



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE
In Business Studies (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.
- 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 Mark Scheme:

Question Number	Question	
1.	What is meant by the term 'corporate objectives'? (Additional Evidence H)	
	Answer	Mark
	<p>Knowledge up to 2</p> <ul style="list-style-type: none"> • Corporate objectives are the aims/goals (1 mark) of the whole business (1 mark) • Corporate objectives may include: profit maximisation (1 mark), increase market share (1 mark), customer satisfaction (1 mark) • 1 mark for partial or vague definition but a valid example lifts to 2 marks. • Any other suitable alternative 	1-2

Question Number	Question	
2.	What is meant by the term 'corporate strategy'? (Additional Evidence H)	
	Answer	Mark
	<p>Knowledge up to 2:</p> <ul style="list-style-type: none"> • The medium /long term plan (1 mark) for meeting corporate objectives (1 mark) • Examples of corporate strategy might include: cost leadership (1 mark) or differentiation (1 mark) • 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.	Explain why one external stakeholder of Booker PLC might benefit from its 'Focus, Drive, Broaden' strategy. (Additional Evidence H)	
	Answer	Mark
	<p>Knowledge and understanding 1</p> <ul style="list-style-type: none"> • An external stakeholder is an individual or group with a direct interest in a business's performance, who is outside the business. <p>Application 1</p> <ul style="list-style-type: none"> • Booker's customers benefit from the 'drive' aspect • Booker's suppliers benefit from the 'broaden' aspect <p>Analysis up to 2</p> <ul style="list-style-type: none"> • Customers benefit as they are consulted about their experience in Booker's stores, which is likely to improve customer service as the changes suggested (such as new product lines) might be implemented by Booker PLC • Suppliers benefit because Booker PLC can provide them with links to customers such as caterers and retailers. These links help to expand the sales each supplier will receive due to Booker PLC selling their products in their stores to other small businesses. 	<p>1</p> <p>1</p> <p>1 - 2</p> <p>Total (4 marks)</p>

Question Number	Question	
4.	Explain one way the corporate culture of Budgens might be affected by being taken over by Booker PLC. (Evidence B)	
	Answer	Mark
	<p>Knowledge 1 mark</p> <ul style="list-style-type: none"> The culture of a business is the (often unwritten) norms of behaviour that affect the attitudes, decision-making and management-style of the staff <p>Application 1 mark</p> <ul style="list-style-type: none"> Budgens is believed to be one of the oldest supermarket brands in Great Britain, founded in 1872 Budgens is a small national retailer with 167 stores <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> As one of the oldest supermarkets in Britain, Budgens is likely to have an established, perhaps traditional corporate culture. This may not survive being taken over a large national retailer such as Booker PLC as they will wish to impose new decision-making processes on the businesses. Booker has stated that it wants to retain Budgens independence and local focus, so it could be the case that the culture is not affected by the takeover at all. <p>NB: Answers do not have to be two-sided, but affects discussed could be positive or negative.</p>	<p>1</p> <p>1</p> <p>1 - 2</p> <p>Total (4 marks)</p>

Question Number	Question																													
5. (a)	Using Evidence C, calculate the Net Present Value of the proposed re-fit of the Harlestone store, assuming a 1% discount rate.																													
	Answer	Mark																												
	<p>Knowledge, up to 2 marks</p> <ul style="list-style-type: none"> Net present value is the value today of the estimated cash flows resulting from an investment. It is found by discounting the future cash flows to make allowance for the opportunity cost of tying up the capital. <p>Some understanding of investment appraisal - allow 1 mark</p> <p>Application, up to 2 marks</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Discount factor</th> <th>Net cash flow £</th> <th>Discounted cash flow £</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>0.990</td> <td>85 000</td> <td>84 150</td> </tr> <tr> <td>2</td> <td>0.980</td> <td>75 000</td> <td>73 500</td> </tr> <tr> <td>3</td> <td>0.971</td> <td>60 000</td> <td>58 260</td> </tr> <tr> <td>4</td> <td>0.961</td> <td>45 000</td> <td>43 245</td> </tr> <tr> <td>5</td> <td>0.951</td> <td>30 000</td> <td>28 530</td> </tr> <tr> <td colspan="3">Net present value:</td> <td>287 685 – 220 000 = 67 685</td> </tr> </tbody> </table> <p>NB: if answer is correct and no workings (4 marks)</p>	Year	Discount factor	Net cash flow £	Discounted cash flow £	1	0.990	85 000	84 150	2	0.980	75 000	73 500	3	0.971	60 000	58 260	4	0.961	45 000	43 245	5	0.951	30 000	28 530	Net present value:			287 685 – 220 000 = 67 685	<p>2</p> <p>2</p> <p>Total (4 marks)</p>
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Question Number	Question	
5. (b)	Comment on the results of your calculations in 5(a).	
	Answer	Mark
	<p>Application up to 2 marks</p> <ul style="list-style-type: none"> The project generates a positive Net Present Value £67 685 is well above £0 <p>Analysis up to 2 marks – interpreting results</p> <ul style="list-style-type: none"> The positive Net Present Value (£67 685) shows that given the 1% interest rate, the investment in a store re-fit is beneficial financially as it yields a return greater than zero The fact that the £67 685 is much greater than zero means that even if Budgens/Booker are risk averse and uncertain about the accuracy of the forecasts, the project is still likely to be financially beneficial The 1% discount rate is unusually low, so any increase in this will impact negatively on the Net Present Value of the investment <p>OFR applies to analysis</p>	<p>2</p> <p>2</p> <p>Total (4 marks)</p>

Question Number	Question		
6.	Assess the likely value of profitability ratios to Booker shareholders when judging the success of the business. (10 marks)		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of ratios and/or ratio analysis.	<ul style="list-style-type: none"> A ratio shows one aspect of a business's financial performance relative to another aspect Ratio analysis is taking the results of ratio calculations and investigating what these results mean for the business and what might have led to the results.
Level 2	3-4	Answers should be applied to Booker shareholders.	<ul style="list-style-type: none"> Shareholders will be able to see that Booker's profitability has improved between 2014 (GPM=4.4%; OPM=2.6%; ROCE=19%) and 2015 (GPM=4.8%; OPM=2.95%; ROCE=20.9%) Shareholders are concerned about the profitability of the business and would be able to use ratios based on Booker's financial information
Level 3	5-6	<p>Candidate analyses using reasons/causes/consequence s/costs of using profitability ratios.</p> <p>Cap at 5 for no context.</p> <p>Arguments will be one-sided.</p>	<ul style="list-style-type: none"> Booker shareholders can use the ratio information to compare the performance of the business between 2014 and 2015 and identify reasons for the improvement. This may be due to improved sales from new stores that they have taken over or opened independently. Booker shareholders will be able to compare the performance of their business with other supermarkets and retailers such as Tesco and Sainsbury and use the results to investigate if performance has improved for all businesses in food retail.
Level 4	7-10	<p><u>Low Level 4: 7 - 8 marks</u> Arguments supporting the uses and limitations of profitability ratios.</p> <p><u>High Level 4: 9 -10 marks</u> Expect to see convincing evaluative points with a conclusion.</p>	<ul style="list-style-type: none"> There are only two years of financial data in this evidence, so the scope for identifying trends in profit performance is limited; previous years would allow Booker shareholders to see trends in these ratios over time. Profitability ratios are only one group of ratios that indicate financial performance. Liquidity ratios such as the current ratio and acid test might be more important to Booker share holders as these will help to indicate Booker's management of stock, an

			<p>issue important in the supermarket industry where freshness and choice of groceries is so important.</p> <ul style="list-style-type: none">• Ratio analysis gives shareholders of Booker a good quantitative snapshot of its performance. The results can be used as a stimulus for further investigation of qualitative issues, such as whether the improved profitability performance could be due to Booker's acquisition of Budgens, or their focus, drive, broaden strategy.
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Question Number	Question		
7.(a)	Assess whether Booker's takeover of Budgens is likely to lead to conflicts between socially responsible behaviour and profit-based objectives. (20 marks)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of social responsibility and/or profit-based objectives.</p> <p><i>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</i></p>	<ul style="list-style-type: none"> Profit based objectives are those related to achieving profit, profit-satisficing, or profit maximisation. Socially responsible behaviour is that which takes into account the wider impacts of business activity on stakeholder groups such as employees, the local community and fair treatment of suppliers.
Level 2	4-7	<p>Candidate applies knowledge of social responsibility and profit objectives to Booker/Budgens.</p> <p><u>Low Level 2: 4-5 marks</u> Application is weak.</p> <p><u>High Level 2: 6-7 marks</u> Application to Booker/Budgens is clear.</p> <p><i>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.</i></p>	<ul style="list-style-type: none"> Booker PLC has stated that it will maintain Budgens as independent stores within its ownership Booker has pledged to increase scale and operational efficiency of the Budgen stores it has taken over Booker is an international PLC that has been profitable in 2014 and 2015
Level 3	8-14	<p><u>Low level 3: 8 – 9 marks</u> Candidate will attempt very basic analysis of how profit-based motives clash with socially responsible behaviour. One reason/cause/cost and /or consequence is outlined.</p> <p>Cap at 8 for no context.</p> <p><u>Medium level 3: 10 – 11 marks</u> Candidates look at two reasons/causes/costs and/or consequences of how profit-based motives clash with socially responsible behaviour.</p>	<ul style="list-style-type: none"> The takeover of Budgens is motivated by profit as Booker wants to move more into the supermarket retail sector, from its current position as a mainly cash and carry business In an attempt to improve efficiency and lower prices for consumers, it may pay food suppliers less, and as with other supermarkets this may be at a level below where they can make a living The takeover of Budgens could lead to lower prices being charged in these stores, which in turn could damage other retailers in the small towns in which Budgens operates. This is not socially responsible as it

		<p><u>High Level 3: 12 – 14 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> <p><i>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<p>could potentially lead to the closure of smaller retailers.</p> <ul style="list-style-type: none"> • Although Budgens is being retained as a separate brand in the Booker group, its employees could face lower pay and more difficult working conditions as Booker attempts to make Budgens profitable again.
Level 4	15-20	<p><u>Low Level 4: 15-16</u> One attempt to evaluate whether the takeover will lead to clashes between socially responsible behaviour and profit based objectives.</p> <p><u>Mid Level 4: 17-18</u> Two or more attempts to evaluate how profit-based motives clash with socially responsible behaviour.</p> <p><u>High Level 4: 19-20</u> Candidate will make a clear conclusion as to whether the takeover will lead to clashes between socially responsible behaviour and profit based objectives.</p> <p>Based on quantitative and qualitative arguments (MOPS).</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> • Booker has explained that Budgens will remain an independent retailer and that 'independent retailers will be supported'. This compliments social responsibility as it encourages a range of choice for customers. • As Budgens is now part of a wider group of retailers, its impact on the environment may be lessened as supplies are provided in bulk and duplicate stock is minimised. This drives down costs, but also reduces congestion and pollution. • The degree to which there is a clash between profit based objectives and CSR in this takeover depends on the way in which Booker treat Budgens and its stakeholders. It seems that the takeover is part of a strategy to adopt trusted brands and use these to retail to local niche customers who want quality and convenience. If this is the case it is likely that Booker will have the incentive to be socially responsible, even if this is as a means to being profitable in the long-term.

Question Number	Question		
7.(b)	Assess the importance of competitive advantage as a factor in Booker PLC's decision to take over Budgens. (30 marks)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of competitive advantage and/or takeover.</p> <p><i>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</i></p>	<ul style="list-style-type: none"> Competitive advantage is an aspect of the business that sets it apart from its main competitors Porter argued this can be from differentiation or cost leadership A takeover is when one business purchases a controlling proportion of the shares in another business
Level 2	4-7	<p>Candidate applies knowledge of <u>Low Level 2: 4 - 5 marks</u> Application is weak</p> <p><u>High Level 2: 6 -7 marks</u> Application to is sound.</p> <p><i>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.</i></p>	<ul style="list-style-type: none"> Booker PLC has bought 167 Budgens stores Budgens is a small supermarket retailer based in the South of England Budgens specialises in specialised 'top up' fresh produce. Budgens competes with other supermarkets such as Tesco
Level 3	8 -16	<p><u>Low level 3: 8 – 10 marks</u> Candidate will attempt very basic analysis of how the takeover helped to achieve competitive advantage.</p> <p>Cap at 8 for no context</p> <p><u>Medium level 3: 11 – 13 marks</u> Candidate clearly analyses how the takeover helped to achieve competitive advantage</p> <p><u>High Level 3: 14 – 16 marks</u> Analysis is wide-ranging – reasons/causes/costs and/or consequences of how the takeover helped to achieve competitive advantage</p> <p>Answer will be one-sided.</p> <p><i>The candidate uses Business</i></p>	<ul style="list-style-type: none"> The takeover of Budgens gives Booker more of a presence in the supermarket retail sector, which helps it to compete with the recognised national supermarkets such as Tesco and Asda The choice of taking over smaller retailers such as Budgens could be seen as an attempt to gain a competitive advantage with customers who seem to prefer to shop in small quantities and often Larger supermarkets such as Tesco are struggling to cope with changes in consumer preferences towards fresh convenience food, so Booker's takeover could be seen as an attempt to gain a competitive advantage through differentiation.

		<i>terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i>	
Level 4	17-30	<p><u>Threshold level 4: 17 – 18 marks</u> One limited attempt to evaluate the pursuit of how the takeover helped to achieve competitive advantage</p> <p><u>Low Level 4: 19- 21</u> Two evaluative points made.</p> <p><u>Mid Level 4: 22 - 24</u> The candidate looks at reasons for against the takeover helped to achieve competitive advantage.</p> <p><u>High Level 4: 25 -30</u> Candidate will make a clear conclusion about (MOPS) as to the importance of achieving the competitive advantage through takeover.</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<ul style="list-style-type: none"> • Rather than gain a competitive advantage, it could be that this is more of a diversification strategy from Booker – they are a successful wholesaler and wish to grown into the retail market • They may be choosing to takeover small, local names such as Budgens in an attempt to avoid competition with larger retailers such as Sainsbury from focusing on small towns and rural areas • Booker is an experienced cash and carry business, with limited retail presence in the UK. Booker’s takeover of Budgens is likely to be motivated by the chance to sell to a different segment of customers, whilst taking advantage of trends in supermarket shopping such as a focus on quality and convenience. The cautious approach of taking over Budgens and similar small retailers such as Premier is likely to illustrate a cautious approach, rather than one in which they are trying to establish a competitive advantage over other supermarkets.

