



# Mark Scheme (Results)

Summer 2024

Pearson Edexcel GCE AS Level

In Business (8BS0)

Paper 02 Managing Business Activities

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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
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 2</b></p> <p><b>Knowledge/understanding: up to 2 marks</b> for, e.g.</p> <ul style="list-style-type: none"> <li>The manufacture of an item/product in a continuously moving process (1) that allows for high levels of productivity/output. (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>1(b)</b>	<p style="text-align: center;"><b>Knowledge 2</b></p> <p><b>Knowledge/understanding: up to 2 marks</b> for, e.g.</p> <ul style="list-style-type: none"> <li>Raw materials that are held by the business in reserve (1) in case of non-delivery/to allow production to continue. (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>1(c)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skills assessed:</p> <p><b>QS1:</b> calculate, use and understand ratios, averages and fractions</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms.</p> <p><b>Knowledge: 1 mark</b> for identifying the acid test ratio formula.</p> <ul style="list-style-type: none"> <li><math>(\text{current assets} - \text{inventory or stock}) \div \text{current liabilities}</math> (1)</li> </ul> <p><b>Application: up to 3 marks</b></p> <ul style="list-style-type: none"> <li>calculate current assets – inventory or stock  <math>= \\$606\,459\,000 - \\$235\,696\,000 = \\$370\,763\,000</math> (1)</li> <li>calculate acid test ratio = <math>\\$370\,763\,000 \div \\$75\,841\,000 = 4.8886881</math> (1)</li> <li>acid test ratio = 4.89 (2 d.p.) (1)</li> </ul> <p><b>NB:</b> If the only answer given is '4.89' award 4 marks. If the correct answer is not given to 2 d.p. award 3 marks.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>1(d)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skills assessed:  <b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms.</p> <p><b>Knowledge: 1 mark</b> for identifying the working capital formula.</p> <ul style="list-style-type: none"> <li>• Current assets – current liabilities (1)</li> </ul> <p><b>Application: up to 3 marks</b></p> <ul style="list-style-type: none"> <li>• calculate working capital for 2021  = \$1 052 048 000 – \$94 189 000  = \$957 859 000 (1)</li> <li>• calculate working capital for 2022  = \$606 459 000 – \$75 841 000  = \$530 618 000 (1)</li>   <li>• decrease between 2021 and 2022  = \$957 859 000 - \$530 618 000  = \$427 241 000 (1)</li>   <li><b>or</b></li>   <li>• decrease between 2022 and 2021  = \$530 618 000 - \$957 859 000  = -\$427 241 000 (1)</li> </ul> <p><b>NB:</b> If the only answer given is '\$427.241m', '-\$427.241m', '\$427 241 000' or -\$427 241 000' award 4 marks. If the candidate's answer is '\$427 241' or '-\$427 241' award 3 marks.</p>	<b>(4)</b>

Question Number	Indicative content	Mark
<b>1(e)</b>	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• Productivity is output per machine/person per hour.</li> <li>• Improving productivity will increase efficiency, as a result more non-meat products can be produced using the same machinery or employees. Therefore, average costs of production may fall, allowing a larger profit margin/reduced price to be charged</li> <li>• Being able to produce more Beyond Mince products in a period of time, allows the company's factories to produce more in total, allowing it to keep up with the forecasted increases in demand of 13.7% each year</li> <li>• By increasing its productivity each non-meat product could have a higher contribution per unit, reducing the break-even point in Beyond Meat's Asian factory.</li> </ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"> <li>• Significant sums of capital will need to be invested to improve productivity, such as the decision to use flow production in its Shanghai factory</li> <li>• Food manufacturing employees may be resistant to change and may view new machinery as a threat to their jobs and lead to demotivation, which could reduce productivity</li> <li>• Productivity improvements may be offset if there is a reduction in the quality of Beyond Meat's plant protein-based products due to increased speed of production.</li> </ul>	<b>(8)</b>

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. 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 using quantitative and/or qualitative information Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments
Level 3	6-8	Accurate and thorough knowledge and understanding. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement

Question Number	Indicative content	Mark
1(f)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Loans involve borrowing sums of capital from banks paid back over an agreed time period with interest.</li> <li>• The loan offers a way of expanding the company, which does not dilute the percentage ownership of existing shareholders, so that Beyond Meat can take advantage of the significant increase in demand for meat-free protein</li> <li>• Loans allow Beyond Meat to raise significant sums of capital, in a fairly fast time frame, allowing it to take advantage of the predicted 13.7% annual increase in demand before rival producers are attracted to the market.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Loans will involve structured interest payments. The interest paid acts as an additional fixed cost which reduces Beyond Meat's profits from its Asian venture</li> <li>• Loans involve regular payments of interest and capital back to the bank which may reduce the net cash flow position of Beyond Meat, reducing the liquidity position of the non-meat food producer</li> <li>• The cost of the loan depends on the interest rate charged, whether the interest rate is fixed or variable/the size of the loan/the length of time the loan is taken out for/collateral put up by Beyond Meat as security against non-payment.</li> </ul> <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> <li>• Beyond Meat should use bank loans to fund the expansion of the factory, since demand for non-meat protein has risen by 300% in 12 years. Thus, the extra revenue streams are likely to cover the additional costs of servicing the loan</li> <li>• This may be a risky move for Beyond Meat, if demand for non-meat products starts to fall, the company may struggle to generate sufficient cash-flow to meet the capital and interest repayments on the bank loan, increasing the risk of insolvency/failure.</li> </ul>	<b>(10)</b>

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. 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 Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding. 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 Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Answer	Mark
<b>2(a)</b>	<p style="text-align: center;"><b>Knowledge 2</b></p> <p><b>Knowledge/understanding: up to 2 marks</b> for, e.g.</p> <ul style="list-style-type: none"> <li>The rise in the general level of prices (1) in an economy over time (1)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>The rise in the general level of prices (1) as measured by the CPI (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>2(b)</b>	<p style="text-align: center;"><b>Knowledge 2</b></p> <p><b>Knowledge/understanding: up to 2 marks</b> for, e.g.</p> <ul style="list-style-type: none"> <li>Revenue – cost of sales (2)</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>The difference between the sales revenue and the variable/direct costs of manufacture (2)</li> </ul> <p><b>NB:</b> if the candidate states revenue – costs award 1 mark</p>	<b>(2)</b>

Question Number	Answer	Mark
<b>2(c)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p>Quantitative skills assessed:</p> <p><b>QS2:</b> calculate, use and understand percentages and percentage changes.</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms.</p> <p><b>Knowledge: 1 mark</b> for identifying the net profit margin formula.</p> <ul style="list-style-type: none"> <li><math>(\text{Net profit} \div \text{revenue}) \times 100</math> (1)</li> </ul> <p><b>Application: up to 3 marks</b></p> <ul style="list-style-type: none"> <li><math>\pounds 7\,429\,000 - \pounds 4\,633\,000 - \pounds 49\,000 = \pounds 2\,747\,000</math> (1)</li> <li><math>(\pounds 2\,747\,000 \div \pounds 7\,429\,000) \times 100</math> (1)</li> <li>Net profit margin = 36.98% (2 d.p) (1)</li> </ul> <p><b>NB:</b> If the only answer given is 36.98% award 4 marks. If the answer given is '36.98' without a % sign, award 3 marks. If the answer is not given to 2 d.p award 3 marks.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>2(d)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark</b> for knowing what is meant by liquidity, e.g.</p> <ul style="list-style-type: none"> <li>• Current assets – current liabilities</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>• Ability to pay debts in cash when they fall due</li> </ul> <p><b>Application: 2 marks</b> for contextualised examples, e.g.</p> <ul style="list-style-type: none"> <li>• Improved trade credit terms from clothing manufacturers</li> <li>• Increased sales of clothing</li> </ul> <p><b>Analysis: up to 1 mark</b> for explaining the way Missguided Ltd’s liquidity may be improved, e.g.</p> <ul style="list-style-type: none"> <li>• This results in a delay to the cash outflows paid to suppliers</li> <li>• As a result, there will be greater cash inflows to meet forthcoming current liabilities</li> </ul>	<b>(4)</b>

Question Number	Indicative content	Mark
2(e)	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• The interest rate is the price of borrowing money/return from saving money.</li> <li>• Higher interest rates may make it more expensive for Missguided to service its debts of over £80 million</li> <li>• Higher interest rates may reduce demand for Missguided’s clothing as consumers have reduced disposable income and so may switch to cheaper alternatives such as Shein</li> <li>• Higher interest rates may lead to greater cash outflows, in order to service debts, causing a reduction in liquidity. This may have been critical, resulting in Missguided’s failure in May 2022.</li> </ul> <p><i>Potential counterbalance:</i></p> <ul style="list-style-type: none"> <li>• The interest rate has increased from 0.1% to 0.5% (a 0.4 percentage point increase). Therefore, the magnitude of the effects on Missguided’s £80 million debt may be significant</li> <li>• Rising interest rates may not have a significant impact on demand for Missguided’s clothing if it has loyal customers</li> <li>• High interest rates may not impact on Missguided’s cash outflow if the interest rate on its debts is fixed.</li> </ul>	<b>(8)</b>

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. 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 using quantitative and/or qualitative information Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 3	6-8	Accurate and thorough knowledge and understanding. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors including supported judgement

Question Number	Indicative content	Mark
2(f)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• A competitive market is where there are a lot of rival retailers selling similar products e.g. clothes.</li>   <li>• Competition from other online clothing retailers, such as Shien, leads to reduced prices resulting in falling profit margins</li> <li>• Missguided may be forced to design new ranges of clothes to match what its rivals, such as Shein, are selling</li> <li>• Missguided may not be able to match the prices of other, larger, online clothing retailers such as Shein, so may appear uncompetitive on price</li> <li>• Missguided have experienced increased competition from high street and online clothing stores which makes it difficult for them to stand out in a crowded clothing market.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• The deterioration in the economic climate may have had a much larger impact than the increase in competition within the market, with inflation making clothing appear much more expensive</li> <li>• The increase in interest rates may have squeezed household incomes, which means there is less discretionary spending to be made on items such as fast-fashion.</li> </ul> <p><i>Possible judgement</i></p> <ul style="list-style-type: none"> <li>• The importance of high levels of competition to Missguided depends on what has happened with Missguided's targeted market of young consumers. If customers are not brand loyal these customers are much more likely to switch to other retailers. Thus, competition within the market may be a significant factor to Missguided.</li> <li>• The importance of high levels of competition to Missguided depends on the extent to which young consumers have been affected by rising interest rates and rising inflation. If they have, then it may be that the economic environment has a more important effect than competition to Missguided.</li> </ul>	<b>(10)</b>

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. 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 Supported throughout by use of the business behaviour/context, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding. 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 Supported throughout by relevant and effective use of the business behaviour/context, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
3	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Changing where it sources its components:</b></p> <ul style="list-style-type: none"> <li>• Changing the location of where components are sourced may mean that transportation costs are reduced. This could be particularly important for heavy, bulky components such as frames, batteries and wheels which are expensive to transport. This may reduce the variable cost per unit, increasing contribution per bike, which reduces the break-even point</li> <li>• By sourcing components outside of China, where there are currently supply chain problems, Canyon will be able to gain access to the full range of components needed to manufacture a bike in its German or US factories. Therefore, Canyon will still be able to sell finished Roadlite 5 bikes, when rivals may be unable to satisfy customers if they rely on Chinese components. This may enable Canyon to charge a higher price, increasing the contribution per bike which may reduce the break-even point</li> <li>• Changing the location of where components are sourced may allow Canyon to control the quality and speed of delivery of critical components such as batteries for its £10,000 e-bike. This may enhance Canyon’s brand due to improved reputation and customer satisfaction. As a result, a higher price can be charged allowing contribution per bike to rise, resulting in lower break-even point</li> <li>• Canyon Bikes may have to pay more to source components, such as frames and handlebars, because labour/manufacturing costs in places such as Germany or the US may be higher. This may increase the variable cost per unit decreasing the contribution per bike, potentially increasing, rather than reducing, the break-even point.</li> </ul> <p><b>Charging higher prices:</b></p> <ul style="list-style-type: none"> <li>• By charging an even higher price than £899 for a Roadlite 5 bike, Canyon would increase the contribution per unit, allowing its fixed costs to be paid off faster, reducing the break-even point</li> <li>• Customers may be willing to pay a higher price for specialist bikes, where spare parts are readily available and of higher quality. Thus, more contribution per bike can be made, paying off the fixed costs faster, reducing the break-even point</li> <li>• Charging higher prices may make the Canyon brand become even more desirable, allowing a level of bikes to be</li> </ul>	

sold due to increased exclusivity. This may allow more revenue/contribution to be made to pay off the fixed cost, with fewer bikes being sold. Thus, reducing the break-even point

- Charging higher prices for mountain bikes may increase the contribution per bike, but if fewer bikes are sold because of the higher price, the lower break-even point may actually be unobtainable in reality.

*Potential recommendation*

- Changing the location of where Canyon sources its components may not actually lower Canyon's break-even point. It depends on the quality of Chinese components and the difference in price between Chinese-made components and those made elsewhere in the world. If Chinese components are of an acceptable quality and the supply chain disruption reduces, Canyon may find that changing where it sources its components may actually increase its break-even point since it will end up with higher variable costs per bike
- Charging higher prices may reduce Canyon's break-even point, but it depends on the market they are targeting and the underlying price elasticity of demand. The source material implies that Canyon is targeting a luxury market and are aiming at biking professionals. As a result, PED may be low, allowing higher prices to be charged without the consequent, significant reduction in demand. Therefore, any increase in price may increase contribution per unit, and create an obtainable and realistic reduction in the break-even point.

**(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 causes and/or consequences.
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 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 qualitative information are 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 recommendation(s).



