



Mark Scheme (Standardisation)

Summer 2022

Pearson Edexcel GCE A Level

In Business (9BS0)

Paper 02 Business activities, decisions and strategy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
<p>1(a)</p>	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed:</p> <p>QS 1 calculate, use and understand ratios, averages and fractions</p> <p>Knowledge: 1 mark for understanding of the gearing ratio:</p> <p>Non-current liabilities/capital employed x 100</p> <p>Application: up to 3 marks for</p> <ul style="list-style-type: none"> • Calculation of 2020 capital employed: $2748 + 1899 = 4647$ (1) • Calculation of gearing for 2020: $2748/4647 \times 100 = 59.13\%$ (1) • Calculating the difference between 2019 and 2020 = $59.13\% - 45.67\% = 13.46\%$ (1) <p>NB: If the only answer given is 13.46% or 13.46 award 4 marks. If the answer given is 13.5% or 13.5 award 3 marks.</p>	<p style="text-align: center;">(4)</p>

Question Number	Answer	Mark
<p>1 (b)</p>	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding capacity utilisation: e.g a measure of the extent to which the productive capacity of a business is being used.</p> <p>Application: up to 2 marks for contextualised examples, eg</p> <ul style="list-style-type: none"> • Capacity utilisation has fallen from 91.5% in 2019 to 87.2% in 2020 • There are more empty seats on each plane <p>Analysis: 1 mark is available for explaining effect, eg.</p> <p>The fixed costs are spread over fewer passengers resulting in higher unit costs/average costs</p>	<p>(4)</p>

Question Number	Indicative content	Mark
<p>1 (c)</p>	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Knowledge of Porter’s five forces: rivalry amongst existing competitors, threat of substitutes, potential new entrants, bargaining power of suppliers <p>Significance of bargaining power of buyers:</p> <ul style="list-style-type: none"> • Consumers have a wide choice of budget airlines, such as Ryanair. Consequently, consumers can switch to easyJet’s rivals if they charge lower prices • Consumers have alternatives to air travel such as road, rail and ferry, which may affect easyJet’s ability to retain customers • Consumers can share their bad experiences on social media, resulting in widespread bad publicity <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Power of suppliers – for example fuel represents around a third of total costs, therefore budget airlines may suffer from lower profit margins • Existing competition such as Ryanair and Jet2, therefore easyJet may suffer from lower sales/fall in market share • Threat of new entrants e.g. “the rise of a new generation of budget airlines”, enabled by low barriers to entry <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Bargaining power of buyers is the most significant influence because consumer complaints can damage easyJet’s reputation, resulting in a loss of sales and market share • The changing nature of the airline market is making it more dynamic, with both existing rivals and new entrants. This could be the most significant, as it has provided buyers with more choice 	<p>(10)</p>

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

Question Number	Indicative content	
<p>1 (d)</p>	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Quantitative skills assessed:</p> <p>QS3 construct and interpret a range of standard graphical forms QS9 interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Indicative content</p> <p>The price of jet fuel rose from \$37 per barrel in November 2015 to nearly \$97 per barrel in July 2018 Working capital = current assets – current liabilities</p> <p>Negative effects:</p> <ul style="list-style-type: none"> • Rising jet fuel prices may lead to increased cash outflows especially as easyJet has to buy fuel for its large fleet of 342 aircraft. This may result in a fall in working capital • In order to reduce cash outflows, easyJet may have to purchase less jet fuel, limiting easyJet’s ability to fly to all its 35 countries • easyJet may experience reduced cash inflows because the increased cost of jet fuel may force easyJet to increase its prices. This may lead to a fall in customer demand. Consequently, this may lead to a fall in working capital <p><i>Possible counterbalance:</i></p> <ul style="list-style-type: none"> • easyJet is the world 7th largest airline. It may be able to negotiate lower jet fuel prices from its suppliers, resulting in lower cash outflows. Consequently, easyJet may be able to manage its working capital more effectively • easyJet may be able to obtain more favourable credit terms from its suppliers, enabling it to reduce cash outflows by delaying payment • easyJet could reduce its cash outflows by switching to just in time, enabling it to buy smaller quantities of jet fuel. This could limit the effect on its working capital <p><i>Potential judgement</i></p>	<p>(12)</p>

	<ul style="list-style-type: none"> • The price of jet fuel has increased by \$60 per barrel. For most airlines, jet fuel accounts for around a third of total costs. Therefore, the effect on working capital would be significant because there will be a considerable cash outflow as there is no alternative to jet fuel • easyJet could improve its management of working capital by offering incentives to its customers to pay for their flights earlier, resulting in quicker cash inflows 	
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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 style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Arguments for electric and hydrogen powered aircraft:</p> <ul style="list-style-type: none"> • 94% of easyJet’s customers are concerned with the environmental impact of air travel, therefore a new fleet of electric and/or hydrogen powered aircraft would be appropriate • This could give easyJet a USP compared to its rivals such as Ryanair and Jet2, especially as it wants to lead the aviation industry in meeting the challenge of reducing the environmental impact of air travel through its ‘sustainability strategy’ • Consumers may be prepared to pay higher prices if they believe that they are making a positive environmental impact • Jet fuel currently represents a third of total costs for most airlines and therefore would not be needed if easyJet were to purchase a new fleet of electric/hydrogen aircraft <p>Arguments for increasing its market share of the package holiday market:</p> <ul style="list-style-type: none"> • This option would be cheaper than purchasing a new fleet of electric/hydrogen powered planes, which would be a significant capital investment (Ansoff would classify this strategy as market penetration) • easyJet is the seventh largest airline in the world, with 342 aircraft and 48 million customers across 35 countries and 154 airports. It is an established business with a well-known reputation, which makes an increase in market share more likely • 97% of easyJet’s customers travel for leisure. This may represent a large potential market, because these customers could be targeted to buy a package holiday instead of just a flight • easyJet holidays offers its customers a best price guarantee and full refund if customers cancel their holiday at least 28 days before departure. This may attract customers, especially after the disruptions they may have faced to their holidays as a result of any travel restrictions 	

Possible recommendations

- easyJet should choose to develop a new fleet of electric and/or hydrogen powered aircraft, despite the high initial cost. Because in the long term it may enable easyJet to reduce its energy costs significantly. This could lead to improved profitability through lower energy costs and the fact that customers may be prepared to pay higher prices
- Because of easyJet's established reputation, easyJet should focus on increasing its market share of the package holiday market. This option might be considered cheaper and less risky in the short term and therefore improve profitability

Examples of possible 'MOPS' responses

Market – the airline market is very dynamic, with lots of new entrants. It is also competitive with established operators such as Ryanair and easyJet in the budget sector as well as BA and Virgin Atlantic in the long-haul sector. Therefore, by investing in hydrogen powered aircraft, easyJet can establish a USP over its rivals

Objectives – easyJet wishes to improve its profitability. 97% of easyJet's customers fly for leisure, consequently easyJet can improve its profitability by generating more revenue through selling higher priced package holidays to the same customers

Product – easyJet is a low-cost European airline. By investing in electric/hydrogen powered planes easyJet can continue to satisfy its market segment and sell competitively priced package holidays, especially given the potential lower running costs in the long term

Situation – in common with most airlines, easyJet has recently suffered from falling passenger numbers due to travel restrictions caused by the global health crisis. In the short run, consumers may be keen to book package holidays because they were unable to in 2020

(20)

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	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effects(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 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 2, Analysis 1</p> <p>Quantitative skill assessed: QS1 Calculate, use and understand ratios, averages and fractions</p> <p>Knowledge: 1 mark for understanding of moving averages e.g. the formula totals to 3 months divided by 3</p> <p>Application: up to 2 marks for</p> <ul style="list-style-type: none"> • March – May: $30+45+70 = 145/3 = 48.33\%$ (1) • June – August: $70+90+90 = 250/3 = 83.33\%$ (1) <p>Analysis: 1 mark for</p> <ul style="list-style-type: none"> • difference $83.33 - 48.33 = 35\%$ (1) <p>NB: If the only answer given is 35% or 35 award 4 marks If candidate states -35% or -35 award 3 marks</p>	(4)

Question Number	Answer	Mark
<p>2 (b)</p>	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skill assessed: QS5: calculate cost, revenue, profit and break-even</p> <p>Knowledge: 1 mark for understanding of the formula for break-even, i.e.</p> <p>Fixed costs/contribution per unit</p> <p>Application: up to 3 marks for</p> <ul style="list-style-type: none"> • Contribution per room = £84 - £34 = £50 (1) • Monthly fixed cost = £30,000/12 = £2,500 (1) • Break-even = 2,500/50 = 50 rooms per month (1) <p>NB: Award 4 marks if the only answer is 50</p>	<p>(4)</p>

Alternative calculation:

- Annual break-even = £30 000/50 = 600 rooms **3 marks**
- Monthly break-even = 600/12 = 50 rooms **4 marks**

If candidate divides by 9 months:

- Monthly fixed cost = 30 000/9 = 333.33 **3 marks**
- Break-even = 333.33/50 = 67 rooms **4 marks**
- 66.67 rooms **3 marks**

Question Number	Indicative content	Mark
2(c)	<p data-bbox="394 138 1256 174">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p data-bbox="370 205 672 237">Indicative content</p> <p data-bbox="370 275 1256 342">historical budgeting: a budget based upon previous financial figures</p> <p data-bbox="370 380 813 411">Reasons why it is valuable:</p> <ul data-bbox="418 485 1279 800" style="list-style-type: none">• Bluebells has been operating since 2006, so has 16 years of previous figures it could use• The owners should have plenty of experience and knowledge of the holiday accommodation market, so the figures they use should be accurate and therefore of more value• Bluebells is a small business and historical budgeting is more appropriate as it is easier and quicker for Les and Liz to complete <p data-bbox="370 867 721 898"><i>Possible counterbalance</i></p> <ul data-bbox="418 951 1279 1224" style="list-style-type: none">• Bluebells is in a competitive market, with many other guesthouses, hotels and self-catering accommodation, so figures could change quite rapidly from year to year• Zero base budgeting may be more valuable since it forces Les and Liz to justify each area of the budget, which may make it more accurate given changes in the holiday market <p data-bbox="370 1276 667 1308"><i>Potential judgement</i></p> <ul data-bbox="418 1318 1279 1644" style="list-style-type: none">• Bluebells is a small family run business. Les and Liz have many other operations to deal with in addition to budgeting. Historical budgeting is therefore likely to be more valuable because it is more convenient and quicker• Historical budgeting may not be valuable given the competitive nature of the holiday market in Keswick, which may mean the variable cost per room might go up compared to the current £34	(10)

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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 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
<p>2(d)</p>	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <p>SWOT analysis is a strategic planning technique used to help a business identify its strengths, weaknesses, opportunities, and threats</p> <p>Reasons why it is useful:</p> <ul style="list-style-type: none"> • Bluebells’ strengths include its excellent reputation and 5* reviews, which can be used to counter threats and exploit opportunities • Bluebells’ potential weakness is that it is a relatively small business run by Les and Liz. It may therefore be able to identify potential problems and consider ways to overcome them, e.g. lack of expertise and finance compared to larger competitors • Potential opportunities from technological developments such as online travel agents, e.g. ‘Booking.com’ and customer review websites, e.g. ‘TripAdvisor’ can be exploited • Potential threats from the activities of existing competitors such as other guesthouses, hotels and self-catering accommodation can be identified and strategies developed to counter them <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Bluebells is a small business and the owners may lack the knowledge and experience to undertake SWOT analysis effectively • The UK holiday market is competitive and fast changing. Les and Liz may struggle to complete a SWOT analysis that reflects these changes • Completing a SWOT analysis may have a significant opportunity cost. Les and Liz could spend their time on more useful activities instead, such as offering more facilities <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • SWOT analysis is useful for strategic decisions because it will enable Les and Liz to focus upon the key influences that may affect Bluebells’ future success such as technological developments and increased competition • Due to the fast changing nature of the tourism market, decisions made through SWOT analysis may quickly 	

	become outdated. This consequently limits the usefulness of SWOT analysis for Bluebells.	(12)
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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
<p>2(e)</p>	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Cash flow is the movement of cash into and out of a business over a period of time. It is essential that a business has sufficient funds in order to pay for its day to day expenses • Profit is total revenue minus total costs. It is a reward for the risk of investing in the business <p>Arguments for improving cash flow:</p> <ul style="list-style-type: none"> • Bluebells is a seasonal business, with the majority of its cash inflow generated between May and September. Consequently, it needs to generate sufficient revenue to survive during the off season • The business is closed between December and February and consequently will have negative cash flow during these months • Les and Liz place great emphasis on the importance of financial planning. This includes careful management of working capital, so it's clear that they already recognise the importance of ensuring good liquidity • It is a small business, which may indicate that it has limited financial reserves and only be allowed a small overdraft facility by its bank <p>Arguments for increasing profit:</p> <ul style="list-style-type: none"> • Bluebells operates in a competitive market and may need to increase profits in order to have the funds available for investment in marketing e.g. a well designed website. Retained profits is cheaper than obtaining a bank loan • Bluebells reinvests 50% of its profits into the business to improve its efficiency e.g. new windows and fuel efficient boiler • In the long term Bluebells should focus on increasing profits, as it needs to consistently generate funds to reinvest in the business in order to maintain its success in a competitive market • Increasing profit is a reward for Les and Liz for the risk they took by investing in Bluebells 	<p style="text-align: center;"><u>Mark</u></p> <p style="text-align: right;">20</p>

Potential recommendation

- In the short term Bluebells should choose to improve its cash flow. This is because it may need to generate a sufficient cash surplus in the summer months in order to survive during the winter months, especially as it is a small business that is facing an increasingly competitive and fast changing market
- Bluebells needs to maintain its excellent reputation by investing profits back into the business to ensure the high standard of its facilities is maintained. This is important to ensure that Bluebells continues to attract customers in an increasingly competitive market

Examples of possible 'MOPS' responses

Market – Bluebells operates in the competitive holiday accommodation market. It faces threats from existing rivals in Keswick as well as competition from city breaks and other rural destinations.

Objectives – Bluebells places great emphasis on careful financial planning. This may include objectives linked to cash flow and profit targets. The business also has an excellent reputation which it needs to maintain

Product – Bluebells offers a good quality product at a competitive price. As it operates in the holiday market, demand for its product may be considered to have positive income elasticity of demand

Situation – Bluebells is a well-established business that has been operating since 2006. It enjoys a good reputation and achieves room occupancy levels consistently above its break-even target.

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Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported 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 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.

