



**Pearson
Edexcel**

Mark Scheme (Results)

Summer 2022

**Pearson Edexcel GCE AS Level
In Business (8BS0)**

Paper 02: Managing Business Activities

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General Marking Guidance

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

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Crowd funding is where large numbers of individuals provide funding for a business or project (1) in return for shares/free products/discounts/altruism (1). 	(2)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Price (1) multiplied by quantity sold (1). <p>NB: If candidates state 'income from sales' award 2 marks.</p>	(2)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes.</p> <p>Knowledge: 1 mark for identifying the capacity utilisation formula.</p> <ul style="list-style-type: none"> • $(\text{Current output} \div \text{maximum possible output}) \times 100$ <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Re-order formula to calculate the current output = maximum possible output x capacity utilisation • =42,500 x 0.98 • =41,650 cans <p>NB: If the only answer given is 41,650 award 4 marks.</p>	(4)

Question Number	Answer	Mark
1(d)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even. QS9: interpret, apply and analyse information in written, graphical and numerical forms.</p> <p>Knowledge: 1 mark for identifying the profit variance formula.</p> <ul style="list-style-type: none"> • Actual profit – budgeted profit <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Calculate the actual profit for raspberry drinks = £137 320 - £48 950 = £88 370 • Calculate the budgeted profit for raspberry drinks = £125 250 - £44 690 = £ 80 560 • Calculate the variance in profit for raspberry drinks = £88 370 - £80 560 = +£7 810 <p>OR:</p> <ul style="list-style-type: none"> • Calculate the variance in revenue for raspberry drinks = £137 320 – £125 250 = +£12 070 • Calculate the variance in total costs for raspberry drinks = £44 690 – £48 950 = -£4 260 • Calculate the variance in profit for raspberry drinks = £12 070 – £4 260 = +£7 810 <p>NB: If the only answer given is +£7 810, £7 810, 7 810 or £7 810 favourable award 4 marks.</p>	(4)

Question Number	Indicative content		Mark
1(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Flow production is the manufacture of an item/product in a continuous process • Average total costs of canning will be reduced since the fixed costs of the canning process will be divided up over a very large number of drinks • Modern production lines may allow the flavour of the drink to be changed with limited impact on efficiency. <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> • Nexba may not have the same flexibility to produce as many flavours as it did with its batch production factory • Expensive machinery may be required which will require significant amounts of investment in canning technology • If demand for the drinks drops and output is cut, the canning factory may lose capacity utilisation and average total costs of canning will increase. 		(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 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.	

Question Number	Indicative content	Mark
1(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • A competitive market occurs when there are many rival drinks manufacturers selling similar products, e.g. low-calorie beverages • Competition may force prices down resulting in falling profit margins for canned soft drinks • Nexba may be forced to invest in new flavours if Coca-Cola's Fuze Tea and PepsiCo's Driftwell drinks start to gain market share at its expense • Nexba may be forced to increase the amount it spends on advertising/branding to prevent loss of market share to rivals such as Coca-Cola, which has larger marketing budgets. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Nexba's drinks are in high demand given their natural ingredients, so the increase in competition may not affect the drinks company to a large extent • The increase in competition from Coca-Cola could force Nexba to become more efficient to reduce the cost of canning each drink • Nexba has a non-corporate brand which is different to those of established rivals like PepsiCo. Thus, Nexba may not face the same competitive forces. <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> • Nexba is a relatively small company compared to global multinationals. It may not be able to compete effectively against the likes of Coca-Cola, which can reduce prices to a much greater degree • Nexba's drinks are likely to have built up strong customer loyalty due to its niche branding and taste, therefore it may be difficult for larger rivals to be able to increase their level of competitiveness in this niche market. 	(10)

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

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Selling price (1) – average variable cost (1) • Sales revenue (1) – total variable costs (1) 	(2)

Question Number	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • The ability to pay bills in cash (1) when they fall due (1) • The ability to meet current liabilities (1) with current assets (1) 	(2)

Question Number	Answer	Mark
2(c)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even.</p> <p>Knowledge: 1 mark for identifying the formula for interest.</p> <ul style="list-style-type: none"> • Profit for the year (net profit) – operating profit <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Calculate gross profit = £79 473 000 - £11 543 000 = £67 930 000 • Calculate operating profit = £67 930 000 – £58 069 000 = £9 861 000 • Calculate difference between operating and profit for the year (net profit) £9 861 000 - £1 196 000 = £8 665 000 <p>NB: if the only answer given is £8 665 000 or (£8 665 000) award 4 marks. If the answer given is £8 665 or (£8 665) award 3 marks.</p>	(4)

Question Number	Answer	Mark
2(d)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for knowing what is meant by productivity, e.g.</p> <ul style="list-style-type: none"> • Output per person/machine per period of time <p>Application: 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • This may allow more games of bowling to be played since pins are re-set faster • This means that the pin setters are less likely to break down, since the pin setters are new <p>Analysis: up to 1 mark for explaining what the benefit may be to Hollywood Bowl plc, e.g.</p> <ul style="list-style-type: none"> • This may result in increasing sales revenue • As a result, the average total cost of a game may be reduced 	(4)

Question Number	Indicative content		Mark
2(e)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • The interest rate is the price of borrowing money/the return on saving money • A reduction in interest rates may help to reduce the fixed costs of servicing Hollywood Bowl’s £8.7 million of debt • Lower interest rates may help to improve liquidity by reducing cash outflows, considering the company has had to close its entertainment centres • Lower interest rates may boost discretionary consumer spending since their loan/mortgage repayments may fall, maybe leading to an increase in leisure spending when the entertainment centres re-open. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • The extent to which the company benefits from a reduction in interest rates depends on whether the interest rate charged on the £8.7 million of debt is fixed or variable • The interest rate has fallen from 0.25% to 0.1% so any reduction in cash outflows is likely to have a limited impact on liquidity, considering the company is receiving no cash inflows • Consumer confidence may be low, so when interest rates fell to 0.1%, consumers may decide not to increase leisure spending significantly. 		(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 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.	

Question Number	Indicative content	Mark
2(f)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Break-even is the level of output where the total revenue is equal to the total cost • Break-even analysis will provide a basic target of how many games of bowling each entertainment centre needs to sell in a year to cover its costs • Break-even analysis provides Hollywood Bowl with the ability to ask 'what if?' questions to discover what will happen to its profitability when certain factors change. For instance, following the introduction of the new pin setters what effect will this have on the profit per game? • Break-even analysis provides the company with a simple planning tool which enables it to have a target level of sales for each service offered in its entertainment centres. For example, it could be used to measure the success of its mini golf initiative in York. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Hollywood Bowl provides more than one service such as bowling, amusements, food/drinks and pool. Therefore, there will be numerous break-even points, reducing the usefulness of break-even analysis as a planning tool • Break-even analysis is unrealistic and has limited use to Hollywood Bowl because of the assumptions made e.g. a standard price for a game of bowling per person/constant average variable cost. <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> • Break-even analysis may be useful for some of the services offered that have a fixed price, such as pool and amusement arcades. It may be less useful for its core service of bowling where prices tend to change depending on group size and time • Break-even is of limited use because Hollywood Bowl generates revenues from multiple sources. Therefore, it is impossible to generate one overall break-even level of output for the company to aim for. Customers are likely to purchase other services, such as food and drinks. 	(10)

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

Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Quantitative skills assessed: QS9: interpret, apply and analyse information in written, graphical and numerical forms.</p> <p>Increase the number of distribution channels:</p> <ul style="list-style-type: none"> • Distribution channels are the methods by which a product gets from the manufacturer to the consumer • 180 g bars of chocolate are normally an impulse purchase. Therefore, it is critical that Tony’s Chocolonely is stocked by more retailers than just Sainsbury’s and Waitrose in the UK. If the company wants to increase its operating profit it has to find a way of making sales more convenient so sales revenue increases • Tony’s Chocolonely, could consider selling chocolate through its own website. This would cut out the retailer’s profit margin and give the company access to a global market, which should decrease costs of sales, increasing operating profit • By selling through more distribution channels, Tony’s Chocolonely may be able to increase sales volumes. This may allow it to increase the number of bars it produces in its factory. This could lead to greater capacity utilisation which may reduce costs of sales per unit, increasing gross and therefore operating profit • Selling chocolate through its own website may only be appropriate for larger purchases, such as gift boxes, because smaller bars are normally an impulse purchase. As a result, increasing the number of distribution channels may result in an increase in other operating expenses. This may have a limited impact on sales revenue, causing operating profit to decrease. <p>Move to competitive pricing:</p> <ul style="list-style-type: none"> • Competitive pricing is where a firm sets a price that matches that of competitors in the market • By lowering prices, Tony’s Chocolonely may be able to move into the mass market. Therefore, more retailers such as Tesco may agree to stock their range of chocolate bars. This may increase sales revenue and operating profit 	

- If demand for Tony's Choclonely bars is price elastic, then a reduction in price could lead to a greater than proportionate increase in the quantity of chocolate bars demanded, leading to an increase in sales revenue and operating profit
- Since Tony's Choclonely bars are still a niche product, there is a danger that moving to a price that matches that of Cadbury's will result in a limited increase in sales volume. This may cause a significant reduction in sales revenue and operating profit.

Potential recommendation

- Increasing distribution channels may be the best option, as currently Tony's Choclonely is only available at a limited number of retailers. This prevents the business gaining sufficient size to be able to compete on price with more established manufacturers such as Cadbury's. Therefore, this strategy is much more likely to result in increased operating profits
- The use of competitive pricing assumes that Tony's Choclonely can establish a cost per bar similar to that of more established competitors, such as Cadbury's. The current price difference of 75% probably reflects a much higher cost of production due to the company's ethical responsibilities to cocoa farmers, as would be the case with Green & Blacks. Thus, competitive pricing may be the best option within the premium chocolate market segment.

(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 causes and/or consequences.
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 causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/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. Proposes a solution and/or recommendation(s).

