

Mark Scheme (Results)

January 2013

GCE Economics & Business (6BS04/01)
Unit 4A: Making Business Decisions

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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.
- Marks may be awarded for any correct responses, not just the indicative answers which appear on 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.
- The requirement to define business terms is implicit within the questions and marks are awarded for this.
- 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.
- Quality of written communication will be assessed in Section B, Question 7a & 7b. The mark scheme for this question will indicate which strands of Quality of Written Communication are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear;
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter;
 - iii) organise information clearly and coherently, using specialist vocabulary where appropriate.

Unit 4A: Making Business Decisions

NB for the purpose of marking SuperGroup/Superdry can be taken as synonymous.

Question Number	Question	Mark
1.	What is meant by the term 'competitive advantage'? (Additional Evidence J)	
	Answer	Mark
	<p>Knowledge up to 2</p> <ul style="list-style-type: none"> • Features of your product or service (1 mark), that make it stronger in the market place than competitors (1 mark) • What marks the business out from competitors (1 mark), for example sales via mobile phone (1 mark); branding (1 mark) • Accept USP (Unique Selling Point/Proposition) as a possible example of a competitive advantage (1 mark). Do not accept 'USP' only. • 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative 	1-2

Question Number	Question	Mark
2.	What is meant by the term corporate strategy?	
	Answer	Mark
	<p>Knowledge up to 2:</p> <ul style="list-style-type: none"> • The means/plans (long-term/medium-term NOT short-term) (1 mark) by which a business hopes to achieve its overall aims (1 mark), for example expanding online sales in order to maximise growth (1 mark) • The major issues such as what industry or markets (1 mark) the business should compete in, in order to achieve its corporate objectives (1 mark) <p style="text-align: center;">NB: look for confusion between objectives and strategies.</p> <ul style="list-style-type: none"> • 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative. 	1-2

Question Number	Question	
3.	Using Ansoff's Matrix, explain Superdry's decision to launch a mobile phone sales option. (Additional Evidence J)	
	Answer	Mark
	<p>Knowledge up to 1</p> <ul style="list-style-type: none"> • Ansoff's Matrix outlines four generic strategies (1 mark) • Market penetration(1 mark); product development(1 mark): market development(1 mark); diversification are all examples (1 mark) • Sketch of Ansoff's matrix (1 mark) <p>Application up to 2</p> <ul style="list-style-type: none"> • Superdry are selling to existing customers with their mobile phone option (1 mark)/iPhone app (1 mark) and the product is still the same (1 mark) • Application of Ansoff's matrix (up to 2 marks) <p>Analysis 1</p> <ul style="list-style-type: none"> • Market penetration is the least risky option as both variables are known (1 mark) • It could be argued that it is market development because new customers who would shop via phone applications, but not in stores could be attracted (1 mark) 	<p>1</p> <p>1-2</p> <p>1</p> <p>Total (4 marks)</p>

Question Number	Question	
4.	Explain how one stakeholder group might be affected by the implementation of SuperGroup's CSR policy (Evidence G).	
	Answer	Mark
	<p>Knowledge up to 1 mark</p> <ul style="list-style-type: none"> • An individual or group that affects and is affected by a (business) organisation (1 mark) • Knowledge of a particular stakeholder group (1 mark) e.g. employees; customers; managers; shareholders; competitors etc. • Knowledge of CSR e.g. CSR involves considering ethical or environmental issues (1 mark) above the level required by law (1 mark) <p>Application up to 2 marks</p> <ul style="list-style-type: none"> • Use of CSR policy statement: e.g. Supergroup are a member of SEDEX (1 mark) e.g. Supergroup visits its suppliers to check their materials are sourced responsibly (1 mark) e.g. Suppliers accepting ILO codes (1 mark) <p>Any other valid application from source G. (1 mark)</p> <p>Stakeholders eg</p> <ul style="list-style-type: none"> • Suppliers who make the Superdry garments (1 mark) • Customers who care about issues such as child labour or sweat shops (1 mark) • Shareholders who want to invest in an ethical company (1 mark) • Workers in suppliers' factories who should gain protection (1 mark) <p>Analysis up to 1marks</p> <ul style="list-style-type: none"> • Development of any of these points e.g. customers who care about CSR issues may buy more products (1 mark) • The business may be seen as more investible and therefore shareholders gain (1 mark) 	<p>1</p> <p>2</p> <p>1</p> <p>Total (4 marks)</p>

Question Number	Question	
5. (a)	Using the data in Table 1, calculate the Payback period and the Average Rate of Return .	
	Answer	Mark
	<p>Knowledge, up to 2 marks (1 mark per method) *Only relevant where incorrect answer is given*</p> <ul style="list-style-type: none"> Payback shows the time taken for an investment project to repay its initial investment cost <p>Payback: $\frac{\text{sum invested}}{\text{Net cash per time}}$</p> <ul style="list-style-type: none"> ARR compares the average annual profit generated by an investment with the amount of money invested in it. <p>$\frac{\text{Average annual return}}{\text{Initial investment (capital outlay)}} \times 100$</p> <p>Application, up to 2 marks (1 mark per method)</p> <ul style="list-style-type: none"> Payback is 4 years ARR = 8.3% (£17m total cash flow - £12m = £5m; 5/5 = £1m; 1/12X100 = 8.3%) For answers stating £1million, award 1 mark <p>NB: correct answers in either case without method = 2 marks each i.e. simply: 4 years (2 marks); 8.3% (2 marks)</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p>

Question Number	Question	
5. (b)	Comment on the results of your calculations.	
	Answer	Mark
	<p>Application up to 2 marks – actually uses data in commentary</p> <p>Analysis up to 2 marks – interpreting results</p> <ul style="list-style-type: none"> Payback of four years means that it will take four years for Superdry to recover the cost of the lease (1 mark P) Payback is 4 years and this might be considered quite a long time (1 mark P) for a store refit which should be generating sales quickly(1 mark A) Payback of 4 years may be considered quite quick (1 mark) for such a prestigious address which is likely to be expensive (1 mark A) Payback is 4 years and this might be considered quite a long time (1 mark P) and therefore risky (1 mark A) Payback of 4 years may be considered quite quick (1 mark P) which reduces the risk of the investment (1 mark A) ARR of 8.3% is high (1 mark P) when compared to other alternatives such as investment in cash (1 mark A) <p>OFR applies to analysis</p>	<p>4 marks</p> <p>Total 8 marks</p>

Question Number		Question	
6.		To assist with the planning of re-fitting the Regent Street store to 'open towards the end of the financial year' the company could use Critical Path/Network analysis (CPA) (Evidence I). Assess the likely value of CPA in planning such a project.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of Critical Path analysis	<ul style="list-style-type: none"> CPA can be used to schedule a range of activities to help them be completed in the shortest time possible Some of its features include: activities; duration; float time etc.
Level 2	3-4	Answers should be applied to opening the new store.	<ul style="list-style-type: none"> The re-fit will include a range of activities e.g. change the flooring; paint the walls; decorate point of sale etc.
Level 3	5-6	<p>Candidate analyse using reasons/causes/consequences /costs of using CPA</p> <p><i>No context – cap at 5.</i></p> <p>Arguments will be one-sided.</p>	<ul style="list-style-type: none"> Activities such as update the electrics or change the lighting can be done at the same time CPA helps with planning which is essential as Superdry want the store to open as soon as possible Other stakeholders such as suppliers of Superdry stock can gain an understanding of the time frames involved and when they will be needed.
Level 4	7-10	<p><u>Low Level 4: 7-8 marks</u> Arguments for and against CPA being used for this project.</p> <p><u>High Level 4: 9 -10 marks</u> Expect to see convincing evaluative points leading to a conclusion (MOPS).</p>	<ul style="list-style-type: none"> The project is reasonably simple, so the time involved in creating the CPA may be wasted CPA can't always deal with unforeseen problems such as discovering structural problems with the building Superdry are experienced in opening new stores quickly and will be able to re-fit this store without the need for CPA CPA could help with the various stages of the store re-fit, but compared to major building projects this is a simple task. Superdry wants to get the store trading as soon as possible so it is likely that they will do so without the need to CPA.

Section B

Question Number	Question		
7.(a) QWC i-iii	Assess the likely importance of the mission statement (Evidence B) to SuperGroup.		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of mission statements.</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</p>	<ul style="list-style-type: none"> • A mission statement is a passage of text that sums up the organisation's mission.
Level 2	4-6	<p>Candidate applies knowledge of mission statements.</p> <p><u>Low Level 2: 4 marks</u> Application is weak.</p> <p><u>High Level 2: 5-6 marks</u> Application to SuperGroup mission statement</p> <p>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • Evidence B suggests that Superdry's mission is to grow • By focusing on the youth fashion market • The core is Superdry brand
Level 3	7 -14	<p><u>Low level 3: 7 – 8 marks</u> Candidate will attempt very basic analysis of the importance of the mission statement</p> <p>One reasons/causes/costs and /or consequences are outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 9 – 11 marks</u> Candidates looks at two of the reasons/causes/costs and/or consequences of the importance of the mission statement</p> <p><u>High Level 3: 12 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences of the importance of the mission statement are outlined</p> <p>Answer will be one-sided.</p> <p>The candidate uses Business</p>	<ul style="list-style-type: none"> • Mission statements are usually made public to a range of stakeholders e.g. • shareholders may be more willing to invest because Superdry is growing • Employees maybe more motivated because Superdry should provide job security etc • Customers may be more attracted to Superdry's youth fashion brand.

		terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.	
Level 4	15-20	<p><u>Low Level 4: 15- 16</u> A limited attempt to assess the importance of SuperGroup's mission statement</p> <p><u>Mid Level 4: 17 - 18</u> Detailed assessment of the importance of SuperGroup's mission statement which will be based on a range of sources and/or specification areas</p> <p><u>High Level 4: 19 - 20</u> Balanced conclusions and/or recommendations based on sound assessment of the SuperGroup's situation and case study information.</p> <p>Candidate will make a clear conclusion as to the importance of SuperGroup's mission statement with reference to MOPS.</p> <p>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • Mission statements can be seen as an irrelevance by stakeholders such as employees and customers e.g. Superdry customers are only interested in the quality and design of the products • Other factors are important other than the mission statement: the need to satisfy its newly acquired public shareholders; its relatively young age as a business (since 2003) which suggests that growth is imperative while the business is a success • Mission statements do not give details of corporate strategy eg SuperGroup's European expansion plans, so are of limited use.

Question Number	Question		
7.(b) QWC i-iii	Evaluate SuperGroup's decision to takeover CNC.		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of takeovers.</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</p>	<ul style="list-style-type: none"> • A takeover is one business buys a controlling share of another business, so that the other business ceases to exist independently • A takeover is an example of external growth
Level 2	4-6	<p>Candidate applies knowledge of takeovers to the Superdry/CNC example.</p> <p><u>Low Level 2: 3-4 marks</u> Application is weak.</p> <p><u>High Level 3: 5-6 marks</u> Application to Superdry takeover of CNC.</p> <p>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • This is external growth as Supergroup has taken over CNC • CNC is a leading franchisee of Superdry clothing • As part of the deal the owner of CNC Luc Clement will become part of the new business
Level 3	7-16	<p><u>Low level 3: 7 – 9 marks</u> Candidate will attempt very basic analysis of the reasons behind the takeover.</p> <p>One reasons/causes/costs and /or consequences are outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 10 – 12 marks</u> Candidates looks at two of reasons/causes/costs and/or consequences of the takeover of CNC by supergroup..</p> <p><u>High Level 3: 13 – 16 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be one-sided.</p>	<ul style="list-style-type: none"> • The deal enables Superdry to gain direct access to CNC's European expertise; important when expanding into a new market • External growth is the quickest way of gaining market share as customers from the existing businesses should continue to shop there • As CNC are already partners Supergroup should have a good understanding of them as a business and how they operate, thus minimising problems such as culture clash • Taking over a wholesaler and franchisee helps to gain control of the clothing stock and the prices charged.

		The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.	
Level 4	17-30	<p><u>Threshold Level 4: 17-18 marks</u> One limited attempt to evaluate arguments made.</p> <p><u>Low Level 4: 19-21</u> Two attempts made to evaluate the takeover of CNC by SuperGroup.</p> <p><u>Mid Level 4: 22-25</u> Detailed evaluation (three or more points) of arguments made, which will be based on a range of sources and/or specification areas</p> <p><u>High Level 4: 26-30</u> Balanced conclusions and/or recommendations based on sound analysis of the business situation and case study information.</p> <p>Candidate will make a clear conclusion as to whether the takeover of CNC by Supergroup was advisable or not. This needs to bring in additional MOPS information to support the judgement.</p> <p>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</p>	<ul style="list-style-type: none"> • All takeovers pose risks e.g. culture clash with a European business such as CNC and discovering things about the business that were unexpected e.g. poor sickness record of CNC staff • Related to this, the trading conditions in Europe may be different and Superdry may not be as appealing in these markets • Taking on the CNC owner as part of the deal may present problems if he has a different management style to existing Superdry managers and there is a clash of ideas as a result. • Superdry could have expanded organically into Europe, which may have been slower, but would be less risky because Supergroup would use their own staff and resources • Diseconomies of scale may result from rapid growth of Superdry with staff that may not be familiar with the company ethos e.g. communication between the Cheltenham HQ and European operations • Cost of takeover is €40 million and most of this is paid in shares so some risk of loss of control • This strategy is likely to be successful because it fits well with Superdry's strategy of expansion(MOPS). Due to the existing relationship with CNC, the risks of such a deal are smaller than other similar deals might be.

Assessment objectives and Specification coverage

Question No.	Knowledge	Application	Analysis	Evaluation	Total	Specification Coverage
1	2				2	4.3.1.6
2	2				2	4.3.1.1
3	1	2	1		4	4.3.2.1
4	1	2	1		4	4.3.1.2
5	2	4	2		8	4.3.2.2
6	2	2	2	4	10	4.3.2.4
7 (a)	3	3	8	6	20	4.3.1.1
7 (b)	3	3	10	14	30	4.3.4.1
Total	16	16	24	24	80	
Total Required	16	16	24	24	80	

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