GradeMax



Pearson
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Mark Scheme (Results)

Summer 2019

Pearson Edexcel International Advanced Subsidiary In Business (WBS12)
Unit 2 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
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'venture capital', e.g. A method/ source of finance to fund a business **(1)** where the risk is greater for the investor **(1)** **NB:** Reward any other suitable alternative. Do not award marks for examples	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS2**: calculate, use and understand percentages and percentage changes **Knowledge** 1 mark for identifying the formula for gross profit margin: • Gross profit / Revenue x 100 **(1)** **Application** Up to 2 marks for selecting the correct data from Extract B: • 15 000 000 **(1)** / 36 000 000 **(1)** x 100 **Analysis** 1 mark for calculating the gross profit margin: • = 41.67% to two decimal places **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 41.67% award 4 marks • If the answer given is 41.7% award 3 marks • If the answer given is 41.67 award 3 marks • If the answer given is 41.7 award 2 marks	**(4)**

Question Number	Answer	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining, e.g. • A document designed to provide information about a new business **(1)** to persuade financial backers to invest **(1)** **OR** For stating up to two advantages, e.g. • To gain finance **(1)** • To show how the business will be run **(1)** **Application** Up to 2 marks for answers contextualised to *Zwift*, e.g. • *Zwift* first launched the program with an investment of $3m **(1)** • *Zwift* has 300,000 riders from over 150 countries **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Zwift*, e.g. • As a result of producing a business plan, *Zwift* may have been able to obtain enough finance to allow them to launch the program **(1)** • Potential problems could have been found and resolved by producing a business plan, helping the business to be successful **(1)**	**(6)**

Question Number	Indicative content
1(d)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • *Zwift* is a private limited company, meaning it has limited liability • Limited liability means the owners of the business are only liable for the money they have invested in the business • This means Jon Mayfield and Eric Min were able to take more risks without the worry they may lose their personal possessions if the venture failed • *Zwift* may have grown to have more than 300,000 customers in over 150 countries because the owners were more prepared to take the risks • However, setting up *Zwift* so it has limited liability would have taken longer and been more complicated than if Jon and Eric operated as a partnership • With less concern over running up huge debts, if problems occur in the future, *Zwift* may not be able to repay their creditors and could go into liquidation

Level	Mark	Descriptor
	0	No rewardable material.
1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
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.
3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question Number	Indicative content
1(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • A competitor is a business in the same market that offers a similar product or service • *Zwift* doesn't currently have any direct competitors • A new competitor would mean *Zwift* would need to ensure its program was competitive in terms of price and quality • It may mean it would be less likely to raise its price of $10 per month to its riders as the new competitor may charge less • The new competitor may have new maps, roads and landscapes to attract the customers and so *Zwift* may have to increase the availability of its game, or change it to make it more competitive • However, *Zwift* has had several years to build up a strong customer base of more than 300,000 riders meaning it is well known in the market • It would be difficult for a competitor to build up enough custom to attract riders already subscribing to *Zwift*, as they have the opportunity to ride with cyclists in over 150 countries

Level	Mark	Descriptor
	0	No rewardable material.
1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
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.
3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question Number	Answer	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'consumer trends', e.g. Habits or behaviour **(1)** of those involved in the use of goods and services **(1)** **NB:** Reward any other suitable alternative. Do not award marks for examples	**(2)**

Question Number	Answer	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS5**: calculate, cost, revenue, profit and break-even **Knowledge** 1 mark for identifying the formula for gross profit: • Revenue – direct costs **(1)** **Application** Up to 2 marks for selecting the correct data from Extract D: • 22 386 800 000 **(1)** - 9 038 200 000 **(1)** **Analysis** 1 mark for calculating the gross profit: • = $13 348 600 000 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is $13 348 600 000 award 4 marks • If the answer given is 13 348 600 000 award 3 marks	**(4)**

Question Number	Answer	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining quality management, e.g. • The process of a business maintaining a desired level of excellence in a product/service **(1)** by paying attention to each stage of the process **(1)** OR For giving two reasons, e.g. • Customers may spend more if they feel more likely to receive good service/product **(1)** • It may earn *Starbucks* a good reputation **(1)** **Application** Up to 2 marks for answers contextualised to *Starbucks*, e.g. • *Starbucks* is focused on maintaining great tasting coffee **(1)** • *Starbucks* is the 2nd largest coffee chain in the UK behind *Costa* **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for providing quality control, e.g. • The customers will be more confident they will be served quality coffee and so provide repeat custom **(1)** • *Starbucks* may gain a positive reputation and increase market share, challenging *Costa* **(1)**	**(6)**

Question Number	Indicative content
2(d)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Budgeting provides a target for costs or revenue that a business or department must aim to reach over a given period of time • It would allow each *Starbucks* coffee house to control its spending so it can aim to keep costs down when buying coffee from suppliers • It would help managers of each *Starbucks* coffee house to measure performance and compare revenue to see how well they were performing, for example month by month, or with *Starbucks* in other towns • This may help managers to meet business objectives such as profit maximisation or sales maximisation (increasing revenue from $22 386 800 000) • However, there is no guarantee these objectives will be met and *Starbucks* may have wasted time (which they are likely to be short of during busy periods) and money in preparing the budgets • It may depend whether the budgets are prepared in conjunction with one another. If sales revenue from selling the coffee exceeds expectation it may be that costs have to be higher to cater for this extra demand • There may be other influences which can lead to profit maximisation, such as increased demand due to a successful marketing campaign or environmentalists choosing *Starbucks* due to its stance on coffee cups

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	0	No rewardable material.
1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
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.
3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

Question Number	Indicative content
2(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Legislation is the making of laws for people to follow • The proposed legislation is to add 25p to the price of disposable coffee cups, therefore making it more expensive for people to buy coffee in coffee houses • This could reduce demand for coffee, especially as 25p would add 10% to the average cost of the coffee (£2.50) • *Starbucks* would need to implement the legislation which could be time consuming and costly to set up, as well as lead to a loss in revenue and profit • Separating revenue for *Starbucks* and that for the environmental charities will also take time, which may adversely affect the efficiency of *Starbuck's* operation • However, the additional charge would apply to all coffee houses and so, if the demand is still there, it will not make much difference to *Starbucks*' revenue • *Starbucks* already offers incentives for people to be more environmentally friendly, with discounted prices and options to buy reusable cups. Customers using their own cups are likely to reduce costs for *Starbucks* • As *Starbucks* was used to run the test scheme, it may be more favourable towards the idea • The similar idea of 5p additional charge on a plastic bag received a favourable response and so consumers of coffee may also respond favourably to this and still buy coffee at *Starbucks*

Level	Mark	Descriptor
	0	No rewardable material.
1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
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.
3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question Number	Indicative content
3	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points **must** also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • The exchange rate is the price of one currency in terms of another • Depreciation of the pound sterling (£) means it can buy less of another currency than previously; it has gone down in value • The pound sterling (£) depreciated to €1.19 and then €1.14 following the EU referendum in 2016 (from €1.40) • This meant that overseas customers could buy more pounds (£) with their own currencies, therefore making British goods cheaper to overseas buyers • When the currency is weaker, it can be easier to offer competitive prices to overseas customers who might not be able to buy the same goods or services, produced domestically, any cheaper • A survey has shown demand for British products increased for many small to medium-sized businesses between 2016 and 2017. This coincides with the timing of the EU referendum and subsequent depreciation of the pound (£) • If British products are cheaper to overseas buyers, they are likely to increase demand for them, thus potentially being the reason for the increase between 2016 and 2017 • However the nature of the specific product on offer is also a factor. A product or service not commonly found in the target country's market, a unique or high quality product is more likely to attract custom regardless of price • Positive perceptions of the quality of British products, a reputation for good customer service, and the familiarity of many British 'brands' such as the BBC, music artists and the Royal Family were all quoted as reasons British exports sell, to give examples of the above • We do not know if the British firms kept the prices constant following the depreciation of the pound (£). If they imported raw materials they may have increased prices to cover higher costs. • The survey was only conducted on small to medium-sized businesses and does not take into account of large businesses. This possibly means there has not been an increase overall in demand for British products during the period • Other factors such as high inflation in the target country or rising costs of production could have contributed to overseas customers increasing demand for British products • Overall it is likely a combination of the pound (£) depreciating and factors such as improved quality and the reputation of British brands led to the increase in demand for the British products shown

Level	Mark	Descriptor
	0	No rewardable material.
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.
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 causes and/or consequences 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.
3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well 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.
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 and/or effect(s). Arguments are fully developed. Quantitative and/or 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 recommendations.

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