GradeMax



Mark Scheme (Results)

January 2021

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 'statement of comprehensive income', e.g. • A document to show income and expenditure of a business **(1)** over a financial year **(1)**	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS5**: Calculate cost, revenue, profit and break-even **Knowledge** 1 mark for identifying a way, e.g. • The break-even point may decrease **(1)** **Application** Up to 2 marks for contextualised answers, e.g. • At the higher variable cost, contribution was £1.00 - £0.27 = £0.73 **(1)** • At the new variable cost of £0.26, a vegan roll contributes £0.74 **(1)** **Analysis** 1 mark for developing the impact, e.g. • As each vegan roll contributes a high proportion of the selling price towards paying off the fixed costs, a lower quantity of sales will be needed in order to break-even **(1)**	**(4)**

Question Number	Answer	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS3:** Construct and interpret a range of standard graphical forms **QS8:** Use and interpret quantitative and non-quantitative information in order to make decisions **Knowledge** Up to 2 marks for defining inventory control diagram, e.g. • An inventory control diagram shows details of inventory movements **(1)** such as minimum and maximum inventory levels, reorder level and quantity and lead times **(1)** **OR** For stating up to two ways, e.g. • It shows the minimum inventory level, below which inventory should never fall **(1)** • It shows how many items to order **(1)** **Application** Up to 2 marks for answers contextualised to *Greggs*, e.g. • The minimum inventory level is 10 vegan rolls **(1)** • *Greggs'* re-order quantity is 40 vegan rolls **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Greggs*, e.g. • This means the shop will never run out of vegan rolls to sell **(1)** • Therefore, *Greggs* can meet the expected customer demand for the next day **(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** • Variance analysis shows the difference between budgeted and actual figures and can be calculated at the end of a financial period, once actual figures are known • Variances can be calculated for expenditure and income and can be used to monitor the costs of a business • In January, *Greggs* had a favourable income variance of £12 870m because its actual income was £97 870m and the budgeted amount was £85 000m • The actual figure was higher than the budgeted figure, meaning *Greggs* had performed better in terms of income at the start of 2019 • By using variance analysis, *Greggs* could try to identify reasons why the variances occur, such as the publicity over the launch of the new vegan rolls • For example, *Greggs* may need to hire more employees to cater for an increase in sales or purchase more ingredients to make the additional savoury products being sold • It could also help the bakery to deal with any problems that may have occurred to lead to an adverse variance in its income or expenditure • It can therefore help the business to be better prepared in the future • However, it is difficult to set budgets as they are likely to be based on historical data • This means the figures are likely to be inaccurate as they can be influenced by things like the poor weather affecting sales at *Greggs* in 2018 • It takes time and money to prepare budgets, which could be better used in things like the development of new products (the vegan roll may not have taken as long as 12 – 18 months to develop if more resources were used on that instead of preparing budgets)

Level	Mark	Descriptor
	0	No rewardable material.
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 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** • Batch production is a method of manufacturing where a quantity of one product is made, then a quantity of another item will be produced • By using batch production, *Greggs* can benefit from lower unit costs of its vegan rolls compared to job production • This is because production is divided into a number of operations, it is more efficient and so profitability can be increased • Production of savoury products is flexible, meaning different customer orders can be met more easily, increasing sales • Each of the 1,950 shops will be able to cater for differing needs of its customers • Bakery employees are likely to specialise in one process, therefore the quality of different products may be improved • However, forecasts for a given product have to be accurate or food may be wasted and thrown away, leading to an increase in costs • If batches are small, unit costs will still be high (relative to flow production) • There could be less motivation because bakery employees specialise • Time taken switching between different batches • Overall, for a business such as *Greggs* that sells many different bakery products, it has the advantage of meeting the differing quantity and quality demanded by customers • Whereas other products may be more suited to flow or job production

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	5–7	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.
Level 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 'bank loan', e.g. • An external method of finance/money borrowed from a bank **(1)** paid back, with interest (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 formula for sales volume: • Sales revenue ---------- **(1)** price **Application** Up to 2 marks for selecting the correct data from Extract C: • 480 000 DKK = 40 000 DKK **(1)** **----------** 12 • 40 000 DKK ---------- 125 DKK **(1)** **Analysis** 1 mark for calculating the sales volume: • = 320 bibs **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 320 bibs/units award 4 marks • If the answer given is 320 award 3 marks	**(4)**

Question Number	Answer	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining sole trader, e.g. • The simplest form of business **(1)** with only one owner **(1)** **OR** For stating up to two advantages, e.g. • The owner has complete control **(1)** • The owner can adapt to change quickly **(1)** **Application** Up to 2 marks for answers contextualised to *Sew Sew*, e.g. • Gitte could make the decision to specialise in making bibs for babies **(1)** • Orders for speciality bibs may increase **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Sew Sew*, e.g. • As Gitte is not required to discuss her business with anyone, decision making can be very quick, allowing her to focus on sewing and sales **(1)** • Gitte can easily switch to producing different bibs so customers are satisfied when orders are met promptly, allowing *Sew Sew* to gain a positive reputation **(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** • Legislation can include things like consumer, employee and environmental protection as well as competition policy and health and safety • It is put in place by governments to ensure businesses produce goods and services that are fit for purpose and are safe for consumers to use, as well as provide a safe and healthy workplace • Sole traders, such as *Sew Sew,* must still comply with legislation just like other forms of business ownership but is less likely to be affected by as many Acts due to the size and nature of the business • Gitte does not have any employees and so *Sew Sew* does not need to comply with health and safety legislation to provide and maintain suitable protective clothing or provide adequate breaks for rest • However, *Sew Sew* may need employees in the future and so the business would then need to comply with legislation regarding health and safety or it may be penalised • *Sew Sew* must only sell bibs that are fit for purpose in order to comply with consumer protection legislation • *Sew Sew* uses a safer material to fasten the bibs as a result of following European safety advice • *Sew Sew* could benefit from following legislation beyond its requirements as it could gain a reputation for having high standards

Level	Mark	Descriptor
	0	No rewardable material.
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 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** • A business plan is a document to provide information about a new business and can be used to persuade financial backers to invest • Financial forecasts are often included in a business plan. They may include sales forecasts, break-even calculations, cash-flow forecast and details of costs, revenues and profits • Financial forecast may be the most important content because Gitte obtained a bank loan when setting up *Sew Sew* and the bank would most likely have been more willing to loan her the money having seen financial forecasts in the business plan • Gitte could estimate how many items she needs to sell to break-even and/or to make a profit and help make *Sew Sew* successful • She could also identify potential problems, such as not bringing in enough revenue to earn as much as the 135 DKK per hour that she did at her part-time job at *McDonald's* • This means she could make plans to resolve such problems and ensure she has enough cash available to buy material, as well as to live on • However, other content of a business plan may be more important, such as an executive summary. This is because it summarises the whole business plan and is likely to be something a bank would look at before providing a loan • The objectives of the business may also be more important as both Gitte and any potential investors would want to know details of what the business hoped to achieve. This might be survival in the first year *Sew Sew* is in business • It may be more important to show information about the market as it would be useful to know whether *Sew Sew* has many direct competitors • As Gitte's plan was to work using her hobby of sewing, the owner's background may be more important because it could show why Gitte was motivated to start *Sew Sew*. Although her background of only having a part-time job at *McDonald's* prior to setting up *Sew Sew* may mean this section is less important • Overall, it is likely to have been important to include financial forecasts in the business plan for *Sew Sew* but it may only be of equal importance as the other elements because they collectively make up a successful plan for the business

Level	Mark	Descriptor
	0	No rewardable material.
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	5–7	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.
Level 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** • Market conditions are affected by consumer trends, which change over time. If businesses do not adapt to these changes, they may risk failure • Consumers now prefer to download video games than buy physical copies from stores (60% of US video game sales in 2018 were from downloads) • This means there has been a large decrease in sales of physical video games from stores like *GameStop* • Sales at *GameStop* fell 14.3% in one quarter of the current financial year, which shows the decline in sales is increasing, as the fall was only 3.1% in the whole of the previous year • *GameStop* made a loss for the year of $673m showing that the decrease in sales had a considerable impact. • This means the change in market conditions was a major contributor to the problems faced by *GameStop*, such as having to make 120 employees redundant in August 2019 • However, interest rates have been steadily rising in the US since 2016. As *GameStop* made over $50m in interest payments in the last financial year, this could have caused some of the problems for the business • Competitors, such as *IGN* and *Electronic Arts,* may have a stronger brand and/or more effective advertising and so be able to sell more video games even without the change in market conditions • Government regulations have been introduced because of concerns over addiction and links with violence. This means that it will be more difficult and possibly more expensive to sell video games because *GameStop* would have to ensure it is complying with the legislation • Health concerns may also have made it more difficult to make sales for *GameStop* because consumers may reduce their demand due to the negative publicity • Internal causes may also have had an impact, such as management of cash flow. The small increase in administrative expenses as a percentage of sales, for example, shows that these may have had more of an impact on the problems faced by *GameStop* than market conditions • Overall, *GameStop* is having to close stores and make employees redundant because of changes in market conditions but it is also affected by several other internal and external causes that are likely to have made the problem worse

Level	Mark	Descriptor
	0	No rewardable material.
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 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.
Level 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.
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 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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