

Entrepreneurs and leaders

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Entrepreneurs and leaders

Type: Mark Scheme

To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)



Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• A private limited company indicates that new shares can only be issued to others directly known to the current shareholders; current shareholders invite new investment• The inability to issue shares on the stock-market can limit the ability of a business to raise finance• Purenet's possible limited access to share finance could limit growth into mobile platforms which is what their customers demand. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Compared to sole traders or partnerships this type of ownership provides limited liability to the owners• Other sources of finance such as bank debt will still be available to a successful, growing business like Purenet <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• For Purenet to remain as a Ltd instead of a PLC this gives Paul Doherty the ability to control new investment and therefore limits the scope for a hostile takeover• Remaining as a LTD could limit Purenet's ability to raise the finance for their expansion plans.	<p>(10)</p>



EXAM PAPERS PRACTICE

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 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	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, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.



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Q2.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• A trade-off is a situation where having more of one thing leads to having less of something else• By not having mass market ambition, Bon Bon's is potentially sacrificing the additional sales it could have made by selling to a wider range of retailers such as supermarkets• Not having mass market ambition may mean that Bon Bon's has a niche marketing approach, which could lead to lower total costs/profits for the business <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Not having mass market ambitions can provide a strong brand image as a niche provider of traditional sweets to specialised retailers. This could lead to higher profit margins per sale• The mass market for sweets is likely to be more competitive, so rather than Bon Bon's facing a negative trade-off, this approach could be a positive strategy for future growth <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• All businesses face trade-offs in the decisions they make• For a small business like Bon Bon's it seems that the trade-off they face in not having mass market ambitions could be positive as it allows them to focus on the needs of niche customers like shops in tourist attractions• The sweet market is growing in the UK and the trade-off that Bon Bon's are making by avoiding the mass market could limit their future growth	<p>(10)</p>



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Q3.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Stock market flotation is when a company launches on the stock market by the offer of shares to the public <p>Consequences of flotation</p> <ul style="list-style-type: none">• Spotify needs capital in order to invest in new products such as music video subscription services; selling shares publicly through flotation is one way to raise this capital• Spotify's main competitors, such as Apple and Google are large corporations that have access to vast sums of capital – flotation may enable Spotify to compete with these businesses more effectively <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Spotify has not yet made a profit, so it may not be an attractive investment for investors in the stock market. This could result in less finance being raised as the flotation may not attract sufficient investment• The current owners/board are likely to lose some ownership/control to new investors attracted during flotation, which may limit their ability to develop new products such as VR <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• The main consequence for Spotify's stock market flotation is the ability to raise large amount of capital which will allow them to compete with Apple and Google in the growing music streaming market.	(10)



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Q4.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <p>Indicative content</p> <ul style="list-style-type: none">● Entrepreneurs takes risks and combine other factors of production (land, labour and capital) to set up a business/provide a product or service for profit● Leadership is about inspiring and organising employees to achieve a common goal through delegation and authority● O’Leary would need to be able to delegate and therefore trust employees to do a job and balance being supportive with interfering. He may not be prepared to do this as he is driven by the need to compete.● It might be difficult for O’Leary to change from having only his own ideas to accepting other peoples’ ideas given that O’Leary considers himself ‘abrasive’ and ‘cold-hearted, and ruthless in business’ <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none">● Having worked at Southwest Airlines O’Leary may have seen the benefits of listening and keeping an open mind as other employees may have had better ideas● O’Leary considers himself to be ‘humble’, consequently he should be able to listen to the opinions of his employees in order to inspire	(8)



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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.



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Q5.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• A private limited company is a small to medium sized business, usually run by the family that owns it. Shares are sold to friends, family, and business associates and may not be sold on the stock market. Existing share holders control who becomes a new shareholder. <p>Reasons for staying as a private limited company:</p> <ul style="list-style-type: none">• As a supplier of specialist domestic appliances such as dehumidifiers, Ebac can benefit from the control of ownership that being a private limited company provides, such as focussing its new washing machine solely on the UK market• The shareholders have decided to set up the Ebac foundation which re-invests profits back into the business with the aim of benefitting the local community; this may not have been possible with shareholders of a PLC demanding higher returns on their share investment	
	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Finance for expansion is likely to be more limited for a private limited company, than a PLC where share issues can be used to raise large quantities of capital. This capital could be particularly useful in supporting Ebac's investments and expansion into washing machine manufacturing.• Public listing on the stock market may provide greater financial discipline for the business, encouraging them to reduce costs and look for different revenue streams as shareholders may demand a return on their investment.• Socially responsible projects such as the Ebac foundation may be maintained even if Ebac became a PLC because it is part of the wider positive image of the business in the wider community and is part of the business brand. <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Ebac has grown successfully as a private limited company, allowing it to specialise in particular specialist markets. It is a family-run business and as	



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	<p>such, outside interest and ownership is not needed. Outside ownership may detract from the community nature of the business and the success it has. Remaining a private limited company gives the owners the protection of limited liability, without the loss of control associated with becoming a PLC.</p> <ul style="list-style-type: none"> Ebac's expansion plans are likely to be limited by a lack of access to finance – this is particularly needed as they expand into competitive mass markets such as washing machines, where competitors such as Haier already operate. The consequence of remaining a private limited company is that these plans are limited to existing finance provided by a small group of shareholders and other sources of finance. 	(10)
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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 leading to a supported judgement.



Q6.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Creativity is essential as entrepreneurs need to come up with new ideas in order to create and/or maintain a competitive advantage• Wilsdorf did this by designing a man's watch, when no other business provided these. This gave Wilsdorf the opportunity to sell to a market that was new, without competitors in the first instance• Creativity also helped Wilsdorf to come up with the name of the brand, which was easy to pronounce in any language, and could therefore make a quick impact in different markets around the world <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Risk-taking might be considered more important as a characteristic, as there may have been good commercial reasons for men's watches being uncommon. Therefore it was a risk to launch a Rolex watch targeted at men• Initiative might be more important. For example, Wilsdorf decided to hire craftsmen and focus on quality, rather than trying to mass produce a cheaper, mass-market product <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Creativity was likely to be most important as an entrepreneurial characteristic when Wilsdorf was developing the first Rolex watches and devising its key design features as he his products had not been devised or marketed before• As Wilsdorf became clear on his luxury design, and the watches began to sell, it is likely that other characteristics and skills, such as perseverance in the face of experienced jewellers and possible competitor entrepreneurs, wishing to offer similar products, would be more important.	(10)



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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, 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 Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none">• Roles of an entrepreneur are creating and setting up a business, running and expanding/developing a business, innovation within a business (intrapreneurship), anticipating risk and uncertainty.• Entrepreneurs usually have to be prepared to provide their own capital to help fund a business venture and so take calculated risks, some even sacrifice employment to do so. In which case creating and setting up a business is quite a pivotal role that involves opportunity costs. Roberts sacrificed a career• as a chartered surveyor, which is usually well paid.• In order to keep running, the entrepreneur may need to monitor the costs and sales of products and continue market research, in Roberts case the price of memberships compared to competitors or the fitness equipment of Pure Gym <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none">• Roberts had already gained experience as a leisure entrepreneur, so taking the risk of setting up a new gym business was not such a big step• Intrapreneurship can be adopted by other staff in the business as it develops. Entrepreneurs have an overall vision of a business as a whole which may mean delegating to other staff. Roberts may have needed to listen to the advice of personal trainers as he expanded his clubs beyond the original four. <p>NB: Accept 'risk taker' and 'creativity' as 'roles' since they are essentially the same as 'anticipating risk' and 'innovator' (do not accept other entrepreneurial characteristics, such as 'hard working', 'resilient', 'initiative')</p>	<p>(8)</p>



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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 effects(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 leading to a supported judgement.



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Q8.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Creating and setting up a business is the initial idea and risk involved in beginning a business, which will involve understanding consumer tastes and may also involve raising finance • Lord Somerleyton has done this through spotting a desire for customers to be willing to buy chip-only fast food, based on high quality potatoes <p>Reasons why this is important:</p> <ul style="list-style-type: none"> • Lord Somerleyton has also conducted small sample research on fish and chip businesses in Great Yarmouth as part of his set-up process • He has also spotted an opportunity for a mobile fast food facility that would target a different market (late night party-goers) to those that might visit fixed outlets (mass market customers) 	
	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Other roles of the entrepreneur will include: running and expanding the business; innovating within a business; anticipating risk and uncertainty in the business environment • Lord Somerleyton wants to expand the business to a national brand, but recognizes the importance of establishing 4 or 5 successful 'saloons' before that • This role of expanding the business will involve identifying and sourcing new finance for new properties in which to sell Hot Chip, as well as recruiting managers for the new 'saloons' that share Lord Somerleyton's vision for the new business • Running the business also means that Lord Somerleyton should keep his customers happy and also bring in new customers. His expansion of the toppings range to include Hot Salt beef etc. could help, but as well as attracting new customers he needs to be innovative in keeping the customers he already has. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Creating and setting up the business is an important first step for an entrepreneur such as Lord Somerleyton, because without this initial risk-taking there would be no 	



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	<p>business to establish. Finding a gap in the market such as hot chips that is sustainable for a new business needs to be carefully researched and led by the entrepreneur</p> <ul style="list-style-type: none">• However, this role is only important in the initial set-up period. Different roles such as working with his business partner Toby and recruiting and leading new staff as more branches are open will become more important – particularly if the plan to expand nationwide is followed.• The importance of each role of the entrepreneur may depend on the plans for their business. Lord Somerleyton plans to expand locally and nationally with Hot Chip, so his role in running and expanding the business becomes more important. If he were to be happy with a small number of Hot Chip outlets, he may turn to looking at other business ideas, which would raise the importance of the creation and set-up role.	(12)
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Level 3	5–8	Accurate and thorough knowledge and understanding, supported 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	9–12	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.



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Q9.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Option 1</p> <ul style="list-style-type: none">• A public limited company is a business with limited liability whose shares are publicly traded on the stock market• The main benefit of becoming a PLC is the increased access to capital. This additional finance could allow Rolex to grow into new markets and invest more in online sales• Becoming a PLC can also raise the public profile of the business, providing reassurance of success for customers and investors. Since Hans Wilsdorf's death, this raised profile could help challenge competitors such as Swatch• New product development is expensive in the luxury watch market, with research and development and consideration of different raw materials, and the new share capital can be used to finance this. <p>Option 2</p> <ul style="list-style-type: none">• Hans Wilsdorf set up the Foundation to keep ownership limited and controlled and prevent Rolex from ever being owned by another business, so it seems a private limited company is best• Private limited companies can still raise finance through share capital, it is just that new shareholders have to be approved by existing owners, in this case the Wilsdorf Foundation• Being a private limited company means that Rolex does not have to please public shareholders by growing, therefore focusing on exclusivity and quality to compete• Rolex has been successful on the basis of classic designs and features that customers trust. New product development is less important, and there is therefore less need for the finance becoming a PLC can bring	



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	<p><i>Potential judgement:</i></p> <ul style="list-style-type: none"> • The luxury watch market is rapidly changing and some of the fastest growing businesses are public limited companies. Hans Wilsdorf wanted to maintain control, but since his death becoming a PLC is now more likely. Becoming a PLC would help to raise the capital for Rolex to remain competitive in the growing luxury watch market • Rolex has always been a business close to the values of its founder, Hans Wilsdorf. He set up the Foundation with the main intention of keeping the business private, with ownership controlled. This gives Rolex control to focus on design and quality, meaning that it can continue to differentiate on these factors without the pressure of increasing profitability as often required by shareholders of PLCs. 	(20)
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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 cause(s) and/or consequence(s)/effect(s) 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 cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative 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 use of 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 that proposes a solution and/or recommendations.



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Q10.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for understanding of what is meant by a business objective, e.g.:</p> <ul style="list-style-type: none">• a business objective is a specific goal.• profit maximisation is an example of a business objective. <p>Application: up to 2 marks for contextualised examples, e.g.:</p> <ul style="list-style-type: none">• increase market share by being 'cheapest'• sales maximisation by 'When it's Gone, it's Gone' sales offer. <p>Analysis: 1 mark is available for, e.g.:</p> <ul style="list-style-type: none">• Tesco is aiming to increase its market share, by targeting customers who are price sensitive and have been shopping at Lidl and Aldi due to their budget prices.	(4)