

Mark Scheme (Results)

Summer 2014

Pearson Edexcel International  
A Level Business Studies (WBS02)

Unit 2: Business Structures and  
Processes

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## General marking guidance

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

## Section A: Supported multiple choice

N.B. If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b).

Question Number	Question	Marks
1 (a)	Answer: D (a bonus)	1 mark
1 (b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of a bonus e.g. an extra payment made in recognition of the contribution of employees, often linked to profits and sales (1 mark)</li> <li>• This is in addition to their normal salaries/wages and is a one off payment (1 mark)</li> <li>• The bonus is paid to all employees as a recognition of the good performance of the <i>Union Cabinet of India</i></li> </ul> <p><b>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</b></p> <ul style="list-style-type: none"> <li>• A is wrong because performance related pay is linked to whether an employee has met their individual targets whereas every employee receives this bonus no matter if they have met their own targets (1 mark)</li> <li>• B is wrong because job enrichment is when employees are given more responsibility and more meaningful tasks and has no connection to any form of financial remuneration (1 mark)</li> <li>• C is wrong because piecework is when employees are rewarded individually according to how much they produce whereas a bonus is paid collectively. (1 mark)</li> </ul> <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p style="text-align: center;"><b>1-3 marks</b></p> <p style="text-align: center;"><b>Total 4 marks</b></p>

Question Number	Question	Marks
2 (a)	Answer: C (900 favourable)	1 mark
2 (b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of sales variance e.g. the difference between a budgeted figure and the actual figure (1 mark) <b>Definition only = 1 mark</b></li> <li>• The budgeted figure was 200 units x 100 Rs = 20 000 (1 mark)</li> <li>• The actual sales were 190 units x 110 Rs = 20 900 (1 mark)</li> <li>• 20 900 – 20 000 = 900 favourable (1 mark)</li> </ul> <p>Any acceptable calculation method that shows selective knowledge/understanding.</p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p><b>1-3 marks</b></p> <p><b>Total 4 marks</b></p>

Question Number	Question	Marks
3 (a)	Answer: A (improvement in cash flow for <i>Marks and Spencer</i> )	1 mark
3 (b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of cash flow e.g. is the money that is moving in and out of a business (1 mark)</li> <li>• Paying small suppliers 15 days later will allow <i>M&amp;S</i> to keep cash longer in its own bank account as suppliers will have to wait longer to be paid (1 mark)</li> <li>• This will result in an improvement in cash flow as <i>M&amp;S</i> will have longer to sell the merchandise before having to pay their suppliers for it (1 mark )</li> </ul> <p><b>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</b></p> <ul style="list-style-type: none"> <li>• B is wrong because this may lead to <i>M&amp;S</i> receiving a poor brand image as <i>M&amp;S</i> is seen as being unethical by taking longer to pay small suppliers <b>OR</b> brand image only applies to customers who may not know or care about the change in supplier terms (1 mark)</li> <li>• C is wrong because this may lead to a decrease in the number of suppliers who want to trade with <i>M&amp;S</i> as it will impact on their cash flow if they are paid 15 days later (1 mark)</li> <li>• D is wrong because <i>M&amp;S</i> should see a decrease in the amount of overdraft they will need if they are taking longer to pay its suppliers (1 mark)</li> </ul> <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p style="text-align: center;"><b>1-3 marks</b></p> <p style="text-align: center;"><b>Total 4 marks</b></p>

Question Number	Question	Marks
4 (a)	Answer: B (increase its product portfolio)	1 mark
4 (b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of product portfolio e.g. the range of products or services offered by a business (1 mark)</li> <li>• The new iPhones are different from the existing models on the market/possible extension strategy. (1 mark)</li> <li>• Which increases the total number of products available and is more likely to appeal to a wider range of customers (1 mark)</li> </ul> <p><b>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</b></p> <ul style="list-style-type: none"> <li>• A is wrong because this iPhone has more features and comes in a range of colours that may mean <i>Apple</i> will require more suppliers (1 mark)</li> <li>• C is wrong because <i>Apple</i> will have to increase rather than decrease its advertising budget in order to promote the new and wider range of iPhones (1 mark)</li> <li>• D is wrong because income elasticity of demand is affected by external factors such as the state of the economy and not by decisions that <i>Apple</i> might make about its product range (1 mark)</li> </ul> <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p style="text-align: center;"><b>1-3 marks</b></p> <p style="text-align: center;"><b>Total 4 marks</b></p>

Question Number	Question	Marks
5 (a)	Answer: B (Overestimation of projected sales)	1 mark
5 (b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of profits e.g. total revenue – total costs <b>OR</b> projected sales e.g. the number of products a firm expects to sell over a given time period (1 mark)</li> <li>• Sales forecasts can be affected by many factors such as external influences and so <i>Adidas'</i> projected sales may have been overestimated (1 mark)</li> <li>• If this is the case then the revenue received by <i>Adidas</i> will be less than predicted, which would mean that the actual profit would then be less than the predicted profit. (1 mark)</li> </ul> <p><b>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</b></p> <ul style="list-style-type: none"> <li>• A is wrong because profits would have increased rather than decreased as workers were more efficient in making sportswear resulting in lower costs and potentially an increase in profits (1 mark)</li> <li>• C is wrong because minimising total costs would have led to an increase in profits as profit is TR-TC (1 mark)</li> <li>• D is wrong because if there had been a reduction in competition, <i>Adidas</i> would have increased sales and therefore profit as there would be less choice for customers (1 mark)</li> </ul> <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p style="text-align: center;"><b>1-3 marks</b></p> <p style="text-align: right;"><b>Total 4 marks</b></p>



Question Number	Question	Marks
6 (a)	Answer: B (a decrease in buffer stocks)	1
6 (b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of JIT e.g. inventory system that does away with the need to hold large quantities of raw materials <b>OR</b> Buffer stocks are a supply of inputs held as a reserve to safeguard against unforeseen shortages or demands (1 mark)</li> <li>• This results in <i>JLR</i> only holding just enough components for the current production (1 mark)</li> <li>• The need for buffer stocks is reduced because supplies are delivered as needed (1 mark)</li> </ul> <p><b>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</b></p> <ul style="list-style-type: none"> <li>• A is wrong because there will be an increase in the number of deliveries as inventory is ordered in smaller quantities as and when needed (1 mark)</li> <li>• C is wrong because re-order quantities will be reduced as smaller amounts will be ordered each time that are specific to each job (1 mark)</li> <li>• D is wrong because JIT results in a decrease in average costs as less capital is tied up in inventory and warehousing (1 mark)</li> </ul> <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p><b>1-3 marks</b></p> <p><b>Total 4 marks</b></p>

## Section B: Data response

Question Number	Question	Marks
7	Explain why effective inventory control might be important to <i>IKEA</i> 's success.	6 marks
	Answer	Mark
	<p align="center"><b>(Knowledge 2, Application 2, Analysis 2)</b></p> <p><b>Knowledge/understanding/:</b> up to 2 marks for defining inventory control or stating why it is important e.g. the process of making sure that the optimum level of inventory is held <b>(1 mark)</b> so that demand can be met whilst keeping the costs of holding inventory to a minimum <b>(1 mark)</b></p> <p><b>Application:</b> up to 2 marks for contextualised answers demonstrating the impact of effective inventory control on <i>IKEA</i> e.g. <i>IKEA</i> has a very wide range of products such as sofas, textiles, beds, food for which it needs to monitor inventory levels <b>(1 mark)</b>, Food stuffs can be perishable and need to be sold within a certain period of time <b>(1 mark)</b></p> <p><b>Analysis:</b> up to 2 marks for giving a reason/cause/consequence/cost to <i>IKEA</i> e.g. Having the right amount of furniture products in stock in the correct locations around the world may lead to an increase in sales/profits <b>(1 mark)</b> as customers know the furniture products are readily available they are more likely to visit and purchase goods <b>(1 mark)</b></p> <p><b>OR</b></p> <p>Minimising costs for <i>IKEA</i> is important to maintain its profitability <b>(1 mark)</b> therefore effective inventory control is crucial to avoid over stocking thus increasing costs <b>(1 mark)</b></p>	<p align="center"><b>1-2 marks</b></p> <p align="center"><b>1-2 marks</b></p> <p align="center"><b>1-2 marks</b></p>

Question Number	Question	Marks
<b>8 (a)</b>	Analyse <b>two</b> factors that may affect the price elasticity of demand for <i>IKEA's</i> furniture products.	<b>6 marks</b>
	Answer	Mark
	<p style="text-align: center;"><b>(Knowledge 2, Application 2, Analysis 2)</b> <b>(Knowledge 1, Application 1, Analysis 1 per factor)</b></p> <p><b>Knowledge/understanding:</b> up to 2 marks are available for identifying two factors that may affect price elasticity of demand e.g. the number and availability of substitutes/the amount of disposable income consumers have/necessity or luxury good/product quality/customer loyalty/changing tastes and fashions <b>(2 marks)</b></p> <p><b>Application:</b> up to 2 marks are available for contextualised answers to <i>IKEA</i> e.g. There may be many furniture competitors who make similar products to <i>IKEA</i> <b>(1 mark)</b>, external economic events such as a recession affect consumer incomes <b>(1 mark)</b></p> <p><b>Analysis:</b> up to 2 marks are available for a reason/cause/consequence/cost for <i>IKEA</i> e.g. increasing number of competitors will increase PED/making customers more price sensitive to changes in price <b>(1 mark)</b> e.g. If consumers disposable incomes decrease there will be an increase in PED <b>(1 mark)</b></p> <p><b>Two factors must be covered for full marks (3+3). If only one factor covered, maximum mark of 3.</b></p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p style="text-align: center;"><b>1-2 marks</b></p> <p style="text-align: center;"><b>1-2 marks</b></p>

Question Number	Question	Marks
8 (b)	Analyse the importance of the design mix to <i>IKEA</i> .	6 marks
	Answer	Mark
	<p style="text-align: center;"><b>(Knowledge 2, Application 2, Analysis 2)</b></p> <p><b>Knowledge/understanding:</b> up to 2 marks are available for defining design mix e.g. the way in which function, aesthetics and economic manufacture <b>(1 mark)</b> are combined/balanced in the overall design <b>(1 mark)</b></p> <p><b>Application:</b> up to 2 marks are available for contextual answers to <i>IKEA</i> e.g. <i>IKEA</i> needs to produce functional home furnishings products such as sofas <b>(1 mark)</b>  <i>IKEA</i> use interior designers to produce low priced but well-designed furniture <b>(1 mark)</b></p> <p><b>Analysis:</b> up to 2 marks are available for explaining reason/cause/consequence/cost for <i>IKEA</i>  e.g. <i>IKEA</i> will have to consider all 3 aspects of the design mix in order to produce sofas which are functional, high quality and affordable for as many people as possible <b>(1 mark)</b>, it is important that <i>IKEA</i> combines the function and aesthetics function with economic manufacture in order to maintain its competitive advantage/USP <b>(1 mark)</b></p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p style="text-align: center;"><b>1-2 marks</b></p> <p style="text-align: center;"><b>1-2 marks</b></p>

Question Number	Question	Marks
9 (a)	Explain <b>one</b> benefit to <i>IKEA</i> of setting a marketing objective.	<b>4 marks</b>
	Answer	Mark
	<p align="center"><b>(Knowledge 1, Application 1, Analysis 2)</b></p> <p><b>Knowledge/understanding:</b> up to 1 mark is available for a definition of a marketing objective e.g. a quantifiable goal such as sales levels, that a business is trying to achieve through its marketing <b>(1 mark)</b> <b>OR</b> giving a benefit e.g. increased sales/brand image/focus <b>(1 mark)</b></p> <p><b>Application:</b> up to 1 mark is available for contextualised answers, <i>IKEA</i> has a marketing objective of expansion into emerging markets by opening new retail outlets in Asia <b>(1 mark)</b></p> <p><b>Analysis:</b> up to 2 marks are available for developing the above, <i>IKEA</i> are able to compare actual outcomes against their objectives to assess performance <b>(1 mark)</b> this enables them to see if their planning has been effective/amend strategy in light of results. <b>(1 mark)</b> <b>OR</b> marketing objectives can be used to motivate employees <b>(1 mark)</b> leading to higher sales and/or profits <b>(1 mark)</b></p>	<p align="center"><b>1 mark</b></p> <p align="center"><b>1 mark</b></p> <p align="center"><b>1-2 marks</b></p>

Question Number	Question		Marks
<b>9(b)</b>	Evaluate <i>IKEA's</i> decision to have a decentralised organisation structure.		<b>8 marks</b>
Level	Mark	Descriptor	Possible content
1	<b>1-2</b>	Knowledge/understanding of Decentralised organisation structure must be present	e.g. moving the decision making process away from a central head office and spreading it throughout the organisation, usually to branch level
2	<b>3-4</b>	Application must be present, i.e. the answer must be contextualised to <i>IKEA</i>	e.g. <i>IKEA</i> have 298 stores in 26 countries which have very different consumer preferences and operating conditions.  e.g. <i>IKEA</i> gives each regional area decision making power to stock furniture products suitable to the locality
3	<b>5-6</b>	Analysis in context must be present, i.e. in this case the candidate must identify and explain the reasons/causes/costs/consequences of a decentralised organisation structure to <i>IKEA</i>  <b>NB if analysis is not in context limit to Level 2.</b>	e.g. Local managers have a greater understanding of the local furniture market and buying habits of the customers enabling them to use local knowledge to match products to local needs rather than senior management in Sweden.  e.g. Giving each regional area decision making capabilities can be a form of empowerment and increase motivation for <i>IKEA's</i> employees resulting in higher productivity and therefore profits

4	<b>7-8</b>	<p>Evaluation must be present and in context showing the impact of a decentralised organisation structure</p> <p>Award <b>7 marks</b> if one side only is in context</p> <p>Award <b>8 marks</b> if BOTH sides are in context</p> <p><b>NB if evaluation not in context limit to Level 3.</b></p>	<p>e.g. IKEA have to make and hold a wider range of products to satisfy the differing regional demands resulting in higher costs.</p> <p>e.g. Communication and decision making may be harder for the 298 <i>IKEA</i> outlets using a decentralised structure compared to one which used a centralised HQ with standardised procedures because there is no single chain of command.</p>
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Question Number	Question		Marks
10	Assess the value of the Boston Matrix to <i>IKEA</i> .		12 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of the Boston Matrix must be present	e.g. a method of analysing a company's products in terms of their market share and growth potential in terms of cash cow, star, problem child and dog
2	3-4	Application must be present, i.e. the answer must be contextualised to <i>IKEA</i>	e.g. <i>IKEA</i> has a wide product portfolio with over 9500 products ranging from furniture which has been stocked for many years to newly launched solar panels which will have different market shares/growth in different parts of the world.
3	5-6	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of <i>IKEA</i> using the Boston Matrix</p> <p><b>NB if analysis is not in context limit to Level 2.</b></p>	<p>e.g. <i>IKEA</i> could use the revenue from 'cash cows' such as the best-selling Billy bookcase to help the development of a new product such as solar panels to ensure a balanced portfolio across its ranges.</p> <p>e.g. Boston Matrix is a useful tool to help <i>IKEA</i> plan its product mix and ensure that it is constantly reviewing its product portfolio against changes in demand such as consumer concern for the environment and sustainability.</p> <p>e.g. allows <i>IKEA</i> to see which of its 9500 products are growing and which products need to be divested if market share and growth is declining in</p>



			order to maximise profits
4	7-12	<p><b>Low Level 4:</b> 7-8 marks Limited evaluation must be present and in context</p> <p><b>Mid Level 4:</b> 9-10 marks More evaluation will be present and in context</p> <p><b>High Level 4:</b> 11-12 marks Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion.</p> <p><b>NB if evaluation not in context limit to Level 3.</b></p>	<p>e.g. with 9500 different products it becomes impractical to conduct meaningful analysis using a simple model such as the Boston Matrix for every product.</p> <p>e.g. The Boston Matrix model has its limitations for a furniture company because the market changes quickly and the model does not always reflect this as it is only a snapshot of the current position of demand for furniture in what is a dynamic market.</p> <p>e.g. The Boston Matrix has little or no predictive value and does not take account of external factors which may affect <i>IKEA</i> such as the recent economic downturn which has impacted on <i>IKEA</i> and the products it sells.</p> <p>e.g. The model focuses on market share and market growth but ignores issues such as developing a sustainable competitive advantage which is important to <i>IKEA's</i> culture</p>

Question Number	Question		Marks
11	Evaluate the importance of flexible working to <i>IKEA</i> and its employees.		14 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by flexible working</p> <p><b>NB a list of flexible working methods without context is restricted to L1</b></p> <p><i>Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear..</i></p>	<p>e.g. choosing when to work/hours to suit employees such as part time, flexible hours.</p> <p>e.g. having a multi-skilled workforce that enables a business to quickly adapt to changes</p>
2	3-4	<p>Application must be present, i.e. the answer must be contextualised and applied to <i>IKEA</i></p> <p><i>Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.</i></p>	<p>e.g. <i>IKEA</i> employees have a range of work patterns to choose from which are different from the standard 9-5 hours.</p> <p>e.g. <i>IKEA</i> may be able to train employees to be multi-skilled and work in different areas of the business as and when needed.</p>
3	5-8	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of flexible working for <i>IKEA</i></p> <p><b>NB if analysis is not in context limit to Level 2.</b></p> <p><i>Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</i></p>	<p>e.g. It may lead to less labour turnover because <i>IKEA</i> employees feel that they control their work/life balance because they are able to work at different times of the day/week and which in turn may lead to better customer service and therefore repeat sales</p> <p>e.g. Labour costs can be reduced because <i>IKEA</i> is not employing staff when there are quiet periods and is making more effective use of its workforce such as when the new</p>

			<p>catalogue is launched in September in order to provide good customer service</p> <p>e.g. Labour cost savings can be passed onto the customers in the form of lower furniture prices which can lead to a competitive advantage for <i>IKEA</i> against other furniture retailers.</p>
4	9-14	<p><b>Low Level 4:</b> 9-10 marks. Evaluation must be present and in context on one side, e.g. showing possible advantages and disadvantages of flexible working for <i>IKEA</i></p> <p><b>Mid Level 4:</b> 11-12 marks Evaluation must be present and in context on both sides, to show the impact of flexible working</p> <p><b>High Level 4:</b> 13-14 marks Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion.</p> <p><b>NB if evaluation not in context limit to Level 3.</b></p> <p><i>Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.</i></p>	<p>e.g. Flexible working may mean you do not always know what your hours are week-on-week. This may cause uncertainty and unhappiness for employees.</p> <p>e.g. Employees may have little choice over the hours which are available and could cause disputes between employees over the most popular shifts resulting in poor employee relations</p> <p>e.g. Training will need to be provided to ensure that all employees are multi-skilled to cover part-time and flexible hours which may cost <i>IKEA</i> more in the short term</p> <p>e.g. If <i>IKEA</i> gets the balance of employee hours right then other stakeholders might benefit such as shareholders if <i>IKEA</i> is able to reduce labour turnover and improve employee motivation. However, getting the</p>

			<p>balance right is difficult and may not be achievable.</p> <p>e.g. The benefit will depend on just how flexible the working hours are and how much choice employees have as to the extent of the gains for <i>IKEA</i></p>
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