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Mark Scheme (Results)

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Pearson Edexcel GCSE

In Business (1BS0)

Paper 1: Investigating small business

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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.

Section A

Question number	Answer	Mark
1(a)	D - Venture capital	(1) AO1a

Question number	Answer	Mark
1(b)	C - Market research	(1) AO1a

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a drawback, plus 2 further marks for explaining this drawback up to a total of 3 marks.</p> <p>A business with low levels of cash may not be able to pay suppliers (1). This would damage relationships with suppliers (1), which means the business may not have sufficient levels of raw materials (1).</p> <p>A business may not be able to pay its employee wages or salaries (1). This is bad because employees may leave the business to find work elsewhere (1). This will lead to increased labour turnover (1).</p> <p>Accept any other appropriate response. Answers that list more than one drawback with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
1(d)	<p>Award 1 mark for identification of a way of reducing risk, plus 2 further marks for explaining this way up to a total of 3 marks.</p> <p>One way that an entrepreneur could reduce risk is to carry out market research (1). Market research will allow the entrepreneur to understand the needs of the customer (1). Therefore, the entrepreneur can develop a product or service that customers want and are more likely to buy (1).</p> <p>An entrepreneur could produce a cash-flow forecast (1). This will help to identify times when the business may experience a shortage of cash (1). Therefore, the entrepreneur can make plans to deal with these issues to help reduce the risk of insolvency (1).</p> <p>Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1=1 AO1b=2

Question number	Answer	Mark
2(a)	B – Margin of safety E – Profit	(2) AO1a

Question number	Answer	Mark
2(b)	C – Digital communication E – Payment systems	(2) AO1a

Question number	Answer	Additional guidance	Mark
2(c)(i)	5 000	Do not accept any other answer	(1) AO2

Question number	Answer	Additional guidance	Mark
2(c)(ii)	4 300	Do not accept any other answer	(1) AO2

Question number	Answer	Mark
2(d)	<p>Award 1 mark for identification of a reason, plus 2 further marks for explaining this reason up to a total of 3 marks.</p> <p>The business already understands the market (1). Market research may have already been carried out for a previous product (1). This may lead to the business having a better understanding of customer needs (1).</p> <p>It can reduce the development costs of creating a new product (1). This will reduce the need to obtain new sources of finance (1). Therefore, it may take less time to launch the new business idea (1).</p> <p>Accept any other appropriate response. Answers that list more than one reason with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(e)	<p>Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.</p> <p>Focus groups can be expensive to arrange (1). A business may have to pay people to participate in the focus group (1). This will lead to an increase of market research costs for a small business (1).</p> <p>The moderator can influence the responses of the participants (1). This is because they may have pre-conceived ideas of what they want outcomes to be (1). This can therefore lead to bias in the outcomes of the focus group (1).</p> <p>Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) A01a=1 A01b=2</p>

Question number	Answer	Mark
3(a)	C – Business decisions affect all partners	(1) AO1a

Question number	Answer	Additional guidance	Mark
3(b)	Substitution into correct formula: $((£6\,400 - £10\,300)/£10\,300) \times 100 \text{ (1)}$ Answer: 37.86% or -37.86% (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Answer	Mark
3(c)	<p>Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage, up to a total of 3 marks.</p> <p>One disadvantage is that the cost of borrowing will go up (1). This means a business will have to pay even more back if it borrows money (1). This will make it more difficult for the business to expand (1).</p> <p>Customers will have less disposable income (1). This is because they may have to pay more for any new loans (1). Therefore, the level of demand will fall (1).</p> <p>Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(d)	<p>Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining this disadvantage up to a total of 3 marks.</p> <p>High quality products may be more expensive to produce (1). This is because the cost of raw materials may be high (1). Therefore, the business may have to charge a premium price that some customers cannot afford (1).</p> <p>High quality products may need specialised labour (1). Employees with these skills may be difficult to recruit (1). Therefore, the business may have to pay high training costs to develop the skills of its employees (1).</p> <p>Accept any other appropriate response. Answers that list more than one disadvantage with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Indicative content		Mark
3(e)	<ul style="list-style-type: none"> • Legislation may increase the costs of training employees to comply with the law (AO1b). • Legislation may increase the cost of wages and salaries of a business (AO1b). • Therefore, employees may need to attend training courses which will cost money for travel, accommodation and training fees (AO3a). • Therefore, increases in wages for apprentices, National Minimum Wage and National Living Wage could lead to employees needing to be paid more. (AO3a). 		(6) AO1b=3 AO3a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–2	<ul style="list-style-type: none"> • Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). 	
Level 2	3–4	<ul style="list-style-type: none"> • Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). 	
Level 3	5–6	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). 	

Section B

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable way for <i>Sports Tours Ltd</i> to meet customer needs. Award a maximum of 1 mark if points are not linked.</p> <p><i>Sports Tours Ltd</i> offer its customers a choice of products (1). This includes tours in sports such as football, rugby, hockey and netball (1).</p> <p><i>Sports Tours Ltd</i> ensure the tours are high quality (1). It carries out full risk assessments for all tours. (1).</p> <p>Do not accept a way that would not be appropriate for <i>Sports Tours Ltd</i>.</p>	(2) A02

Question number	Indicative content	Mark
4(b)	<ul style="list-style-type: none"> The business does not require an expensive retail outlet. The majority of communications with sports teams can be done online (A02). There is no need for modern office facilities to impress visiting customers (A02). As a result, fixed costs will be reduced which will therefore lower the number of tours required to break even (A03a). The majority of the sports teams will not be local to <i>Sports Tours Ltd</i> so will not be able to visit the premises in person (A03a). 	(6) A02=3 A03a=3
Level	Mark	Descriptor
		No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (A02). Attempts to deconstruct business information and/or issues, finding limited connections between points (A03a).
Level 2	3–4	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (A02). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (A03a).
Level 3	5–6	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (A02). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (A03a).

Question number	Answer	Additional guidance	Mark
5(a)	Substitution into correct formula: $€100 \div 1.23$ (1) Answer: £81.30 (1)	Award full marks for correct numerical answer without working.	(2) A02

Question number	Answer	Additional guidance	Mark
5(b)	Substitution into correct formula: $€130 \div 1.13$ (1) Answer: £115.04 (1)	Award full marks for correct numerical answer without working.	(2) A02

Question number	Indicative content		Mark
5(c)	<ul style="list-style-type: none"> Market mapping allows <i>Sports Tours Ltd</i> to spot gaps in the market where tours can be offered to groups of customers that are interested in different sports such as netball and hockey. (A02). Market mapping may identify a gap that exists because there is not enough demand in this sport or type of tour. This could lead to <i>Sports Tours Ltd</i> targeting a market that does not exist (A02). This will allow the business to reach a wider range of customers because it is not specialising in just one sport. There is a wide range of team sports played in the UK (A03a). There are some minority sports where there will not be enough teams to organise fixtures. If <i>Sports Tours Ltd</i> targets these markets then it may lead to business failure (A03a). 		(6) A02=3 A03a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–2	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (A02). Attempts to deconstruct business information and/or issues, finding limited connections between points (A03a). 	
Level 2	3–4	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (A02). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (A03a). 	
Level 3	5–6	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (A02). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (A03a). 	

Question number	Answer	Mark
6(a)	<p>Award 1 mark for stating one fixed cost that <i>Sports Tours Ltd</i> must pay.</p> <p>Salaries of the tour operators (1). Insurance to cover cancellation of tours (1). Advertising of tours to sports teams (1).</p> <p>Accept any other appropriate response. Do not accept fixed costs that are not in the context of <i>Sports Tours Ltd</i>. For example, rent for its warehouse.</p>	(1) A02

Question number	Answer	Mark
6(b)	<p>Award up to 2 marks for linked points outlining an impact on <i>Sports Tours Ltd</i>. Award a maximum of 1 mark if points are not linked.</p> <p>If there is an increase in consumer income then there will be increased demand from sports teams (1). This will mean <i>Sports Tours Ltd</i> could increase the range of destinations it offers for the tours (1).</p> <p>If there is a decrease in consumer income then teams are more likely to stay in the UK rather than go abroad (1). This will lead to less demand for <i>Sports Tours Ltd</i> as teams may be confident in organising this themselves rather than using a tour operator (1).</p> <p>Do not accept an impact that would not be appropriate for <i>Sports Tours Ltd</i>.</p>	(2) A02

Question number	Indicative content		Mark
6(c)	<ul style="list-style-type: none"> • Using professional sports venues will give sports teams an experience they may not have had before (AO2). • Sports teams will benefit from the extra knowledge and experience that top class coaching could provide (AO2). • This will give the sports tours a USP and more attractive to teams who will be prepared to pay a premium price for playing at a professional stadium. This may be something that they could not organise themselves and will need <i>Sports Tours Ltd</i> to organise for them (AO3a). • The extra service would allow the quality of the tours to be higher than if the teams just used their own coaches. It will also mean that any training sessions that take place would add to the experience of the tour (AO3a). • However, it may be difficult to arrange to use these facilities and <i>Sports Tours Ltd</i> may not be able to provide the facilities as promised. The higher price of doing this may not be attractive to teams as changing consumer income has already affected demand (AO3b). • However, the business offers tours for a wide range of sports and finding the right number of coaches could be difficult. Most sports teams would have their own coaches and may feel that this extra service is not worth the money (AO3b). 		(9) AO2=3 AO3a=3 AO3b=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–3	<ul style="list-style-type: none"> • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b). 	
Level 2	4–6	<ul style="list-style-type: none"> • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b). 	
Level 3	7–9	<ul style="list-style-type: none"> • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b). 	

Section C

Question number	Answer	Mark
7(a)	<p>Award 1 mark for stating one cash outflow for <i>That Feeling</i>.</p> <p>Rent for the barber shop premises (1). Raw materials/stock of hair products (1). The cost of the vintage glasses frames (1).</p> <p>Accept any other appropriate response. Do not accept an outflow that is not in the context of <i>That Feeling</i>. For example, transport costs.</p>	(1) A02

Question number	Answer	Mark
7(b)	10%	(1) A02

Question number	Answer	Mark
7(c)	<p>Award up to 2 marks for linked points outlining a benefit to employees at <i>That Feeling</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Employees will feel more valued (1). Therefore they will be happier in their jobs as barbers (1).</p> <p>Employees will have more skills (1). Justin can pass his expertise on the best way to cut hair (1).</p> <p>Do not accept a benefit that would not be appropriate for employees at <i>That Feeling</i>.</p>	(2) A02

Question number	Indicative content	Mark
7(d)	<ul style="list-style-type: none"> If <i>That Feeling</i> sells more branded clothes then more people will be wearing clothing with the barber shop's distinctive logo on (AO2). A second barber shop will allow the business to move into another geographical area and offer its service to a new range of customers. This will increase brand awareness to a whole new range of potential customers (AO2). As <i>That Feeling</i> is associated with famous footballers then people will start to recognise the brand of the business when they see it on the clothing. This will allow the business to grow using a wider range of products and improve brand awareness with young, fashionable customers wearing the clothing (AO3a). The first shop in Potters Bar has many unique features that can be replicated in a second shop. The first shop has been very successful so this indicates there is likely to be enough demand to open a second shop (AO3a). However, the core part of the business is the barber shop and this is where Justin's passion lies. By extending the amount of clothing then this will divert customer attention away from the barbering side of the business (AO3b). However, a key factor in the success of the first shop is the high quality of the barbers and the mentoring Justin carries out with his employees. This might be difficult to replicate in a second shop and the business may therefore lose its USP (AO3b). 	(9) A02=3 A03a=3 A03b=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).

Question number	Indicative content	Mark
7(e)	<ul style="list-style-type: none"> • The non-financial aims of a business, including independence and personal satisfaction, are important as they often drive the desire of an entrepreneur to start a business (AO1b). • It is important for a business to set financial aims and objectives such as profit and market share as without these the business will struggle to survive (AO1b). • The non-financial aims of <i>That Feeling</i> stem from Justin's belief that it is important to be passionate and always do the best you can (AO2). • <i>That Feeling</i> offer a range of products such as clothing and vintage glasses frames which does indicate that it is aiming to increase the amount of revenue made by the business (AO2). • Justin's focus on being the best that he can and helping to mentor others to share in this belief will have a positive effect on the quality of the service that is offered by the business. Customers will recognise this and want to go to the business to get a haircut from the best barbers. Therefore, the financial aims of the business will be taken care of by focusing on the non-financial objectives (AO3a). • Survival of a business will not happen if key financial decisions are wrong. <i>That Feeling</i> needs to think carefully about its pricing strategy and has to ensure it has a positive cash flow. Without these the business will fail (AO3a). • However, the success of <i>That Feeling</i> will depend on how many customers go to get their haircut at the shop, or buy its clothing. No matter how passionate Justin is, if customers think they are paying too much or do not like the clothes then they will stop using the business. The survival of the business is more closely linked to the business finances so this should be the main focus (AO3b). • However, there are a large number of barber shops so competition is high. Justin recognises that <i>That Feeling</i> needs to stand out from the crowd. Competitive advantage will come from the unique nature of the business and the high quality service it offers. The underpinning factor is <i>That Feeling's</i> drive to be the best they can. This therefore is most the most important objective (AO3b). 	<p>(12) AO1b=3 AO2=3 AO3a=3 AO3b=3</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).
Level 2	5–8	<ul style="list-style-type: none"> • Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a) • Draws a conclusion based on sound evaluation of business information and issues (AO3b).
Level 3	9–12	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).

