

Mark Scheme (Results)

Summer 2021

Pearson Edexcel International Advanced Subsidiary
In Business (WBS12/01)
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	Summary of change
2a	Breakdown of where each of the two marks can be given adjusted to include a wider range of suitable responses

Question Number	Answer	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'partnership', e.g. • A type of business ownership/organisation **(1)** owned by two or more people **(1)**	**(2)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a way, e.g. • The business would need to offer low prices **(1)** **Application** Up to 2 marks for contextualised answers, e.g. • There are over 10,000 qualified solicitors in British Columbia in competition with *BDVP* **(1)** • *BDVP* has solicitors dealing in many aspects of law, such as business, contract and commercial law **(1)** **Analysis** 1 mark for developing the way, e.g. • Consumers are more likely to choose a legal business that offers competitive prices because there are over 10,000 solicitors to choose from **(1)**	**(4)**

Question Number	Answer	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining employee protection legislation, e.g. • Laws and procedures a business must follow **(1)** in the treatment of its workers **(1)** **OR** For giving two ways, e.g. • It must keep up to date with changes to the legislation **(1)** • It might reduce the flexibility of existing employees **(1)** **Application** Up to 2 marks for answers contextualised to *BDVP*, e.g. • The change from five days unpaid family responsibility leave to seven days **(1)** • Employees could refuse to work overtime if they have significant family commitments **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *BDVP*, e.g. • The business must follow changes in the legislation to avoid facing potentially expensive legal action **(1)** • When *BDVP* is busy it may not have enough employees available to complete the workload **(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** • Factoring is a way a business can improve its cash flow by selling invoices to a third party • Liquidity is how easily/quickly assets can be converted into cash • *BDVP* allows clients 30 or 60 days to pay, meaning the solicitors may have a period of time when they have a poor cash flow • Factoring would allow *BDVP* to continue to offer favourable credit terms to clients without suffering poor cash flow • This means *BDVP* would continue to be competitive amongst the more than 10,000 solicitors in British Columbia • However, factoring is costly because *BDVP* does not receive the full value of the invoices paid by its clients for legal services • Factoring alone would not solve long-term liquidity problems which may be a problem if the business continues to grow

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** • Motivation is a factor that encourages employees to be more interested and committed to their work • Productivity is a measure of the efficiency with which labour or capital completes a task • Secretaries and administrative assistants may increase their work-rate if they are offered bonuses or profit share incentives • By empowering employees, *BDVP* helps its secretaries and administrative assistants to take pride in their work and to feel a sense of responsibility • This could encourage employees to work harder in order to complete their work to a higher standard, meaning they would be more productive • Consulting with junior associates about alternative working hours to 8.30am – 5pm is likely to increase the productivity of the employees as they feel more motivated as their views are being taken into account • Increasing labour flexibility would not only comply with new regulations but also help employees to balance their work with personal commitments. This could increase productivity • However, some junior associates may not be more productive even if offered financial methods of motivation or by being consulted about the hours they are in the office, as they may already be working as hard as they are able • Improving motivation alone may not be very effective if the technology used is out-of-date and slow. New technology could be more effective • Many ways to improve productivity could increase motivation as well, thus providing multiple benefits to *BDVP* • A combination of ways to improve productivity, such as bonuses, introducing flexible working practices and replacing old technology may be the best way to increase productivity

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.

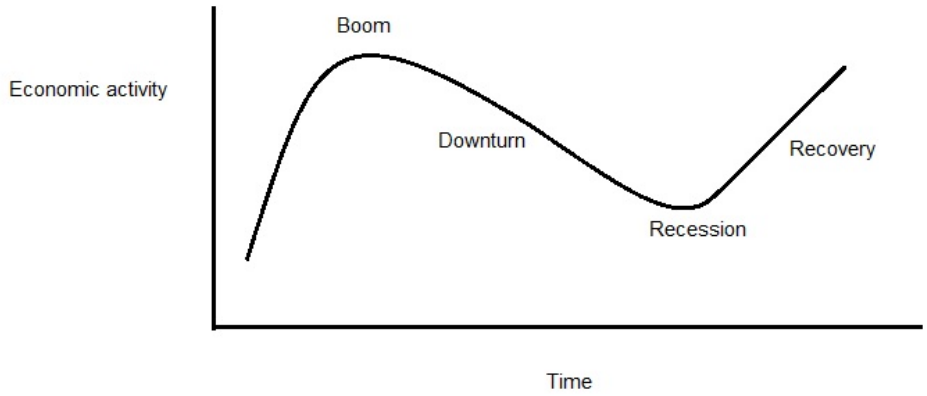
Question Number	Answer	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'market conditions', e.g. • Characteristics/factors that influence trading **(1)** such as competitiveness/growth **(1)**	**(2)**

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 profit for the year (net profit) formula: • operating profit – finance costs (interest) **(1)** **Application** Up to 2 marks for selecting the correct data from Extract C: • €6.7m **(1)** - €0.6m **(1)** **Analysis** 1 mark for calculating the profit for year (net profit): • Profit for the year (net profit) = €6.1m **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is €6.1m award 4 marks • If the answer given is 6.1m award 3 marks	**(4)**

Question Number	Answer	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining efficiency, e.g. • Making the best possible use of all a business's resources **(1)** by minimising average costs **(1)** **OR** For giving two ways, e.g. • Efficiency could increase as it would be easier/quicker for customers to make a booking **(1)** • Fewer employees would be needed to complete the booking process because of the use of technology **(1)** **Application** Up to 2 marks for answers contextualised to *Hostelworld*, e.g. • There was an increase of 22% in the number of customers who made bookings by its app in 2018 **(1)** • *Hostelworld* allows travellers to make bookings on its website or using its app **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Hostelworld*, e.g. • As booking on the app increases, it reduces the average cost per customer of operating the app **(1)** • Needing fewer employees would reduce costs for *Hostelworld* and therefore profits may increase **(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** • Share capital is funding raised by a company in exchange for a share in the business • *Hostelworld* is trying to take advantage of a growing market (forecast to reach 1.8 billion international tourists by 2030) but needs to finance its own growth plans • Share capital is available from shareholders who were set to receive €0.138 per share from their 2018 investment. They are more likely to be supportive of the plan if they believe a successful strategy could lead to an increased return • As *Hostelworld* is aiming to return to growth in 2020, share capital would be suitable because it does not need to be repaid straight away. Its use is also flexible as there are no restrictions to its use • However, receiving share capital means the main shareholders of *Hostelworld* lose some of the control of the business for each share sold • Share capital could be an expensive way to fund the plan to grow because shareholders would expect a higher return than they would get by putting money in a bank, due to the higher risk • Operating profit fell €5.2m from 2017 to 2018 and revenue by 5% meaning shareholders may be less willing to invest in *Hostelworld*

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** • The business cycle measures economic activity over time and shows stages of boom, downturn (where there is rising unemployment), recession and recovery • Possible diagram to show the business cycle  • Tourism is likely to increase during a boom or recovery and decrease during a downturn or recession • The business cycle could help *Hostelworld* to assess whether the predicted growth in tourism is likely to be accurate for the years in the forecast • Although the number of international tourists is predicted to reach nearly 1.4 billion in 2020, using the business cycle would allow *Hostelworld* to take account of fluctuations in the rate of growth of GDP and therefore access potentially more accurate figures for each year • *Hostelworld* could use the business cycle to predict how much impact GDP might have on the growth in the market for tourism but also on new competitors entering the market, attracted by increased demand • However, the business cycle can only provide an estimate of economic activity over time and may be unrealistic to use as far into the future as 2030 • External economic influences could have an impact that changes the business cycle and cannot easily be predicted, especially for a business affected by changes in countries worldwide • Extract D shows a steady increase of international tourism in actual figures from the start of the data in 1950. It does not show any effects of the business cycle so far

	• Therefore, it may not be enough to rely on this type of forecast for *Hostelworld* for the purposes of making its decisions • Although the business cycle may be useful to *Hostelworld* when making its decisions, it should not be relied upon too heavily and it is important to use other data available as well

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** Quantitative skills assessed: **QS3: Construct and interpret a range of standard graphical forms** **QS5: Calculate cost, revenue, profit and break-even** **QS8: Use and interpret quantitative and non-quantitative information in order to make decisions** • The break-even point is the point where total revenue = total costs • Margin of safety is the difference between the break-even point and the current level of sales • *The Mountain School* needs six students each week in order to break-even • The school has spare capacity when only eight students study there and receives (8 x 2 100) 16 800 Qs in revenue Advertising • Advertising could help increase the number of students closer to the maximum of 14, which would increase the margin of safety to eight students • *The Mountain School* currently only receives 1 000 Qs profit for the additional two students who receive tuition above the break-even point and so would benefit from increasing the number of students through advertising • As the school could considerably increase its profits (to 4 000 Qs) if the maximum of 14 students were enrolled each week, it would be a good idea to advertise in an attempt to increase numbers • *The Mountain School* aims to improve the quality of life for local families. As 600 Qs is paid to each family that provides meals to a student, increasing the number of students through advertising would help achieve this aim • However, in a typical week *The Mountain School* has eight students. This means it already has a margin of safety of two students and so the profit made could be used to benefit the community or as a contingency if fewer students attended in other weeks • Even with the current margin of safety there is not a lot of money available with which to advertise (1 000 Qs per week)

	• Advertising would increase costs and therefore increase the break-even point. It may actually reduce the margin of safety in the short-term if it failed to attract more students Raise price • By raising the price, the break-even point could be lowered from six students and therefore increase the margin of safety if *The Mountain School* still received an average of eight students per week • A contribution of only (2 100 – 1 600) 500 Qs is made per student and so increasing the price would help *The Mountain School* to break-even with fewer students • *The Mountain School* only charges 2 100 Qs for the tuition, all meals and accommodation and so it is feasible students would be prepared to pay more • However, the average number of students may fall if they do not want to pay a higher price • This would therefore risk the existing margin of safety as it may stop some potential students from attending the school • It may be better to try to reduce costs rather than increase revenue

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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