continue its business growth.

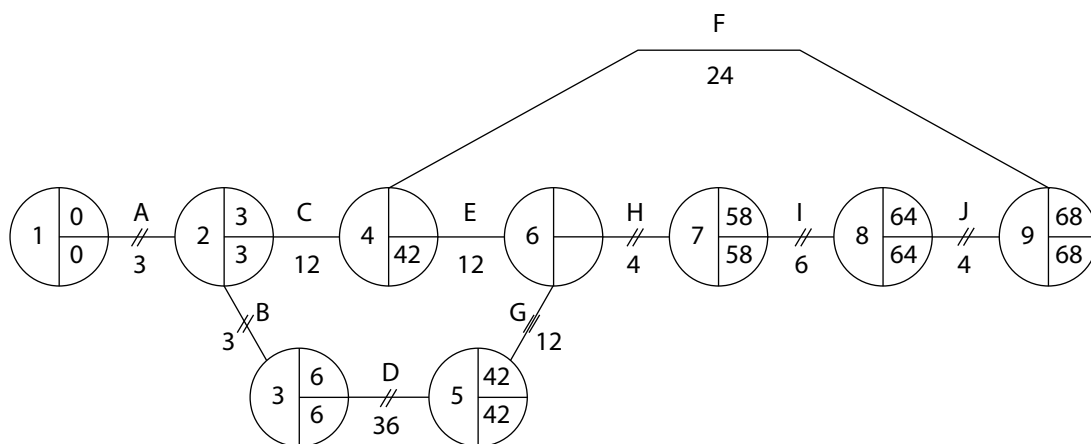
(Source: © *The Daily Telegraph*, 18 November 2013)

Extract H

Grimsby Fish has created more than 100 jobs with a new factory as part of a £12m development. They are opening a 6 000 square metre factory in Grimsby to meet the demands of a new contract with Marks & Spencer.

The factory will produce a range of handcrafted fish cakes, pasties, quiches and pies.

- 2 Before building its new factory, Grimsby Fish constructed a network diagram to plan the project. Each figure represents the number of days each activity was estimated to take.



(a) Calculate the total float for Activity E.

(4)

.....

.....

.....

.....

.....

.....

.....

(b) Explain how inflation could have impacted on the profitability of Young's Seafood Limited.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

(10)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(12)

[illegible]

(20)

[illegible]

(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS5: calculate cost, revenue, profit and break-even</p> <p>Knowledge: 1 mark for identifying formula for percentage change, e.g. difference/original figure x 100</p> <p>Application: 3 marks for:</p> <ul style="list-style-type: none"> • Re-ordering percentage change formula to calculate difference in revenue $7.2 \times 0.61 = 4.39$ • Subtracting difference from original $7.2 - 4.39$ • €2.81 bn <p>NB: if answer given is €2.81 bn award 4 marks.</p>	(4)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding of diseconomies of scale, e.g. a rise in average/unit costs experienced as a business grows in size.</p> <p>Application: 2 marks for answers in the context of Microsoft, e.g.</p> <ul style="list-style-type: none"> • Microsoft is a large organisation with a range of different operations relating to software development • communication between computer software divisions and phone software divisions becomes more difficult as the business grows <p>Analysis: 1 mark for answers that explain a reason/cause of diseconomies of scale, e.g.</p> <ul style="list-style-type: none"> • therefore increased mistakes are more likely between departments working on different areas of software, which will raise average costs. 	(4)

Question Number	Indicative content	Mark
1(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3 Marks for application and analysis include up to 2 marks for quantitative skills</p> <p>Quantitative skills assessed: QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content (quantitative skills)</p> <ul style="list-style-type: none"> the data shows that between 2012 and 2017, the percentage of the world population using a mobile phone is projected to increase but that the rate of increase is projected to fall (QS9) the statistics in the forecast may not be reliable because the forecast does not account for other statistical variables such as percentage change in real income or percentage increase or decrease in mobile phone usage (QS9) <p>Indicative content</p> <ul style="list-style-type: none"> A forecast takes past data and uses this to project (extrapolate) into the future. Businesses use forecasting to plan areas of their operations such as production, stock control, human resources and marketing. Nokia can see forecast trends for world mobile phone usage and associated software. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> The forecast may be based on inaccurate or out-of-date information (marketing publication). Research and development in this industry takes a long time. The data does not give information about how the usage of phones has evolved. Time period limited. 	(10)

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

NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.

Question Number	Indicative content	Mark
1(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Takeovers occur when a business buys a controlling interest in the share ownership of another business. • Takeovers often give a competitive advantage. • A competitor may have technology that has been patented. • Takeover of Nokia increases Microsoft's market share by nearly 20%. • Microsoft saw an opportunity in Nokia to buy a phone manufacturer. • May be vertical integration as Nokia manufacture phones. • Economies of scale can also result from takeovers. <p>Possible counterbalance</p> <ul style="list-style-type: none"> • Takeovers are often unsuccessful in achieving their stated aims. • Microsoft might not have the knowledge and understanding of the mobile handset sector. • Nokia's technology and intellectual property may be quickly out of date. • Clash of cultures. • Duplication of roles and resources. 	(12)

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	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	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>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Quality management is intended to reduce wastage as well as increase the quality of finished products. • Total Quality Management (TQM) places the responsibility of quality with every employee in the organisation. • It would be costly to leave quality checking until the end of the process as occurs with traditional quality control methods of quality management. <p>Possible counterbalance</p> <ul style="list-style-type: none"> • Quality management is costly and time-consuming. • Defects can get through the system undetected until the end of the process. • Nokia has recently developed a reputation for poor build quality. • Factors other than quality are important in the mobile phone market. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect 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 and thorough knowledge and understanding, supported throughout 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 well developed. Quantitative 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.

Question Number	Answer	Mark
2(a)	<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 identifying how total float is calculated, e.g. $LFT - EST - Duration$</p> <p>Application: up to 3 marks for calculating the total float of activity E</p> <ul style="list-style-type: none"> • Use and interpret diagram to calculate EST for activity C (node 4) $EST \text{ of activity C} + \text{duration of activity C} = 15$ • Use and interpret diagram to calculate LFT for activity H (node 6) $LFT \text{ of activity H} - \text{duration of activity H} = 54$ • Identify duration of Activity E = 12 • Total float $54 - 15 - 12 = 27$ <p>NB: if answer given is 27 award 4 marks.</p>	(4)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for showing an understanding of inflation, e.g. a sustained rise in the general price level in an economy.</p> <p>Application: up to 2 marks for contextualised answers, e.g.</p> <ul style="list-style-type: none"> • fuel costs for running fishing boats may rise • other costs of such as staff wages will rise, leading to an increase in Young's Seafood Limited's expenses <p>Analysis: 1 mark for developing a reason/cause/consequence of inflation on profitability, e.g.</p> <ul style="list-style-type: none"> • leading to a reduction in profit margins and therefore profitability. 	(4)

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • New factory is likely to include new machinery/ packaging techniques. • Increases competitiveness by reducing the costs of production. • Unit costs may fall as productivity increases through the use of new technology. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Increased short-term investment cost, e.g. £12m spent on new factory and machinery. • New technology can often unsettle or lead to a reduction in employee motivation. • Other factors might be more important than technological change, e.g. the quality of its fish products, the skills of workers in the labour intensive aspects of fishing and fish production. • Capacity of the factory and the productivity of the workers might be more important. 	(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	5–7	Accurate and thorough knowledge and understanding, Supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, Supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
2(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Strong pound makes imports cheaper so costs of raw materials fall. • Increased profit margins. • The opportunity for Benson's Foods to reduce their prices whilst maintaining existing margins. • Other costs such as fuel/energy prices may be affected by the exchange rate. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Other effects on total costs: marketing, wages, distribution, fuel and production costs. • Impact depends on the proportion of its costs of imports against cost of buying raw materials from the UK. • Impact depends on the rate of the appreciation of the pound and the extent of the appreciation, both of which are outside Benson's Foods control. 	(12)

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 is 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 and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	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>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Environmental issues might include: over-fishing; pollution of waterways from fishing boats or fish-farming techniques; disruption to local ecosystems due to the changing balances of different species. • Ethical issues might include: cruelty from fishing and fish farming; damage to other species (dolphins and whales); (mis)treatment of staff in developing countries. • Programmes such as the 'responsible fishing scheme'. • Sustainably fished products may be more attractive to customers. • Following an environmental/ethical stance may allow a premium pricing strategy. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Price might be a more important factor for consumers in their purchases. • Preference for traditional species such as cod may be more important. • Depends on the degree to which other fish businesses embrace these issues. • Young's Seafood Limited may have little control on the way suppliers operate. • Legal regulation is increasing in the fishing industry, e.g. MSC 'blue label' scheme. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect 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 and thorough knowledge and understanding, supported throughout 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 well developed. Quantitative 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.

Pearson Edexcel Level 3 GCE

Business

Advanced

Paper 3: Investigating business in a competitive environment

Pre-release

Sample assessment materials for first teaching
September 2015

Paper Reference

9BS0/03

You do not need any other materials.

Turn over ►

S47523A

©2014 Pearson Education Ltd.



PEARSON

Investigating business in a competitive environment

Context

This year the context is the market for snack foods and the businesses operating in this market in the UK.

Research

To prepare for this year's context, you should research:

- trends in snack food consumption over the last 10 years
- influences on the market for snack food, such as lifestyle changes and social trends
- major businesses and niche operators in the snack food market
- the competitive environment facing snack food businesses.

You **cannot** take any of your research or investigation data carried out as part of the pre-release into the examination.

Write your name here

Surname

Other names

Pearson Edexcel
Level 3 GCE

Centre Number

--	--	--	--	--	--

Candidate Number

--	--	--	--	--	--

Business

Advanced

Paper 3: Investigating business in a competitive environment

Sample assessment materials for first teaching
September 2015

Time: 2 hours

Paper Reference

9BS0/03

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

S47522A

©2014 Pearson Education Ltd.



PEARSON

Answer ALL questions.

SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

Extract A

Importance of promotional activity in the UK crisp market

The UK crisp market is very competitive despite the presence of a clear market leader, Walkers, owned by US multinational Pepsico. Commenting on the UK crisp market, Marketing Director of Burts Chips Ltd, Leanne Bramhall, stated, 'The most depressing factor about the UK crisp market is the need for constant promotional activity to drive sales. This has resulted in niche premium crisp manufacturers suffering'. This is despite market research showing positive economic growth forecasts. This research also shows the crisp market reaching total sales in excess of £1bn in the UK during 2013.

5

(Source: Leanne Bramhall, Marketing Director, Burts Chips Ltd)

Extract B

Demand for healthy crisps grows

They may not be the healthiest snack, but potato crisps remain the UK's second most popular snack food. However, with healthier alternatives such as crisps made out of dried fruit becoming ever more popular, is the classic deep fried potato crisp under threat?

Market research organisation, Mintel, has stated that during the period of negative economic growth from 2008–2012, demand for UK potato crisps increased by 29%. However, a Mintel spokesperson highlighted that, 'at the end of the day crisps are an indulgent treat but consumers are not oblivious to their health credentials'.

5

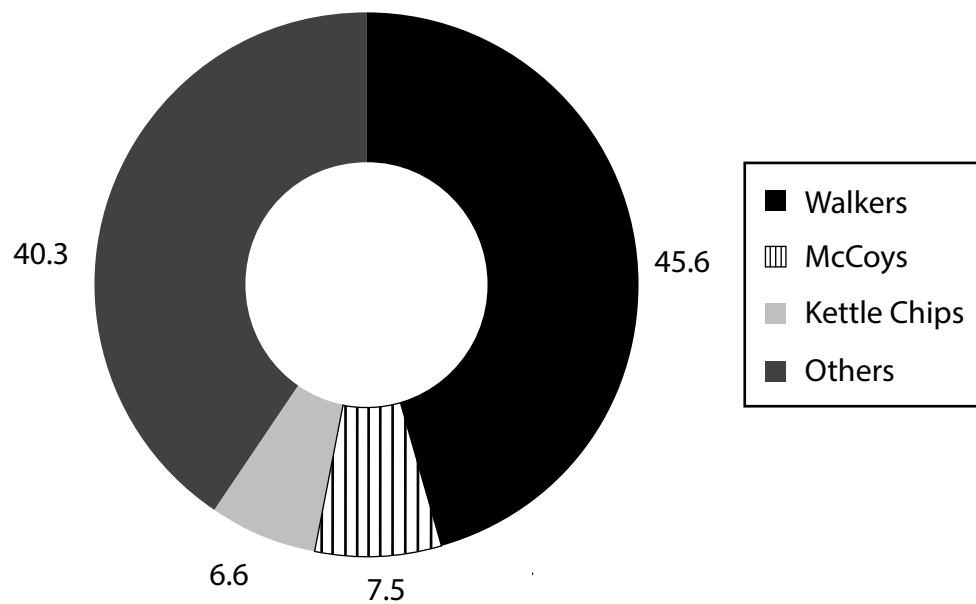
This has led to new firms entering the UK crisp market such as those owned by Charlie Fermor of Perry Court Farms. It produces a new air-dried crisp entirely out of apples. Charlie stated that 'our fruit crisps are completely natural. It's just apple. There's no oil, sugar or salt or any of that other horrible stuff'. Perry Court Farms have recently signed contracts to export their air-dried apple crisps to China and Charlie expects revenue to increase by over 1 000% during 2013.

10

(Source: adapted from <http://www.dailymail.co.uk/news/article-2228633/Farmers-son-Charlie-Fermor-developed-fruit-crisps-begins-exporting-worldwide.html>)

Extract C

Market share (%) in the UK crisp market 2013



(Source: Trends & Developments in the Savoury Snacks Sector in the UK, Canadean 2014)

Extract D

Percentage change in GDP

	2009	2010	2011	2012
China	9.2%	10.4%	9.3%	7.8%
India	8.5%	10.5%	6.3%	3.2%
United Kingdom	-5.2%	1.7%	1.1%	0.1%

GDP per capita in US\$

	2009	2010	2011	2012
China	3 749	4 433	5 447	6 093
India	1 147	1 417	1 540	1 503
United Kingdom	35 455	36 573	38 927	38 649

(Source: <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>)

- 1** (a) Assess **two** implications for UK crisp manufacturers of the need for 'constant promotional activity' (Extract A).

(8)

[illegible]

(10)

This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings present.

(12)

[illegible]

(20)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

BLANK PAGE
QUESTION 2 BEGINS ON THE NEXT PAGE.

SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

Extract E

Burts experiences rapid growth

Burts Chips Ltd (Burts) was founded in 1997 in Kingsbridge, South Devon. The company manufactures high-quality, hand-fried potato chips (crisps). Despite competing in the fiercely competitive potato crisp market, the company has experienced rapid organic growth since the first day it opened. As a result of producing high-quality, heavily branded crisps, supermarkets such as Tesco have been willing to stock a range of Burts' flavours. They compete for shelf space with brands such as Walkers and McCoys, which dominate the market.

5

Extract F

Burts expands into foreign markets

In 2014, Burts decided to increase its productive capacity by 100% by investing £2.1m in new frying machines and a more efficient packaging line. This investment had to be funded by issuing new shares to existing investors.

The expansion of Burts' factory was necessary to cope with rapid growth in demand. Although most of this extra demand came from the UK, Burts now sells its crisps in 42 different countries and has become the leading brand in the Dutch premium crisp market. Burts' focus on organic growth has been driven by strong branding and a commitment to quality and innovation – all demonstrated by its willingness to risk the production of unusual flavours such as vanilla sea salt.

5

Extract G**Selected information from Burts Chips Ltd's Statement of Comprehensive Income 2012–13**

	2013 (£)	2012 (£)
Turnover	14 667 947	12 867 523
Cost of sales	(10 271 989)	(9 335 193)
Gross profit	4 395 958	3 532 330
Other operating expenses	(3 865 266)	(3 470 420)
Operating profit	530 692	61 910
Exceptional items	268 617	104 017
Interest payable	(101 283)	(331 578)
Profit for the year (net profit)	698 026	(165 577)

Extract H**Selected information from Burts Chips Ltd's Statement of Financial Position 2012–13**

	2013 (£)	2012 (£)
Non-current assets	1 342 665	1 342 665
Current assets	3 572 020	3 578 542
Current liabilities	(35 547)	(304 164)
Non-current liabilities	(2 205 824)	(2 205 824)
Share capital	3 275 000	3 275 000
Retained profit	(601 686)	(863 781)

(8)

[illegible]

(10)

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

(12)

[illegible]

(20)

[illegible]

(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.

Question Number	Indicative content	Mark
1(a)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> Costs of advertising will be high. Profit margin will be low. Some smaller manufacturers will struggle to compete. Full value of the brand may not be realised. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> It depends on the price elasticity of demand. It may benefit larger manufacturers such as Walkers. It could restrict the likelihood of new firms joining the market. 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1(b)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Need to change the product mix. • Need to do more market research. • Market becoming more dynamic. • More expensive materials or methods of production. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Depends on degree to which people want to purchase healthier snacks. • Demand for regular crisps has still increased by 29%. • 1000% revenue increase in air-dried apple crisps could be from a low base. • Depends on the degree to which healthier crisps require different methods of production. 	(10)

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

Question Number	Indicative content	Mark
1(c)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Lack of economies of scale. • Fewer resources to compete with market leader (Walkers). • Less brand recognition. • Inability to compete on price. • More vulnerable to failure. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Economies of scale are not crucial in a niche market. • Walkers operates in a different market segment. • Strong branding may allow a premium to be charged. • Adapt to changes/opportunities in the market. • Unlikely to suffer diseconomies of scale. 	(12)

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	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	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(d)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6 Marks for application and analysis – include up to 4 marks for quantitative skills</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS8: use and interpret quantitative and non-quantitative information in order to make decisions QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content (quantitative skills)</p> <ul style="list-style-type: none"> • Potential for greater revenues and profits (total UK sales are expected to reach £1bn) (QS8) • Overseas markets appear to be growing faster than the UK; data shows China is growing at a faster rate than India (China's GDP per capita has grown by 62% whilst India's has risen by only 31% between 2009 and 2012). (QS2) • UK market is growing by only 0.1%. Although in the domestic market growth is slowest (hasn't exceeded 2% between 2009 and 2012), the UK still has the richest consumers (GDP per capita is over six times greater than that of China) and the price of the product will be more affordable. (QS9) • Some foreign markets are growing at different speeds and may look more favourable than the UK (China 7.8%, India 3.2%), however the impact of this change is dependent on the size of the GDP. (QS2, QS9) <p>Indicative content</p> <ul style="list-style-type: none"> • Demand for some types of crisp could be income elastic. • Potential for UK crisp manufacturers to expand releasing larger economies of scale. • As incomes rise demand may become less price elastic. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • More data is required to fully assess the impact on manufacturers, e.g GDP/population/exchange rates. • Benefits of economic growth could depend on the type of crisps produced. • Benefits of growth will depend on which country the manufacturer targets. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect 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 and thorough knowledge and understanding, supported throughout 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 well developed. Quantitative and 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 qualitative information 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.

NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.

Question Number	Indicative content	Mark
2(a)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Market may have different tastes. • Transportation costs. • There may be established competition. • Possibility of protectionism. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • This can be overcome through market research. • Burt's has managed to become dominant in the Netherlands by focusing on innovation. • In EU markets this is illegal. 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
2(b)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Would increase gearing (gearing already at 45.2%). • Risk profile of the company would be too high. • The £2.1m loan would be too large for banks to be willing to lend. • The interest on the loan and the capital repayments would have liquidity/cash flow implications. • Banks worried about the limited liability implications of lending. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Factory expansion is very long term, therefore cheaper long-term sources of finance exist. • Share capital/venture capital may be more appropriate. • The business should be able to meet capital and interest repayments out of its profit. • The current ratio is high at 100.4. • Assets could act as collateral for the loan. 	(10)

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

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Risk profile is lower. • The business controls organic growth itself. • Cash flow and liquidity is not put under strain. • Organisation of the business is easier. • Avoids diseconomies of scale. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Does not benefit from knowledge of other business gained through inorganic growth. • Not capitalising on market opportunities abroad where demand is potentially income elastic. • Economic growth means crisp market is getting larger. • Not growing as fast as other manufacturers. • Prevents the ability to exploit significant economies of scale. 	(12)

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	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	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(d)	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6 Marks for application and analysis – include up to 8 marks for quantitative skills</p> <p>Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions QS2: calculate, use and understand percentages and percentage changes QS8: use and interpret quantitative and non-quantitative information in order to make decisions QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content (quantitative skills)</p> <p>Profitability:</p> <ul style="list-style-type: none"> • 2013 ROCE = (Operating profit/Capital Employed x 100) therefore $(530\,692 / 4\,879\,138) \times 100 = 10.9\%$ (QS1) • 2012 ROCE = $(61910 / 4\,617\,043) \times 100 = 1.3\%$ (QS1) • % change = 738% improvement (QS2) <p>Gearing:</p> <ul style="list-style-type: none"> • 2013 Gearing = (Non-current liabilities/Capital employed) x 100 therefore $(2\,205\,824 / 4\,879\,138) \times 100 = 45.2\%$ (QS1) • 2012 Gearing = $(2\,205\,824 / 4\,617\,043) \times 100 = 47.8\%$ (QS1) • % change = 5.4% improvement (QS2) <p>Liquidity:</p> <ul style="list-style-type: none"> • 2013 Current Ratio = Current assets/Current liabilities therefore $3\,572\,020 / 35\,547 = 100.4$ (QS1) • 2012 Current Ratio = $3\,578\,542 / 304\,164 = 11.7$ (QS1) • % change = 778% improvement (QS2) <ul style="list-style-type: none"> • Rate of return on capital employed (ROCE) has seen a dramatic improvement (QS9) • The market size is growing due to economic growth in UK and abroad. (QS9) • Gearing is nearing 50%, which could be viewed as too high. (QS8) 	

Indicative content

- Expansion will allow greater economies of scale.
- Revenue can be increased only by lowering prices.
- Expansion could lead to a lower average total cost (ATC).
- Opportunities for export growth exist.
- Burts has secured supermarket contracts and need to expand to meet demand.

Potential counterbalance:

- Any further expansion should be funded by share capital which will reduce the ROCE and the gearing ratio.
- Funding expansion through share capital could be less risky than loan capital.
- Trend towards healthier eating could reduce demand.
- Statement of financial may not be truly representative of Burts position.
- Financial forecasts may be required to assess Burts' ability to expand.
- May depend upon the objectives of the company – expansion may require a stock market flotation and directors may not want to relinquish control
- May depend on how Burts' perceive the strength of competition that they will face in new markets

(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect 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 and thorough knowledge and understanding, supported throughout 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 well developed. Quantitative and qualitative information are 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 qualitative information 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.

NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.

For more information about Edexcel or BTEC qualifications from Pearson, visit www.edexcel.com or www.btec.co.uk

Edexcel is a registered trademark of Pearson Education Limited

Pearson Education Limited. Registered in England and Wales No. 872828
Registered Office: Edinburgh Gate, Harlow, Essex CM20 2JE
VAT Reg No GB 278 537121