



Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE AS Level
in Business (8BS0)
Paper 02 Managing Business Activities

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Publications Code 8BS0_02_MS

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	Knowledge 2 Knowledge/understanding: up to 2 marks for, e.g. Costs that do not change (1) when output/sales change. (1)	(2)

Question Number	Answer	Mark
1(b)	Knowledge 2 Knowledge/understanding: up to 2 marks for, e.g. When a business has a negative balance in their bank account (1) because the amount withdrawn is greater than the current balance. (1)	(2)

Question Number	Answer	Mark
1(c)	Knowledge 1, Application 3 Quantitative skills assessed: QS5: calculate cost, revenue, profit and break-even. Knowledge: 1 mark for identifying the gross profit formula, the operating profit formula or the difference formula. - Revenue – cost of sales or (1) - Gross profit – other operating expenses (1) - Gross profit – operating profit (1) - Operating profit – gross profit (1) Application: up to 3 marks $£129\,297\,000 - £63\,380\,000 = £65\,917\,000$ (1) $(£14\,232\,000) - £65\,917\,000 = (£80\,149\,000)$ or $£65\,917\,000 - (£14\,232\,000) = £80\,149\,000$ (1) - Difference between gross profit and operating profit = $(£80\,149\,000)$ or $£80\,149\,000$ (1) NB: If the only answer given is '$(£80\,149\,000)$' or '$-£80\,149\,000$' or $£89\,149\,000$ award 4 marks.	(4)

Question Number	Answer	Mark
1(d)	Knowledge 1, Application 3 Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes. QS5: calculate cost, revenue, profit and break-even. Knowledge: 1 mark for identifying the operating profit margin formula. • $(\text{Operating profit} \div \text{revenue}) \times 100$ (1) Application: up to 3 marks • $(-\pounds 14\,232\,000 \div \pounds 129\,297\,000) \times 100$ (1) • Operating profit margin = -11.007213% (1) • Operating profit margin = -11.01% (2 d.p) (1) NB: If the only answer given is '-11.01%' award 4 marks. If the answer given is '11.01' with no % sign award 3 marks. If the answer is not given to 2 d.p award 3 marks.	(4)

Question Number	Indicative content		Mark
1(e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 • Buffer stock is the minimum level of stock held by a business • This may reduce the amount of cash tied up in stocks of clothing, leading to lower cash outflows and an improvement in net cash flow • Considering fashion is a dynamic market, the value of stocks of clothing may fall rapidly at the end of each season. As a result, Jack Wills' fixed costs may rise • Lower levels of stock may mean that Jack Wills could now sell from smaller retail units, allowing fixed costs to be reduced <i>Possible counterbalance</i> • Jack Wills may not be able to satisfy consumer demand from the lower stock levels for certain types of clothing if something becomes fashionable or if there is a change in the weather • If Jack Wills runs out of stock, it could result in lost sales of clothing or longer-term damage to the brand which may result in consumers switching to rival stores, such as Hollister • It will require a very efficient supply chain. It may not be possible for distributors of clothing to be able to replenish stores during periods of peak demand e.g. just before Christmas		(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 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 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.	

Question Number	Indicative content	Mark
1(f)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 - Working capital is the difference between the current assets and current liabilities of the business. It gives some indication of the liquidity level within the business - Working capital may be important because Jack Wills Ltd is trying to improve working capital by negotiating a larger overdraft facility with HSBC - Working capital will be improved if the creditor's period is increased because cash outflows will be delayed - Considering Jack Wills Ltd made a £14.838m loss in 2018 and the high street is suffering from declining footfall/increased online competition/considering a possible sale of the business, may indicate that working capital is critically important, otherwise failure is likely to be imminent <i>Possible counterbalance</i> - Poor working capital may not be the main cause of failure because Jack Wills Ltd has already taken measures, such as reducing stocks of clothing, to improve its liquidity position - Perhaps, the inability to sell clothing that a consumer wants is the main reason why Jack Wills Ltd is facing failure. They may no longer be selling clothes that the target market wants to purchase - Perhaps poor management/decline in footfall on the high street is the main cause of failure because this may lead to falling sales <i>Possible judgement</i> - The extent to which working capital is important is dependent on the current cash-flow situation. If cash-flow is poor and the acid-test ratio is negative this may indicate that working capital is critical in the short-term in preventing the failure of Jack Wills Ltd - In the longer-term failure of the business may be due to factors, such as having a bricks and mortar retail model or just that Jack Wills Ltd has failed to keep up with changing fashions in a dynamic market	(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 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	5–6	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with 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 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/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Answer	Mark
2(a)	Knowledge 2 Knowledge/understanding: for, e.g. • Change (1) better (1) • Continuous (1) improvement (1)	(2)

Question Number	Answer	Mark
2(b)	Knowledge 2 Knowledge/understanding: for, e.g. • Profit is re-invested back into/kept by the business (1) which is not paid as a dividend (1)	(2)

Question Number	Answer	Mark
2(c)	Knowledge 1, Application 3 Quantitative skills assessed: QS9: interpret, apply and analyse information in written, graphical and numerical forms. Knowledge: 1 mark for identifying an appropriate approach to calculating the size of a stock delivery, e.g. • New stock figure on delivery – old stock figure on delivery (1) Application: up to 3 marks • Size of delivery A = $(3,000 - 800) = 2,200$ (1) • Size of delivery B = $(2,400 - 600) = 1,800$ (1) • Total stock delivery $(2,200 + 1,800) = 4,000$ rotor blades (1) NB: If the only answer given is '4,000' award 4 marks.	(4)

Question Number	Answer	Mark
2(d)	Knowledge 1, Application 2, Analysis 1 Knowledge: 1 mark for knowing what is meant by capacity utilisation, e.g. • This is the current output of a factory measured as a percentage of the total maximum potential output. Application: 2 marks for contextualised examples, e.g. • With higher capacity utilisation the fixed costs of the Shenzhen factory will be spread over a higher level of output of drones. • With over 90% capacity utilisation, this will lead to a more efficient use of the drone manufacturing machinery at the Shenzhen factory. Analysis: up to 1 mark for explaining what the benefit may be to DJI Ltd, e.g. • This may result in a lower average total cost of manufacture. • As a result, DJI Ltd may be able to lower the prices of its products.	(4)

Question Number	Indicative content		Mark
2(e)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 • A private limited company has shareholders who are legally separate to the business and shares are not traded publicly • This means that shareholders will face a lower level of risk, since the most they can lose is the amount they invested in the drone manufacturing business • The owners will not lose control of the drone manufacturing company because the sale of shares is restricted to family, friends and a limited number of known investors <i>Potential counterbalance</i> • New technology is a risky proposition to the shareholders, and it is possible that the shareholders may lose the initial sum invested if new drone manufacturers enter the market causing DJI Ltd to lose some of their 76% market share • The shareholders may have difficulty in selling their shares since there is no mechanism to determine the share price of the drone manufacturing business and they would have to find a buyer willing to purchase Chinese shares		(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 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 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.	

Question Number	Indicative content	Mark
2(f)	Knowledge 2, Application 2, Analysis 3, Evaluation 3 • Lean production is an efficient form of production that focuses on waste minimisation. It can include concepts such as Total Quality Management (TQM) and Just in Time (JIT) • By improving quality, DJI Ltd should have fewer defects enabling the business to have a stronger reputation in the drone market than its competitors • By holding fewer stocks of components such as rotor blades, DJI Ltd can reduce their fixed costs, since warehouse costs should be reduced. Therefore, they can charge a lower price than Yuneec for their drones • Lean production may allow DJI Ltd to have a significant advantage on price because the minimisation of waste should reduce the unit cost of manufacturing drones <i>Possible counterbalance</i> • Investment in new drone models may be more important in creating a competitive advantage than lean production in the longer-term because it is in a technologically fast-moving market • DJI Ltd's high market share, with its nearest rival only having a 5% share of the market, means that minimising waste and lowering unit costs may not be necessary <i>Possible judgement</i> • It may be DJI Ltd's dominant market position, with a market share of 76%, which gives them a main source of competitive advantage as they are likely to be well known and enjoy strong brand loyalty. Therefore, lean production may only be one element in enabling DJI Ltd to have a competitive advantage	(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 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	5–6	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with 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 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.

Question Number	Indicative content	Mark
3	Knowledge 4, Application 4, Analysis 6, Evaluation 6 Quantitative skills assessed: QS9: interpret, apply and analyse information in written, graphical and numerical forms. Stock market flotation: • Stock market flotation is when a business sells shares publicly on the stock exchange for the first time • This could raise large sums of capital from new shareholders who may be encouraged to invest due to the potential profits from Deliveroo's plan to expand into new markets, such as Taiwan • Deliveroo Ltd will be able to avoid the additional fixed costs of paying interest on bank loans, therefore preventing an even greater loss than the £232m loss in 2018 • Deliveroo Ltd will avoid the cash outflows of making loan repayments to banks. This could have placed even greater cash-flow demands on the food delivery business, considering the business is already making a loss of £232m • The bank may be nervous by the large losses of £232m which have increased by 16%. Therefore, the bank may make collateral demands or offer a higher rate of interest. This may make bank loans financially or operationally unattractive to Deliveroo Ltd Bank loan: • This could raise large sums of capital for expansion and considering the sales growth of 72%, the bank may be willing to lend a large sum of money • The bank may regard Deliveroo Ltd to be low risk in the long-term, because of the planned expansion. As a result, it may give Deliveroo Ltd a lower rate of interest on the loan, which may prevent a significant increase in the company's fixed costs • This prevents the dilution of the existing shareholders percentage ownership of Deliveroo Ltd. This may provide existing shareholders with the ability to retain a greater percentage ownership and control of the business. Therefore, existing shareholders may benefit more through a successful expansion into Kuwait, e.g. increased dividends • Stock market flotation will cause a dilution of the existing shareholders percentage ownership of the business at flotation. Thus, issuing more share capital through the stock	

	exchange could disadvantage existing shareholders in the long-run, for example, a loss of control <i>Potential recommendation</i> • The use of stock market flotation depends on stock market conditions. If there is optimism in the stock market, Deliveroo Ltd's flotation is likely to be successful and raise the capital required for its planned growth in the UK and Kuwait • The use of bank loans depends on the amount of risk faced by the bank. If the risk is too high because of the £232m loss in 2018, the collateral and interest demands made by the bank may be too high. As a result, Deliveroo Ltd may decide that the issuing of share capital is the only realistic method of raising finance	(20)
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to 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 knowledge and understanding, supported 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 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(s) and/or effect(s). Arguments are fully developed. Quantitative and 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 recommendation(s).

