

Mark Scheme (Results)

Summer 2013

GCSE Business

Unit 3: Building a Business

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information, please visit our website at www.edexcel.com.

Our website subject pages hold useful resources, support material and live feeds from our subject advisors giving you access to a portal of information. If you have any subject specific questions about this specification that require the help of a subject specialist, you may find our Ask The Expert email service helpful.

www.edexcel.com/contactus

Pearson: helping people progress, everywhere

Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at:

www.pearson.com/uk

Summer 2013

Publications Code UG037089

All the material in this publication is copyright

© Pearson Education Ltd 2013

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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear*
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter*
 - iii) organise information clearly and coherently, using specialist vocabulary when appropriate.*

Section A:

Question Number	Answer	Mark
1(a) A01=1	B	(1)

Question Number	Answer	Mark
1(b) A01=1	<p>1 mark for the identification of any method of collecting market research.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • Focus group. • Survey. • Questionnaire. • Internet/books/magazines. • Government reports. • Taster sessions. • Observations. <p>Accept any other reasonable answer.</p>	(1)

Question Number	Answer	Mark
1(c) A01=1 A03=2	<p>For 3 marks, there will be one benefit identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...' 'because...' etc.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Knowledge of customers/attitudes/changes in preferences/appropriate marketing mix. • Information on competitors. • Identifying gaps in markets. <p>E.g. The business will find out about customers' changing preferences (1 mark). This allows the business to change its marketing mix (1 mark), which means they can out-compete rivals (1 mark).</p> <p>This answer would gain three marks since there are at least two relevant, linked points made, following the identification of a valid benefit.</p>	(3)

Question Number	Answer	Mark
1(d) A01=1 A03=2	<p>For 3 marks, there will be one advantage identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...' 'because...' etc.</p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Increased profit margins. • Ability to charge premium prices. • Customer loyalty. • More repeat purchases. • Increased likelihood of product trial. • Perceived higher quality. <p>E.g. The business can charge higher prices (1 mark). This is because the customer thinks that a branded product is better (1 mark), therefore they will pay more because it is more of a necessity to them (1 mark).</p> <p>This answer would gain three marks since there are at least two relevant, linked points made, following the identification of a valid advantage.</p>	(3)

Question Number	Answer	Mark
2(a) A01=1	C	(1)

Question Number	Answer	Mark
2(b) A02=2	<p>1 mark for each external source of finance identified.</p> <p>Possible external sources of finance include:</p> <ul style="list-style-type: none"> • Share capital. • Loans • Bonds • Leasing • Grants • Overdrafts • Trade credit <p>If candidates state 'stock market floatation' accept this as an answer even though <i>Ryanair</i> is already a publicly traded company.</p>	(2)

Question Number	Answer	Mark
<p>2(c)</p> <p>A02=2 A03=1</p>	<p>For 3 marks, one impact will be identified and there will be at least two clearly identifiable linked strands of explanation. These may contain connective words such as, ‘this leads to...’ ‘because...’ etc. The explanation must be in the context of an airline/<i>Ryanair</i> if it is to secure all three marks.</p> <p>Possible impacts include increased:</p> <ul style="list-style-type: none"> • Noise pollution. • Air pollution. • Impact on climate change. • Depletion of natural resources e.g. oil. <p>E.g. Airplanes are very noisy (1 mark). This makes houses near airports less attractive (1 mark) which means that owners will sell them for less (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of an impact. The answer is also rooted in the context of an airline since the answer refers to ‘houses near airports’ and ‘planes being noisy’. Without this use of context the answer can score a maximum of 2 marks.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>2(d)</p> <p>A01=1 A02=1 A03=2</p>	<p>For 4 marks, the description will make up to four relevant points associated with the effects of pressure group activity on <i>Ryanair</i>. Four marks could also be achieved through focusing on two effects plus some development. One mark can be given for a definition of ‘pressure groups’. The answer must be rooted in the context of <i>Ryanair</i> to secure all four marks.</p> <p>Possible effects include:</p> <ul style="list-style-type: none"> • Less people want to fly. • People are more aware of the environmental damage. • Government might restrict airport expansion. • People switch to other modes of transport. • <i>Ryanair’s</i> brand is damaged. <p>E.g. A pressure group is an organisation which tries to change the decisions made by a business (1 mark). ‘plane stupid’ is trying to get <i>Ryanair</i> to reduce the number of flights it makes (1 mark). If <i>Ryanair</i> do this there will be less pollution from aviation fuel. The government may also pass laws to restrict airline growth (1 mark).</p> <p>This answer would gain four marks since the candidate has defined ‘pressure groups’, and contextualised the answer by referring to the words ‘flights’, ‘aviation fuel’ and ‘airline’. There are also two separate points one of which has been developed.</p>	<p>(4)</p>

Question Number	Answer	Mark
3(a) A01=1	D	(1)

Question Number	Answer	Mark
3(b) A02=2 A03=1	<p>For 3 marks, there will be one method identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, ‘this leads to...’ ‘because...’ etc. The explanation must be in the <i>ShakeAway</i>/milkshake context if it is to secure all three marks.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Advertising/promotions/celebrity endorsement. • Free samples. • Lower prices. • Loyalty cards. <p>E.g. <i>ShakeAway</i> could lower its prices (1 mark) and this would make the milkshake more attractive (1 mark), therefore people will trial the product.</p> <p>This answer would gain two marks since there are at least two linked strands that build the explanation, following the identification of a method. However there is insufficient use of context and candidates need to go beyond using the name of the company and the word ‘milkshake’ in their responses. Contextualisation could be achieved by referring to the £11.95 price.</p>	(3)

Question Number	Answer	Mark
3(c) A01=1 A02=1 A03=1	<p>For 3 marks, the description will make three relevant points or one developed point associated with how <i>ShakeAway</i> can motivate its staff (<i>Shakettes</i>). The answer must be rooted in the context of a fast food/milkshake bar to secure all three marks. One of the points could include a definition of motivation.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • Higher pay/remuneration. • Increased fringe benefits. • Improved working conditions. • Better communication. <p>E.g. Since the <i>Shakettes</i> are likely to have little skill (1 mark), it is unlikely that <i>ShakeAway</i> will be able to offer higher pay (1 mark) therefore making the job as fun as possible would be a way in which the <i>Shakettes</i> could be motivated (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands following a point and there is use of the <i>ShakeAway</i> context through the recognition of the job of a <i>Shakette</i> being low skill.</p>	(3)

Question Number	Answer	Mark
3(d) A02=2 A03=1	<p>For 3 marks, there will be one reason identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...' 'because...' etc. The explanation must be in the <i>ShakeAway</i>/milkshake context if it is to secure all three marks.</p> <p>Possible reasons include:</p> <ul style="list-style-type: none"> • Reduced waiting time. • No need to employ as many <i>Shakettes</i>. • Lower cost per milkshake. • It would encourage repeat purchase. <p>E.g. By increasing productivity, <i>ShakeAway</i> can reduce customer waiting time (1 mark). This will increase the number of satisfied customers (1 mark). As a result it is more likely that customers will come back instead of buying other drinks from places like <i>Burger King</i> (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of an impact. The answer also makes reference to a rival drinks retailer, contextualising the response.</p>	(3)

Question Number	Answer	Mark
4(a) A01=1	D	(1)

Question Number	Answer	Mark
4(b) A01=1 A02=1	<p>1 mark for the identification of an impact on <i>The Lego Group</i> from stricter EU toy safety regulations and 1 mark for some kind of appropriate development of the impact in context.</p> <p>Possible impacts include:</p> <ul style="list-style-type: none"> • Higher costs. • Building bricks will need to be re-designed. • Need to change the materials used/more safety warnings on each set. <p>E.g. This will mean that <i>The Lego Group</i> will have to make some of their pieces larger (1 mark) so that small children do not choke on them (1 mark).</p> <p>This answer would gain two marks <i>since</i> an impact has been identified and there is some development in context.</p>	(2)

Question Number	Answer	Mark
<p>4(c)</p> <p>A02=2</p> <p>A03=1</p>	<p>For 3 marks, there will be one benefit identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, ‘this leads to...’ ‘because...’ etc. The explanation must be in the <i>Lego</i>/toy brick context if it is to secure all three marks.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Improved branding. • More repeat purchases. • Increased customer loyalty. • Ability to charge higher prices. <p>E.g. Having high quality bricks and sets will differentiate <i>Lego</i> (1 mark) from those of <i>MEGA Bloks</i> (1 mark). As a result more children will want to purchase <i>Lego</i> sets at Christmas. This will increase the revenue of <i>The Lego Group</i> (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation, following the identification of a benefit. The answer is also rooted in the context of <i>Lego</i> since reference is made to bricks and a rival competitor.</p>	<p>(3)</p>

Question Number		Indicative content
4(d) AO2=2 AO3=4		<p>The aim here is for candidates to make a judgement as to whether linking more <i>Lego</i> sets to new movies or advertising is more effective in remaining competitive. There is no right or wrong answer and the candidate can argue that either method is better, depending on the circumstances. Candidates might consider the following possible ideas as part of their answer:</p> <p>Link more sets to newly released movies:</p> <ul style="list-style-type: none"> • Keeps <i>Lego</i> sets up to date. • Lots of free advertising if the movie is popular. • May enable <i>Lego</i> to break into new markets. • <i>Lego</i> might get exclusive rights to make toys for that movie. • Will <i>COBI</i> & <i>MEGA Bloks</i> be able to copy? • How much will it cost to link the sets to a movie? <p>Increasing advertising:</p> <ul style="list-style-type: none"> • Helps differentiate all <i>Lego</i> sets not just ones linked to a particular movie. • Will enhance the <i>Lego</i> brand across all of its products. • Will <i>COBI</i> & <i>MEGA Bloks</i> simply increase their advertising? • Time consuming. • Expensive. <p>To be evaluative and support the judgement made, the candidate might suggest (for example) that the level of competitiveness achieved is dependent on the popularity of the movie. Some flops might have short life cycles, reducing the level of competitiveness.</p> <p>An alternate route to evaluation might come through the candidate examining the drawbacks of their chosen option. E.g. advertising is expensive/linking to a new movie may involve some kind of licensing fee.</p>
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	A judgement or point is given as to which method is more likely to allow <i>The Lego Group</i> to remain competitive. If there is just a simple judgement or where the support shows misunderstanding 1 mark should be awarded. If this judgement/point has some simple support, the response should be placed at the top of this level.
Level 2	3-4	A judgement/point is given on one or both issues with some development/support, which includes at least <u>one</u> reason/cause/consequence etc. At the top of this level this analysis will be relevant and linked to the judgement/point made.
Level 3	5-6	<p>A judgement/point is given on one or both issues with some development/support, which includes at least <u>two</u> reasons/causes/consequences etc. <u>and includes some balance.</u></p> <p>At the top of this level there will be a conclusion drawn from the analysis and the answer will be in <i>The Lego Group</i> context.</p>

Section B:

Question Number	Answer	Mark
<p>5(a) A01=2</p>	<p>Just in Time (JIT) is a stock management system where no stocks of raw materials/finished products are held by the business or stocks of raw materials arrive just before they need to be used.</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests that candidate has some understanding of the term. E.g. where the business holds no stock.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. E.g. <i>Dell</i> holds no stock due to the speed of technological progress.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>5(b) A02=2 A03=1</p>	<p>For 3 marks, there will be one benefit identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, ‘this leads to...’ ‘because...’ etc. The explanation must be in the <i>Dell/computer/online/internet/lack of need to have stores</i> context if it is to secure all three marks.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Lower costs so profits increase. • Gives ability to lower prices. • Allows computers to be built around customers’ exact needs. • Enables the use of JIT system of stock control. • Increases efficiency of <i>Dell</i>. <p>E.g. Using the Internet gives <i>Dell</i> the ability to lower its prices (1 mark). This is because selling on the Internet is cheaper than having retail stores (1 mark) therefore <i>Dell’s</i> costs are lower (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation, following the identification of a method. The context is provided because <i>Dell</i> does not need to have retail stores because it is selling online.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>5(c)</p> <p>A02=2</p> <p>A03=1</p>	<p>For 3 marks, there will be one disadvantage identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as, 'this leads to...' 'because...' etc. The explanation must be in the <i>Dell</i>/computer context if it is to secure all three marks.</p> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Falling profits. • Less customer loyalty. • Fewer repeat purchases. • Damage to the brand. <p>E.g. By moving the customer service centre to India <i>Dell</i> risks getting fewer repeat purchases (1 mark). This is because the workers at the Indian call centre do not possess the language skills to answer the customer's questions properly (1 mark). As a result, when customers replace their computer in the future, they will purchase a <i>Hewlett Packard</i> (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation, following the identification of a method. The candidate also contextualises their response using the evidence and makes reference to a competitor '<i>Hewlett Packard</i>'.</p>	<p>(3)</p>

Question Number	Answer	Mark
<p>5(d)</p> <p>A01=2 A02=4 A03=2</p>	<p>This question has a 2 x 4 mark split. There is one mark for identifying an advantage and one mark for identifying a disadvantage. The remaining three marks are for the explanation (for each impact) which will show how holding higher levels of buffer stock can be an advantage/disadvantage to <i>Dell</i>. Within the answer there will be at least three clearly identifiable strands of explanation <u>and reference to the context</u> for each advantage/disadvantage considered. These may contain connective words such as, ‘this leads to...’ ‘because...’ etc.</p> <p>Possible advantages include:</p> <ul style="list-style-type: none"> • Protects against uncertainty e.g. Thai floods. • Prevents damage to brand from cancelling customer orders. • Can fulfil customer’s orders faster. • More bulk orders allow for greater economies of scale. • Can supply unexpected orders. <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> • Buffer stocks will quickly become out of date. • Cost of stock holding will be higher. • May damage the competitiveness of <i>Dell</i>. • Stock may become damaged. <p>E.g. Disadvantage: Reduced competitiveness (1 mark).</p> <p>Holding stock will involve the need for a larger warehouse (1 mark). This will increase the costs of producing a <i>Dell</i> computer (1 mark). As a result the price of a Dell computer may have to increase. This will make <i>Hewlett Packard</i> computers more attractive in the market compared to <i>Dell</i> (1 mark).</p> <p>This answer would gain four marks since a disadvantage has clearly been identified and there are at least three linked strands that build the explanation, with reference to the <i>Dell</i>/computer context. Without the use of this context this answer would only be worth 3 marks.</p>	<p>(8)</p>

Question Number	Answer	Mark
<p>6(a)</p> <p>A01=2</p>	<p>Export subsidies occur when the government gives a domestic manufacturer a payment to allow them to lower the price of the good or service when sold abroad.</p> <p>2 marks for an accurate definition (one that includes the notion of a payment and some notion of increasing selling overseas/exporting). If an accurate definition is not given award 1 mark for an answer that suggests that candidate has some understanding of the term. E.g. this makes exports more competitive.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration.</p>	<p>(2)</p>

Question Number	Answer	Mark
<p>6(b)</p> <p>A01=1 A02=1 A03=2</p>	<p>For 4 marks, the description will make up to four relevant points associated with the effects of import protection on Thai based computer manufacturers. Four marks could also be achieved through focusing on two effects plus some development. One mark can be given for a definition of 'import protection'. The answer must be rooted in the context of computers to secure all four marks.</p> <p>Possible effects include:</p> <ul style="list-style-type: none"> • Less competition. • Ability to increase prices. • Efficiency can fall. • Other governments may react making it more difficult for Thai based computer manufacturers to sell in export markets. <p>E.g. Import protection involves placing taxes or other restrictions on computers that are made abroad but sold in Thailand (1 mark). This will make foreign made computers such as <i>Apple Macs</i> more expensive (1 mark). As a result more Thai customers will buy from Thai computer manufacturers (1 mark). This could mean that Thai firms become lazy though due to lack of competition (1 mark).</p> <p>This answer would gain four marks since the candidate has developed one effect in context (through mentioning '<i>Apple Macs</i>') and mentioned another. There is also a definition of 'import protection'.</p>	<p>(4)</p>

Question Number		Indicative content
*6(c) QWC Strands (i), (ii) and (iii) AO2=4 AO3=4		<p>The aim here is for candidates to consider whether changing the price of <i>Dell's</i> computers will increase <i>Dell's</i> ability to improve its profits. The question asks the candidate to 'assess', so the candidate must develop some evidence of balance within their answer. This could take the form of considering whether profits may increase or actually fall as a result of the price increase. Assessment could also be developed by suggesting that <i>Dell</i> operates in a competitive market so any price increase will reduce their competitiveness, but the extent to which this occurs is dependent on whether competitors have also increased their prices. An alternative route to attaining assessment marks could come through the consideration of by how much demand will fall if prices are increased and whether the strength of <i>Dell's</i> brand allows it to increase prices successfully and raise rather than reduce its ability to improve its profits.</p> <p>Possible reasons why increasing prices leads to improved profits:</p> <ul style="list-style-type: none"> • Will increase the profit per computer. • <i>Dell</i> has a strong brand name so can add value. • Are competitors also increasing their prices? • Contribution per unit will increase. <p>Counterbalancing factors:</p> <ul style="list-style-type: none"> • Depends on how consumers react to the price increase. • Demand could fall by a significant amount. • Loss of market share to rivals such as <i>Hewlett Packard</i>. • All computer manufacturers may be forced to do this, so no effect on <i>Dell's</i> ability to improve its profits. • Depends on how much the price has increased by. • Price may not be an important element in a consumer's decision to buy a <i>Dell</i> computer.
Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate just re-states the question, e.g. Changing price affects <i>Dell's</i> ability to improve its profits.
Level 1	1-2	<p>Candidate will consider <u>one</u> factor related to increasing price <u>with no development</u> - bottom of level.</p> <p>Candidate will consider <u>one</u> factor related to increasing price <u>with simple development</u> - top of level.</p> <p>Candidate will consider <u>two</u> factors relating to increasing price <u>with no development</u> - top of level.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>

<p>Level 2</p>	<p>3-5</p>	<p>Candidate will consider <u>one</u> factor relating to increasing price <u>with more detailed development</u> - bottom of level.</p> <p>Candidate will further develop their responses with a reason/cause/consequence - middle of level.</p> <p>Candidate will have <u>some evidence of balance</u> - top of level.</p> <p>At the top of the level there will be some evidence of balance to the point/judgement in the form of advantage/disadvantage, cost/benefit, pro/con or some counterbalancing factor. At the top of the level, candidates may attach some value/importance to one of the factors.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
<p>Level 3</p>	<p>6-8</p>	<p>Candidate will consider factor(s) relating to increasing price with development which includes <u>two</u> reasons/causes/consequences, balance with simple judgement(s) all of which is in the context of the business - bottom of level.</p> <p>Candidate will consider factor(s) relating to increasing price with development which includes <u>two</u> reasons/causes/consequences, clear balance with developed judgement(s) all of which is in the context of the business - middle of level.</p> <p>Candidate will consider factor(s) relating to increasing price with development which includes <u>two</u> reasons/causes/consequences, clear balance with strong judgement(s) all of which is in the context of the business and using the 'it depends' rule or something similar - top of the level.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

Section C:

Question Number	Answer	Mark
7 A01=2	<p>Revenue is the income from sales/price x quantity.</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests that candidate has some understanding of the term. E.g. cash from selling things.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration. E.g. some kind of numerical example.</p>	(2)

Question Number	Answer	Mark
8 A01=1 A02=1	<p>1 mark for the identification of a method that <i>Kodak</i> could use to reduce its losses and 1 mark for some kind of appropriate development of the method in context.</p> <p>Possible methods include:</p> <ul style="list-style-type: none"> • Launch new products. • Raise prices on existing products such as inkjet printers. • Reduce costs by closing down loss making parts of the business. <p>E.g. <i>Kodak</i> could work with mobile phone providers to improve the cameras in them (1 mark). This would lead to increased revenues (1 mark).</p> <p>This answer would gain two marks since an impact has been identified and there is some development in context.</p>	(2)

Question Number		Indicative content
*9 QWC Strands (i), (ii) and (iii) AO2=3 AO3=3		<p>The aim here is for candidates to consider the extent to which selling off assets is the best method of improving <i>Kodak's</i> cash flow as opposed to other aspects of financial management. The question asks the candidate to '<i>discuss</i>', so we should expect some balance within the answer. This could take the form of examining why asset sales are better than other aspects of financial management.</p> <p>Reasons why asset sales will be suitable:</p> <ul style="list-style-type: none"> • No interest to pay so a cheap method of gaining capital. • Might be the only source of finance available. • Interest rates on other finance methods will be high because of the risk that lending to <i>Kodak</i> involves. • After deciding to exit the camera/photography market, <i>Kodak</i> will have assets it can sell. <p>Possible sources of balance:</p> <ul style="list-style-type: none"> • Takes time to find a buyer. • Buyers might only be willing to pay a low price. • Will enough cash be generated? • Does <i>Kodak</i> have any spare assets that firms want to buy? • Other sources of finance may be more suitable, such as bank loans/selling shares.
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	<p><u>One</u> point as to why selling assets is most suitable is highlighted with some simple development or <u>two</u> points are given with no development of either.</p> <p>An alternative route to marks in this level is if just a simple judgement or value is given to a benefit. 1 mark can be awarded for no support and 2 if some simple support is offered.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>
Level 2	3-4	<p>Reference to at least <u>two</u> points as to why selling assets is most suitable is given with some development of each. A judgement is given at the lower end of the level with some development/support, which includes at least <u>one</u> reason/cause/consequence etc. for each point.</p> <p>At the top of the level this analysis will be relevant and linked to the judgement.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	5-6	<p>Reference to at least <u>two</u> points as to why selling assets is most suitable is given with development of each. A judgement is given with some development which includes at least <u>two</u> reasons/causes/consequences etc. for each point and should include some comparison/judgement as to which point is more important/evidence of balance.</p> <p>Answers at the top of this level will refer to the <i>Kodak</i>/camera & photography/failing company context.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

Question Number	Indicative content
<p>*10</p> <p>QWC Strands (i), (ii) and (iii)</p> <p>A02=4</p> <p>A03=6</p>	<p>The aim here is for candidates to make a judgement as to whether improving cash flow will be important for <i>Kodak</i>.</p> <p>To demonstrate the evaluative skill, candidates could consider the importance of cash flow relative to other important competitive elements such as <i>Kodak's</i> marketing mix (price, place, product, promotion) or the efficiency/productivity of their factories.</p> <p>For instance candidates may consider that cash flow is more important than any other factor since without an immediate cash inflow the company has insufficient time to change elsewhere.</p> <p>Other candidates may use the context provided and point out that the product is more important and <i>Kodak</i> have failed to invest and keep up with technological progress, losing out to electronics manufacturers such as <i>Sony</i> and mobile phone producers.</p> <p>Some candidates might consider time periods and suggest that in the short-term cash flow is crucial but in the longer-term having a competitive marketing mix is much more important.</p> <p>There is no right or wrong answer to this question, but candidates should aim to make a judgement which is supported and balanced.</p> <p>Candidates may consider the following ideas as part of their answer:</p> <p>Reasons why improving cash flow will be important:</p> <ul style="list-style-type: none"> • The business is making losses and is running out of cash. • Cash flow must be important to <i>Kodak</i>, otherwise why are they selling assets? • Without improved cash flow <i>Kodak</i> does not have the ability to survive in the short-term. • Without cash <i>Kodak</i> does not have the ability to make any other changes elsewhere e.g. marketing mix because it cannot afford to do so. <p>Reasons why other factors may be more important:</p> <ul style="list-style-type: none"> • Selling out-dated products is the main reason why <i>Kodak</i> is loss making. • Other companies are selling better products. • <i>Kodak's</i> brand has been damaged. • Elements of the marketing mix/productivity of <i>Kodak's</i> factories may be more important in the longer-term.

Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-4	<p>Candidates will consider <u>one</u> point with no statement - bottom of level.</p> <p>Candidate will consider <u>one</u> point with basic statement - middle of level.</p> <p>Candidate statements are supported - top of level.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>
Level 2	5-7	<p>Candidate will consider <u>two</u> reasons/causes/consequences to support point(s) - bottom of level.</p> <p>Candidate will develop their reasons/causes/consequences - middle of level.</p> <p>Candidate will have some evidence of balance - top of level.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	8-10	<p>Candidate will consider point(s) with development which includes <u>two</u> reasons/causes/consequences, balance with an unsupported conclusion or judgement(s) all of which is in the context of <i>Kodak</i> - bottom of level. Responses which demonstrate all of the above, except a conclusion, can still reach the bottom of level 3 if there is clear evaluation.</p> <p>Candidate will consider point(s) with development which includes <u>two</u> reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of <i>Kodak</i> - middle of level.</p> <p>Candidate will consider point(s) with development which includes <u>two</u> reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of <i>Kodak</i> and using the 'it depends' rule or something similar - top of the level.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467

Fax 01623 450481

Email publication.orders@edexcel.com

Order Code UG037089 Summer 2013

For more information on Edexcel qualifications, please visit our website
www.edexcel.com

Pearson Education Limited. Registered company number 872828
with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE

Ofqual
.....



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

