The market

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: The market

Type: Mark Scheme

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

Mark Scheme

Q1.

Question Number	Indicative content	Mark
	Knowledge 2, Application 2, Analysis 3, Evaluation 3 • Need to change the product mix. • Need to do more market research. • Market becoming more dynamic. • More expensive materials or methods of production. *Potential counterbalance* • Depends on degree to which people want to purchase healthier snacks. • Demand for regular crisps has still increased by 29%. • 1000% revenue increase in air-dried apple crisps could be from a low base. • Depends on the degree to which healthier crisps require different methods of production.	**(10)**

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.

Q2.

Question Number	Indicative content	Mark
	Knowledge 2, Application 2, Analysis 4, Evaluation 4 **Marks for application and analysis – include up to 4 marks for quantitative skills** Quantitative skills assessed: **QS 2:** Calculate, use and understand percentages and percentages changes **QS 7:** Interpret values of price and income elasticity of demand **Indicative content (quantitative skills)** • Price elasticity of demand measures the sensitivity of changes in consumer demand to price changes and is calculated by using the formula: $$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$ so a 5% increase in membership fees might reduce demand (new memberships) by 10% • Identifies that all gym memberships with a PED of -2 are therefore price elastic and that for a specific chain (e.g. David Lloyd) the PED for membership is likely to be more price elastic given the availability of substitutes (e.g. Nuffield) • The use of media health campaigns is likely to reduce price elasticity as consumers might see health (keeping fit/losing weight) as more important than money, therefore whilst some may end their memberships others will be keen to retain theirs. Fitness First retentions are at its highest ever. NB If answer suggests PED of -2 is inelastic, rather than elastic, mark with caution (unlikely to score above Level 2)	

Potential counterbalance

- PED for health clubs may be affected more by factors like seasonal trends. For example in January people are keen to exercise and lose the extra pounds in weight which may have resulted from the festive season so if membership prices increased then, demand may not fall at all.
- If potential members incomes increase in line with membership prices then demand might not fall by a greater proportionate amount than the price increase

Possible judgement

- The PED for gym membership will very much depend on the economic climate and the circumstances of each individual member. Some members might in fact be health and fitness club addicts or see membership as part of their

(12)

lifestyle that would mean that health campaigns might have had no effect on PED.

NB: to access levels 3 and 4, students will need to demonstrate quantitative skills to support their judgements.

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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 is 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	5–8	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.

Q3.

Question Number	Indicative content	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 **Marks for application and analysis include up to 4 marks for quantitative skills** Quantitative skills assessed: **QS7**: interpret values of price and income elasticity of demand **QS9**: interpret, apply and analyse information in written, graphical and numerical forms **Indicative content** • Income elasticity of demand (YED) measures the responsiveness of changes in demand to changes in consumer income • Holidays are considered a luxury which makes them income elastic; holidays abroad are usually more expensive so this makes them even more income elastic • The bigger the share of income spent on holidays makes them more income elastic • Uncertainty can determine YED; A weaker pound could make overseas holidays potentially more expensive and therefore increase YED *Possible counter-balance* • Demand for holidays depends on the individual's circumstances. Holidays may be considered necessary (reduce stress) so making the demand for them less sensitive to changes in income • Demand for holidays varies according to the type of holiday; when incomes fall demand for all-inclusive holidays may increase given that total costs are more certain; likewise the demand for shorter holidays or staycations may increase.	(8)

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	3–5	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.

Q4.

Question Number	Answer	Mark

	Knowledge 1, Application 3
	
	Quantitative skills assessed:
	
	QS7: interpret values of price and income elasticity of demand
	QS9: interpret, apply and analyse information in written, graphical and numerical forms
	
	Knowledge: 1 mark for understanding how income elasticity of demand is calculated
	  • Percentage change in quantity demanded/percentage change in income
	
	Application: up to 3 marks
	  • Therefore, income elasticity of demand x % change in income = % change in quantity demanded.
	  • 1.8 x 9%
	  • = 16.2 %
	
	NB: If answer given is 16.2% award 4 marks.
		(4)

Q5.

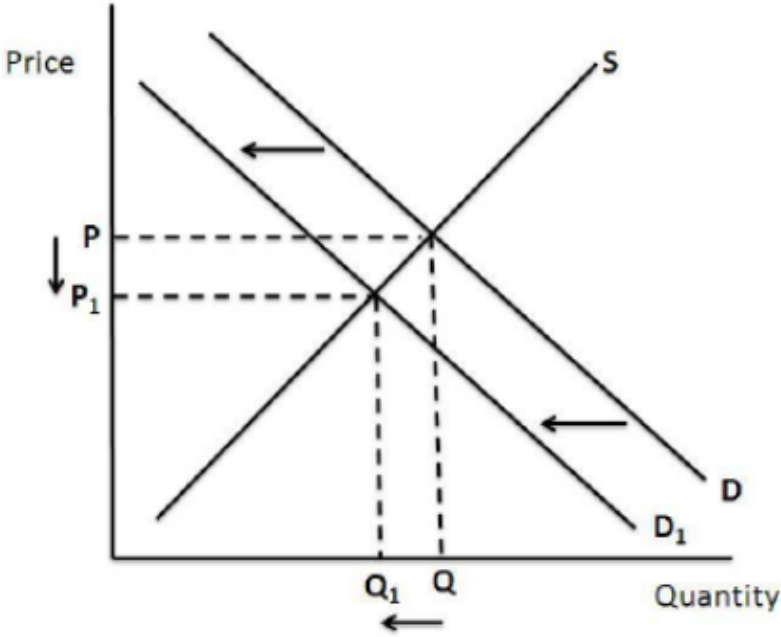| Question Number	Answer	Mark
	Knowledge 1, Application 3	
	Quantitative skills assessed: **QS7:** Interpret values of price and income elasticity of demand **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms. **Knowledge: 1 mark** for • Income elasticity of demand = %Change in quantity demanded/%change in income **Application: up to 3 marks** for using appropriate data • %Change in quantity demanded = (144-140=4)/140 X 100 = 2.86% (2 d.p.) • %Change in Income = (£27 195 - £27 000= 195)/27 000 X 100 = 0.72% (2 d.p.) • YED = 2.86/0.72 = **3.97** (Income elastic) **NB:** Answer may vary due to rounding method used. All acceptable e.g. • YED = 2.85714285714 / 0.72222222222 = **3.96** 3.95604395605 (2 d.p.) Correct and 4 marks, even if candidate has written 2.85/0.72 as working. • YED = 2.9/0.7 = **4.14** 4 marks if correct answer is stated without working shown.	**(4)**

Q6.

Question Number	Answer	Mark
	Knowledge 1, Application 3 Quantitative skills assessed: **QS2:** calculate, use and understand percentages and percentage changes **QS7:** interpret values of price elasticity of demand **QS9:** interpret, apply and analyse information in written, graphical and numerical forms **Knowledge: 1 mark** for • PED = % Quantity Demanded/%Change in Price **Application: up to 3 marks** for • 0.9/30 X 100 = 3 • (-)2.75 X 3 • = (-)8.25% change in quantity demanded NB: if the answer given is 8.25 award 4 marks, if answer is not rounded to 2 decimal places award 3 marks. If answer is expressed in alternative units e.g. 8.25m, award 3 marks.	**(4)**

Q7.

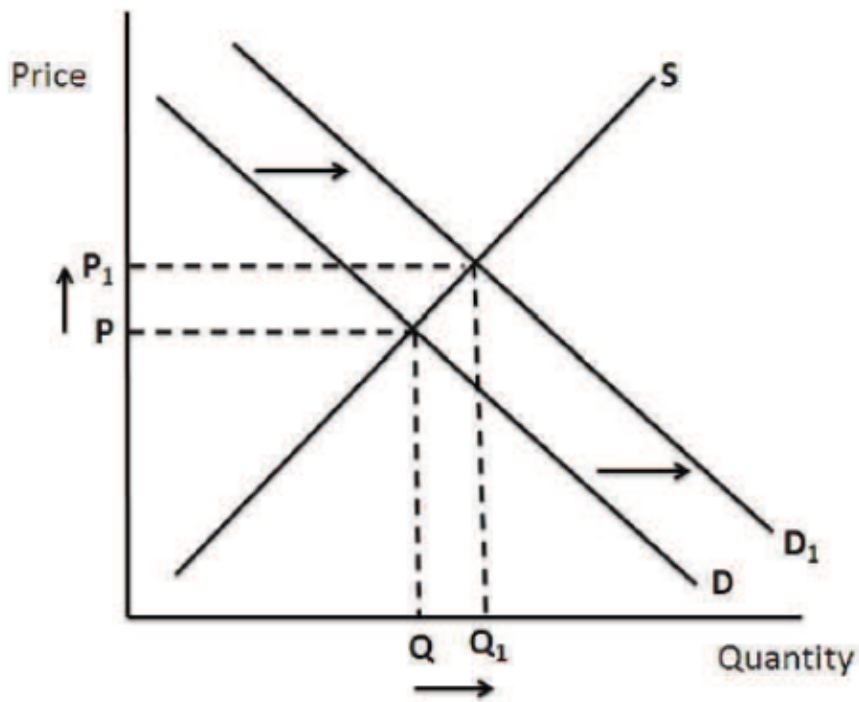| Question Number	Answer	Mark
	Knowledge 2, Application 1, Analysis 1 **QS3:** construct and interpret a range of standard graphical forms **Knowledge/understanding:** **1 mark** for correctly constructing supply and demand curves **1 mark** for correctly labelling axes, price and quantity **Application: 1 mark** for • Correctly interpreting the shift in demand curve to the left **Analysis: 1 mark** for drawing the original and new equilibrium on the quantity and price axes 	**(4)**

Q8.

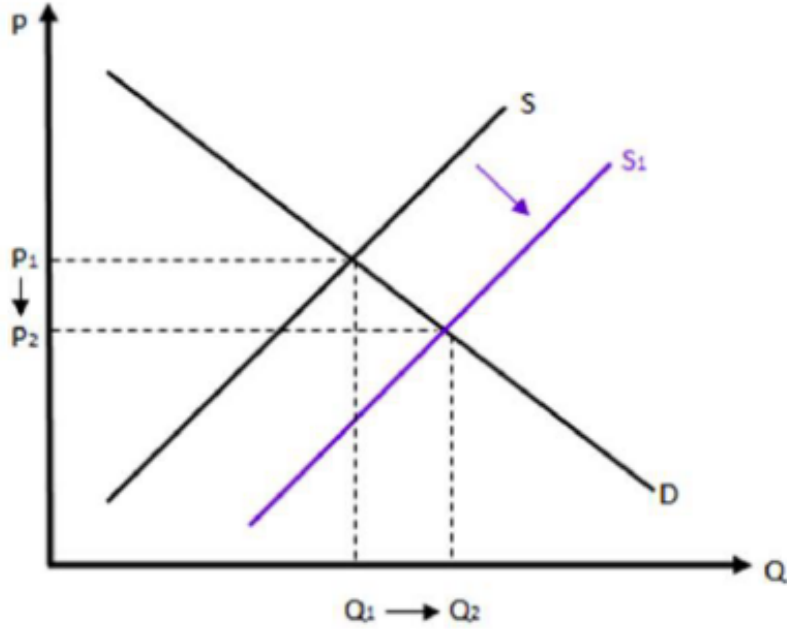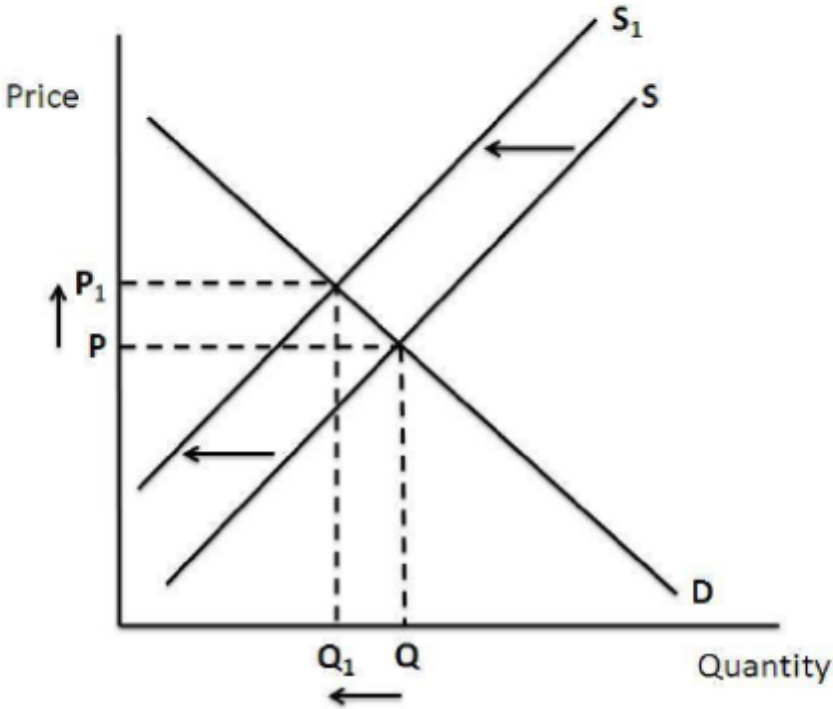| Question Number	Answer	Mark
	Knowledge 2, Application 1, Analysis 1 Quantitative skills assessed: **QS3:** construct and interpret a range of standard graphical forms **Knowledge/understanding:** **1 mark** for correctly constructing supply and demand curves **1 mark** for correctly labelling axes, price and quantity. **Application: 1 mark** for • Correctly interpreting the shift in demand curve to the right due to a fall in the price of a complementary good. **Analysis:** **1 mark** for drawing the original and new equilibrium and consequences on the quantity and price axes NB: candidates may, in addition also show an increase in Supply as a reaction to excess demand in the market.	

(4)

Q9.

Question Number	Answer	Mark
	Knowledge 2, Application 1, Analysis 1 Quantitative skills assessed: **QS3:** construct and interpret a range of standard graphical forms **Knowledge/understanding:** **1 mark** for correctly constructing supply and demand curves **1 mark** for correctly labelling axes, price and quantity **Application: 1 mark** for • Correctly interpreting the shift in supply curve to the right **Analysis: 1 mark** for drawing the original and new equilibrium and consequences on the quantity and price axes 	**(4)**

Q10.

Question Number	Answer	Mark
	Knowledge 2, Application 1, Analysis 1 **QS3:** construct and interpret a range of standard graphical forms **Knowledge/understanding: up to 2 marks** **1 mark** for correctly constructing supply and demand curves **1 mark** for correctly labelling axes, price and quantity **Application: 1 mark** for • Correctly interpreting the shift in supply curve to the left **Analysis: 1 mark** for drawing the original and new equilibrium on the quantity and price axes 	
		(4)

Q11.

Question Number	Indicative content	Mark
	Knowledge 4, Application 4, Analysis 6, Evaluation 6 Marks for application and analysis – include up to 4 marks for quantitative skills Quantitative skills assessed: **QS2**: calculate, use and understand percentages and percentage changes **QS8**: use and interpret quantitative and non-quantitative information in order to make decisions **QS9**: interpret, apply and analyse information in written, graphical and numerical forms **Indicative content (quantitative skills)** • Potential for greater revenues and profits (total UK sales are expected to reach £1bn) (QS8) • Overseas markets appear to be growing faster than the UK; data shows China is growing at a faster rate than India (China's GDP per capita has grown by 62% whilst India's has risen by only 31% between 2009 and 2012). (QS2) • UK market is growing by only 0.1%. Although in the domestic market growth is slowest (hasn't exceeded 2% between 2009 and 2012), the UK still has the richest consumers (GDP per capita is over six times greater than that of China) and the price of the product will be more affordable. (QS9) • Some foreign markets are growing at different speeds and may look more favourable than the UK (China 7.8%, India 3.2%), however the impact of this change is dependent on the size of the GDP. (QS2, QS9)	

Question Number	Indicative content	Mark
	Indicative content • Demand for some types of crisp could be income elastic. • Potential for UK crisp manufacturers to expand releasing larger economies of scale. • As incomes rise demand may become less price elastic. *Potential counterbalance* • More data is required to fully assess the impact on manufacturers, e.g GDP/population/exchange rates. • Benefits of economic growth could depend on the type of crisps produced. • Benefits of growth will depend on which country the manufacturer targets.	**(20)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).
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 and 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 qualitative information 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	Indicative content	Mark
	Knowledge 4, Application 4, Analysis 6, Evaluation 6 **Marks for application and analysis – include up to 4 marks for quantitative skills** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages and percentages changes **QS8:** use and interpret quantitative and non-quantitative information in order to make decisions **QS9:** interpret, apply and analyse information in written, graphical and numerical forms Manufacture in the UK • There is capacity to be utilised, thanks to more than £7 billion investment in production facilities • The UK enjoys a tradition of a skilled labour force to support the design and manufacture of premium and specialist brands, which may explain the 27% growth rate between December 2013 and 2014 • Home car sales have increased by 8% whereas export sales have fallen 0.5% in these twelve months, suggesting that by focusing on the home market overheads such as distribution can be reduced. • Car production overseas may be less practical in places like Brazil, given relatively poor infrastructure • Car production overseas may involve working in a joint venture with overseas companies, such as Chery in Wuhu in China, who would expect a share in profits	

Manufacture overseas

- The export market represents a 78% share of all sales, a share which has grown by 1% in a year, so it may be better to offshore to be closer to the market
- Local sourcing in countries like Brazil may reduce average manufacturing costs given competitive labour compensation rates/costs, lower energy costs and proximity to raw materials such as metal ores.
- If outside the EU, then exports to the EU may incur tariffs causing the price of cars to increase, so reducing sales in the EU which may not be good given that the EU's share of UK built vehicle exports has grown from 49.1% to 53.1%.

Possible judgement

- It very much depends on where overseas. If outside the EU, then exports to the EU may incur tariffs causing the price of cars to increase, so reducing sales in the EU which may not be good given that the EU's share of UK built vehicle exports has grown from 49.1% to 53.1%

(20)

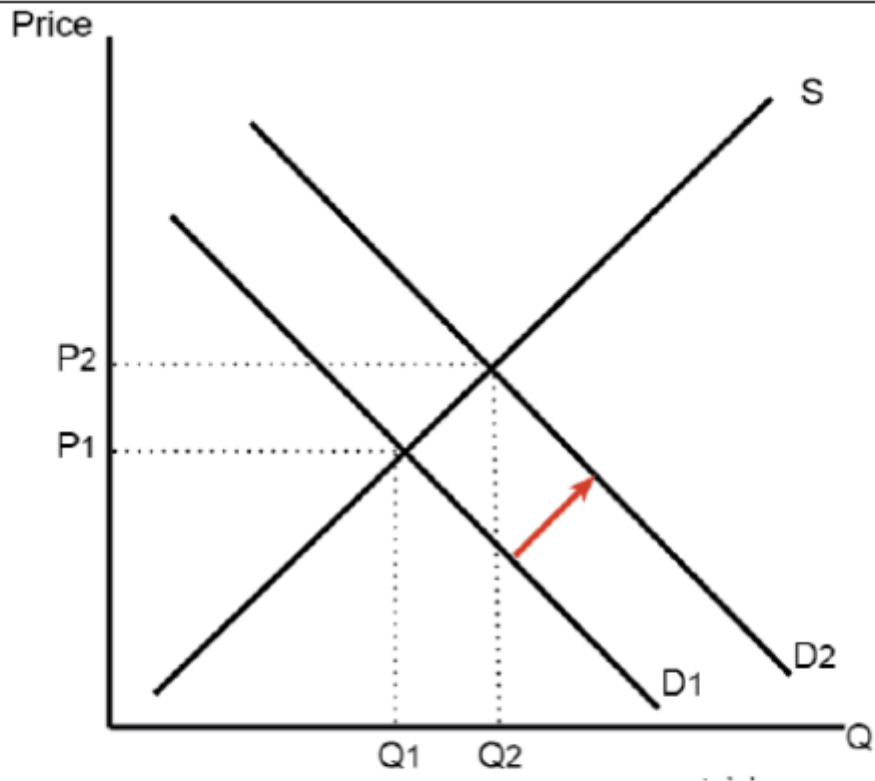| Level	Mark	Descriptor
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Q13.

Question Number	Indicative content	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 **Marks for application and analysis include up to 2 marks for quantitative skills** Quantitative skills assessed: **QS3:** construct (and interpret) a range of standard graphical forms • Revenue is income from sales • Determined by prices multiplied quantity actually sold Reasons why business revenues increased: • The number of visitors to festivals increased which may have been caused by better weather. More money is therefore spent on tickets and on merchandise. • New shows and performances released, e.g. Hamilton, which attracts more customers who will spend on tickets and refreshments. *Possible counterbalance* • The summer weather of 2017 was poor so although attendances may have fallen revenue increased because prices for tickets could have increased. This may have increased revenue as demand is relatively price inelastic in markets such as live shows to see popular artists like Ed Sheeran. **NB:** Supply and demand diagram should be drawn like the one below. No use of supply and demand diagram (QS3) limits mark awarded to L3-6	**(8)**

NB The arrow can be taken as an alternative to D1 to D2 (either indicate positive shift in demand)

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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.