

Mark Scheme

Q1.

Question Number	Question	Marks
	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining cost efficiency, e.g. <ul style="list-style-type: none"> • Is minimising costs/expenses/waste (1) when producing a product or service (1) </p> <p>OR</p> <p>For providing two advantages of cost minimisation, e.g. <ul style="list-style-type: none"> • Lower operational costs (1) • Increased profit margins (1) </p> <p>Application Up to 2 marks for answers contextualised to <i>Ocado</i>, e.g. <ul style="list-style-type: none"> • The grocery market is very price competitive (1). • Online grocery represents approximately 6% of the UK grocery market and predicted to grow to 9% by 2021 (1). </p> <p>Analysis Up to 2 marks for reasons/causes/consequences for <i>Ocado</i>, e.g. <ul style="list-style-type: none"> • This may lead to <i>Ocado</i> offering lower prices to consumers to gain increased market share (1). • Increased profits will allow <i>Ocado</i> to expand and continue its present rate of growth (1). </p>	(6)

Q2.

Question Number	Analyse two entrepreneurial motives Nguyen Thi Phuong Thao may have had when starting <i>Vietjet Air</i> . Answer	Mark
	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining entrepreneurial motive, e.g. <ul style="list-style-type: none"> • Factors that drive (1) a person to start a business (1) </p> <p>OR</p> <p>For giving two factors that may have motivated Nguyen e.g. <ul style="list-style-type: none"> • Financial gain (1) Personal success (1) </p> <p>Application Up to 2 marks for answers contextualised the factors, e.g. <ul style="list-style-type: none"> • Nguyen may have seen opportunities in the expanding airline market in Vietnam (1) • Nguyen grew up in a country with few successful and dominant females in business (1) </p> <p>Analysis Up to 2 marks for reasons/causes/consequences of the motives e.g. <ul style="list-style-type: none"> • Nguyen may have seen the increase in income/tourism as a means of building the business to increase her own wealth (1) • This may have led Nguyen to work long hours growing the business to prove her capabilities and success. (1) </p>	(6)

Q3.

Question	Analyse two benefits for <i>Aldi</i> of having employee welfare as one of its main business objectives	Mark
	<p>Answer</p> <p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge</p> <p>Up to 2 marks for defining employee welfare e.g.:</p> <ul style="list-style-type: none"> Facilities and benefits provided by a business (1) to meet the well-being of the employee (1) <p>Or</p> <p>For providing two benefits of employee welfare, e.g.:</p> <ul style="list-style-type: none"> Staff Retention (1) Increased efficiency (1) <p>Application</p> <p>Up to 2 marks for answers contextualised to <i>Aldi</i>, e.g.:</p> <ul style="list-style-type: none"> As <i>Aldi</i> provide comfortable working conditions for the employees this may discourage staff from seeking alternative employment (1) <i>Aldi</i> staff may be motivated to work hard as they are paid a competitive salary (1) <p>Analysis</p> <p>Up to 2 marks for reasons / causes / consequences for <i>Aldi</i>, e.g.:</p> <ul style="list-style-type: none"> This may reduce costs for <i>Aldi</i> in terms of recruitment and retraining, helping it to keep prices of products low (1). If the employees in the store are motivated this is likely to increase productivity and will help <i>Aldi</i> offer an improved shopping experience to retain its customers (1) 	(6)

Q4.

Question	Analyse two entrepreneurial characteristics shown by Vaibhav Anant that may have helped <i>Bambrew</i> to succeed.	Mark
	<p>Answer</p> <p>Knowledge 2, Application 2, Analysis 2</p> <p>Up to 2 marks for defining entrepreneurial characteristics, e.g.:</p> <ul style="list-style-type: none">• Qualities or traits (1) demonstrated by an individual starting up and running a business (1) <p>OR</p> <p>For giving two entrepreneurial characteristics, e.g.</p> <ul style="list-style-type: none">• Creativity (1) Passion (1) <p>Application</p> <p>Up to 2 marks for answers contextualised to Vaibhav Anant e.g.:</p> <ul style="list-style-type: none">• Vaibhav Anant looked for alternative materials and methods to produce biodegradable food packaging (1)• Vaibhav Anant wanted to help tackle the global problem of waste in the oceans and the damage to wildlife (1) <p>Analysis</p> <p>Up to 2 marks for reasons / causes / consequences for <i>Bambrew</i>, e.g.:</p> <ul style="list-style-type: none">• This has enabled Vaibhav Anant to establish a unique selling point for his straws and other packaging resulting in growth of the business (1)• This passion has attracted interest from international businesses that are sourcing ethically and has led to increased sales revenue (1)	(6)

Q5.

Question	Answer	Mark
	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining entrepreneurial characteristics, e.g. • Qualities or traits (1) demonstrated by an individual starting up in business (1)</p> <p>OR</p> <p>For giving two characteristics, e.g. • Resilience (1); Creativity (1)</p> <p>Application Up to 2 marks for answers contextualised to Rossi Mitova, e.g. • Rossi is proud of the fact that she never gave up even though she faced setbacks (1) • Rossi created a new way for small farms to distribute produce by creating the online website (1)</p> <p>Analysis Up to 2 marks for reasons / causes / consequences for Rossi, e.g. • This has enabled Rossi to persevere and grow the business despite the many challenges she faced (1) • This quality has enabled Rossi to create a service which now employs 15 people and enables farmers to obtain a fair price for their produce (1)</p>	(6)

Q6.

Question	Indicative content
	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none">• A trade-off occurs when two objectives cannot be fully achieved. It is a compromise that involves giving up something in return for gaining something else.• A social objective is a goal which benefits society.• Profit is total revenue minus total cost.• The social objective of <i>Farmhopping</i> is to be environmentally friendly, which must be shared by the farmers if they are to sell on the <i>Farmhopping</i> website.• There is a potential trade-off as the costs of farming environmentally may be more expensive for farmers. Using recyclable packaging may push up costs for farmers which reduces profit margins.• Not using pesticides/better treatment of animals may increase waste/increase costs for farmers. This may lead to farmers charging higher prices for their goods. This may decrease demand and profitability for the farmers if customers choose to buy cheaper goods from other shops and supermarkets.• However, there may not be a trade-off because a business which behaves ethically and follows social objectives such as caring for the environment may attract customers.• Customers who have the same values are likely to support the small farms selling on <i>Farmhopping</i> and the farmers may benefit from increased demand and profitability.• The social objectives of the farmers may create a USP/differentiate it from other retailers. This may help the farmers to attract new customers and increase sales.• Caring for the environment and not using chemicals may provide longer term benefits for the farmland and the income of farmers.• The outcome depends if consumers are socially aware of environmental issues and/or if price is a dominant factor in the industry.

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	5-7	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 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.

Q7.

Question	Assess if there is likely to be a trade-off between an ethical stance and profit for <i>Bambrew</i>
	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>-</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none">• A trade-off occurs when two objectives cannot be fully achieved. Having more of one may mean having less of the other• Ethics is about 'doing the right thing' and behaving morally and responsibly• There is a potential trade-off as not using chemicals or pesticides in production may increase waste/increase costs. This may lead to higher unit costs for the goods compared to non-biodegradable products and decrease demand or profitability for <i>Bambrew</i>• <i>Bambrew</i> behaves ethically by paying the communities who produce the straws a fair wage. This may push up the price of the straws and may impact revenue and profits if customers choose to buy cheaper straws and packaging• However, a business which behaves ethically and cares for the environment may attract customers. Customers who have the same ethical values are likely to support the business and <i>Bambrew</i> may benefit from increased demand and profitability• The materials used for the straws to replace the use of plastic may create a USP and differentiate the straws. This may help <i>Bambrew</i> to attract socially aware investors and customers leading to growth of the company• The outcome depends if consumers are socially aware of environmental issues and/or if price is a dominant factor in the packaging industry.

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	5-7	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 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.

Q8.

Question	Analyse the possible risks to an entrepreneur of starting a business to rent out electric scooters in the UK.
	<p>Indicative content</p> <p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none">• An entrepreneur is someone who sets up in business, takes on risk, usually with the aim of making a profit• Risk is the probability of a person experiencing loss, such as financial loss• The electric scooter market is competitive and experiencing a high number of start-up businesses renting the scooters. This may lead to saturation of the market which means some businesses may struggle to compete and establish the business or a USP• Market demand is unpredictable as consumer trends can change rapidly. Tourists and commuters may find alternative methods of transport or leisure activities, reducing demand/revenue for entrepreneurs• The entrepreneur may be at risk of financial loss if their savings or loans have been used to start the rental business and buy the electric scooters, resulting in failure of the business• However, the electric scooter market is growing with many cities in the UK trialling the products/service. This may bring financial rewards to the entrepreneur• The UK Government will not allow privately owned electric scooters to be legally ridden on the streets and roads in the UK. This may lead to higher demand for the rental of electric scooters. This may increase the revenue and profits for the start-up business

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	5-7	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 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.

Q9.

Question	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Up to 2 marks for defining the term entrepreneur e.g.</p> <ul style="list-style-type: none"> • A person who sets up in business (1) and takes risks to generate a profit (1). 	(2)

Q10.

Question Number	Indicative content
	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Profit = Total Revenue (TR) – Total Costs (TC). Therefore, profit maximisation occurs at the biggest gap between total revenue and total costs • Profit maximisation is assumed to be the main business objective of most entrepreneurs. Jack Ma is now a billionaire, which may support profit being the primary motivation and objective of the business • <i>Alibaba Group</i> keeps operational costs low by trading on the internet, which helps to minimise total costs and increase profitability • <i>Alibaba Group</i> has expanded the business (Tmall) rapidly indicating that maximising profits may be the main objective for the business • Profit is important in order to fund/support its ethical and social initiatives • However, <i>Alibaba Group</i> appears to have several social objectives. Its 'Tech For Change Initiative' aims to support female education through free online training. It donates funding for healthcare for the underprivileged. This might indicate profit maximisation is not its main objective • It does not charge a fee for selling on its C2C website Taobao, which may indicate that profit maximisation is not the primary objective of the business.

Level	Mark	Descriptor
	0	No rewardable material.
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 throughout 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.

Q11.

Question Number	Indicative content
	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <p>Cost efficiency</p> <ul style="list-style-type: none"> Cost efficiency aims to minimise the costs of producing goods and services. <i>TOMS</i> is experiencing increasing costs and low profit margins. Due to financial problems in 2014 it was given a \$313m investment from a private company but growth and profit margins remain lower than expected. Reducing its costs may be important to increase its profit margins. Profits are important to <i>TOMS</i> to enable it to reinvest into the growth of the company and develop its portfolio. Reducing costs and increasing profit margins are also necessary to keep its investors satisfied. <i>TOMS</i> may fail to attract further private investors if returns are low. Reducing material costs of the shoes may help the company to sell at a lower price and compete with companies such as <i>Skechers</i> that are selling a similar style shoe at half the price. However, reducing the costs may impact the quality of the shoes. If <i>TOMS</i> use an inferior quality of material or less responsible suppliers it may lose its brand identity.

Social objectives

- Social objectives are a company's goals and commitment to manage the impact of its operations on others. This is also referred to as corporate social responsibility.
- *TOMS* donate a pair of shoes for every pair it sells. For some customers, the social goals and practices of a company are important which may increase sales and encourage repeat purchase for *TOMS*.
- Helping to improve eyesight should help to improve the public image of the company. This shows consumers that the business is going above and beyond to help the society in which it operates and may lead to higher levels of revenue for *TOMS*.
- Pursuing social objectives may lead to increased media coverage for *TOMS* and increased demand.
- A benefit of focussing on social goals is the possibility of attracting new investors. If the social goals align with an investor's view, they may be more inclined to invest in a company.
- Likewise, employees who share the same social goals of the company will be more motivated at work when they know the company is working toward the same objectives.
- However, social objectives can increase the costs for the company. The one-for-one policy and helping improve eyesight is an expensive commitment.
- Also using sustainable and re-cyclable materials pushes up costs and prices of goods. If price is an important factor for consumers, they are likely to buy from rivals such as *Skechers*.
- Other factors may also be important to its survival such as widening its portfolio. The portfolio of products is small and since it was founded in 2006, the company has done little to expand beyond its basic style of shoe.
- Overall it is likely that cost efficiency is important to *TOMS* in order to survive financially. It may need to reduce costs and increase its profitability if it is to survive long term.
- However, the USP of *TOMS* is its ethical behaviour and its pursuit of social objectives. If this is compromised, then *TOMS* may lose its means of differentiation and not survive in the long term.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	Isolated elements of knowledge and understanding – recall based. 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 and thorough knowledge and understanding, supported throughout 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 well 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 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.

Q12.

Question Number	Answer	Mark
	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge 1 mark for identifying a risk taken by an entrepreneur</p> <ul style="list-style-type: none">• Financial risk (1). <p>Application Up to 2 marks for answers contextualised to Jack Ma, e.g.</p> <ul style="list-style-type: none">• Jack worked as a teacher prior to creating the <i>Alibaba Group</i> and so gave up wages from his regular job (1).• Jack invested in the business and is likely to have used his savings or taken out a loan (1). <p>Analysis 1 mark for reason/cause/consequence for Jack Ma</p> <ul style="list-style-type: none">• It may have led to Jack losing his possessions/assets if the business had failed (1).	(4)