GradeMax



Mark Scheme (Results)

October 2019

Pearson Edexcel International Advanced Subsidiary
In Business (WBS12)
Unit 2 Managing business activities

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October 2019
Publications Code WBS12_01_1910_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** Up to 2 marks for defining the term 'taxation', e.g. How the government raise money **(1)** to finance its expenditure **(1)**	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a reason, e.g. • The price of goods produced in Indian labour-intensive industries may have increased **(1)** **Application** Up to 2 marks for contextualised answers, e.g. • An indirect tax (GST) was introduced in July 2017 **(1)** • Competition in the textile industry from Bangladesh and Vietnam is intensive **(1)** **Analysis** 1 mark for developing the reason, e.g. • Consumers are more likely to choose lower priced products which may mean buying from producers in other countries rather than in India **(1)**	**(4)**

Question Number	Answer	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining a competitive market e.g. • A large number of producers compete with one another **(1)** to meet the needs and wants of consumers **(1)** **OR** For giving 2 ways, e.g. • Focus on a niche **(1)** • Provide excellent customer service **(1)** **Application** Up to 2 marks for answers contextualised to small businesses in India, e.g. • Individually designed jewellery made by small jewellers in India **(1)** • Part of the customer service is meeting with clients when designing unique jewellery **(1)** **Analysis** Up to 2 marks for a reason/cause/consequence for small Indian businesses, e.g. • Consumers may be more attracted to jewellery they know is not going to be sold in the mass market **(1)** • Consumers are more likely to buy expensive products like gems and diamonds if they are given a high level of personal service because they know the piece will be unique **(1)**	**(6)**

<table>
<tr><td>Question Number</td><td colspan="2">Indicative Content</td></tr>
<tr><td>1(d)</td><td colspan="2">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
• Labour-intensive production requires a high amount of human capital
• Lower costs and faster changes are often advantages of labour-intensive production
• The textile sector may benefit from producing individual items which are hand-crafted as they can be seen to have more value
• By using labour to produce textiles, garments can be tailored specifically to a consumer's requirements allowing a premium price to be charged
• However if capital-intensive production is used instead, the work can be done faster and with greater efficiency
• Once up and running, capital-intensive production can be cheaper and therefore better for long term production</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>1</td><td>1–2</td><td>Isolated elements of knowledge and understanding – recall based.
Weak or no relevant application to business examples.
Generic assertions may be presented.</td></tr>
<tr><td>2</td><td>3–5</td><td>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.</td></tr>
<tr><td>3</td><td>6–8</td><td>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.</td></tr>
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<tr><td>1(e)</td><td colspan="2">Indicative content guidance
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Quantitative skills assessed:
QS1: calculate, use and understand ratios, averages and fractions.

Knowledge, Application, Analysis, Evaluation – indicative content
• Liquidity shows how quickly a business can access cash in order to meet its short term debts
• Current ratio and acid test ratio are measures of liquidity
• Current ratio gives an idea whether the business would be able to repay its liabilities with its assets
• Current ratio is calculated by current assets/current liabilities 99.9/143.2 = 0.70 (0.6976)
• Acid Test ratio is calculated by current assets – inventory/current liabilities 99.9 – 30.7/143.2 = 0.48
• Ideally the ratios would be around 1 or above but both ratios are below this
• Therefore both ratios show Gem Spinners India Ltd has a low ability to pay its short term debts
• As the acid test ratio is quite a lot lower than the current account ratio (0.22 lower) it may mean Gem Spinners India Ltd's current assets are very reliant on its inventory
• Therefore the finance manager is right to be worried about the liquidity of the business
• However current and acid test ratios only provide a rough estimate of the business' financial health
• Some businesses are still healthy when they have low liquidity ratios and it may be better to make comparisons with other jewellery businesses to have a better understanding
• Jewellers may rely on a high inventory turnover and so a low acid test ratio is not necessarily a problem
• Having ratios above 1 could mean cash is not being used which could upset shareholders who would prefer it paid out to them or re-invested
• It would be better to compare these ratios with those from previous years in order to know whether Gem Spinners India Ltd is in a better or worse position</td></tr>
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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 'productivity', e.g. • A measure of output of a person, machine or process **(1)** over a period of time **(1)**	**(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 sales revenue formula: • Selling price x Quantity sold **(1)** **Application** Up to 2 marks for selecting the correct data from Extract C: • Sales revenue = \$154 **(1)** x 2,750 **(1)** **Analysis** 1 mark for calculating the sales revenue: • Sales revenue = \$423 500 **(1)** **NB: If no working is shown, award marks as follows:** **If the answer given is \$423 500 award 4 marks** **If the answer given is 423 500 award 3 marks**	**(4)**

Question Number	Answer	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining sales forecasts e.g. • The process of estimating future sales **(1)** either based on past data, industry comparisons or economic trends **(1)** **OR** For giving 2 reasons, e.g. • In order to plan finances **(1)** • In order to plan human resources **(1)** **Application** Up to 2 marks for answers contextualised to *Zamtel*, e.g • *Zamtel* are investing $280m in its mobile phone network **(1)** • A new technical centre is being built **(1)** **Analysis** Up to 2 marks for a reason/cause/consequence for *Zamtel*, e.g. • *Zamtel* need to know that the large amount of money being invested is likely to yield a profitable return or they would not spend so much **(1)** • By using sales forecasts, *Zamtel* will have a better idea of how many employees will be needed to operate its new technical centre and whether it is needed in the first place **(1)**	**(6)**

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Knowledge, Application, Analysis, Evaluation – indicative content
• Sales volume is the quantity of units sold
• An improved sales volume may lead to increased profits
• Lava has recently introduced the Z91 smartphone to the Zambian market at a price of $154. Reducing this price may attract more customers and therefore increase the quantity sold
• More sales may be made if Lava advertise the smartphone in Zambia as this can raise awareness of the smartphone's features, such as its fingerprint app shortcut
• However, a decrease in the price will have an impact on the sales revenue
• There are likely to be a high number of other smartphones available and so advertising may not be enough to encourage more sales to increase sales volume</td></tr>
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Knowledge, Application, Analysis, Evaluation – indicative content
• Kaizen is a Japanese philosophy which places emphasis on making small improvements in all business processes as it tries to achieve a culture of continuous improvement; good processes bring good results
• Kaizen encourages quality and productivity improvement in organisations through efficiency and making positive changes
• Zamtel will do this by encouraging team working, seeking new ideas from employees and improving motivation, as well as helping employees to develop their careers
• Kaizen would therefore help Zamtel to retain its employees so they can focus on developing improved services to provide faster internet and mobile/landline communication
• Zamtel intends to train its 700 employees as part of the continuous improvement process. This is likely to help the introduction of Kaizen to be successful and may motivate the employees if they feel involved
• However, individual employees also need to be committed for Kaizen to be successful and they may not be happy with the proposed changes/training, especially if they are used to doing things differently for a long time and are already demotivated
• Kaizen is often used in manufacturing businesses and so may not work as well for a service-based business such as Zamtel
• The changes won’t happen straightaway, and the high costs mean the business may need to make sacrifices elsewhere in order for it to be successful
• It may depend how well the changes are communicated to the employees so that everyone can be encouraged to meet the same targets</td></tr>
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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** Loans • *Tate & Lyle* could expand by borrowing money from a bank or other financial institution in order to expand its food laboratory facilities and launch the new sweetener • Loans are usually more easily available to large business such as *Tate & Lyle* and at a lower interest rate maybe charged because they may be seen as less risky than a small business, just starting out • The 32% increase in foods with health and wellbeing claims in 2017 may encourage financial providers to offer more favourable terms to *Tate & Lyle* because the figures indicate the expansion proposal is in line with consumer demand • However, the process to obtain finance via a loan may take a long time. This delay may be problematic to *Tate & Lyle* if they intend to put their expansion plans into operation quickly • Not all businesses are able to obtain bank loans at favourable rates. Although *Tate & Lyle* are a multinational business, no data is given to show how credible they may be for a bank to provide loan funding and if it does, the interest rate it will charge • It will depend on the success of the expansion proposal and therefore the revenue generated as to how long it will take *Tate & Lyle* to pay back the loan Leasing • Leasing is where *Tate & Lyle* (the lessee) would pay to use assets owned by a lessor. These assets could include premises for the food laboratory, UHT equipment and other food technology • This could allow *Tate & Lyle* quicker access to premises and equipment needed to expand and develop its healthy food options without having to raise additional finance • Access to a higher standard of equipment maybe possible through the use of leasing than the business may

		otherwise have been able to pay for. This is especially useful whilst *Tate & Lyle* establish themselves in this sector and may need to change equipment to be more suitable for developing needs • However, leasing can prove more expensive as payments are being made without actually owning the premises or equipment • As the UHT equipment is likely to be particularly specialised it may not be suitable for leasing. Instead, specific requirements of *Tate & Lyle* maybe better served by them making a purchase outright • As the food industry cannot be sure how long the health and wellbeing demands of consumers will last, it may be in the financial interests of *Tate & Lyle* to lease equipment until it is confident the demands are long term • It may be more appropriate to use both methods for different purposes i.e. loans for the building and leasing for the equipment
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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