GradeMax



Mark scheme (Results)

January 2022

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	Define the term 'demand'. **Answer**	**Mark**
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'demand', e.g. The quantity a consumer is willing to buy **(1)** at a given price and at a given time **(1)**	**(2)**

Question	Using the data in Extract B, calculate the operating profit for *Etsy* in the third quarter of 2020. **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 the formula for operating profit: • Gross profit – other operating expenses **(1)** **Application** Up to 2 marks for selecting the correct data from Extract B: • $331.3m **(1)** **-** $213.1m **(1)** **Analysis** 1 mark for calculating the operating profit: • = $118.2m **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is $118.2m or $118 200 000 award 4 marks • If the answer given is 118.2m or 118 200 000 award 3 marks	**(4)**

Question	Analyse **two** ways *Etsy* has reduced the threat of competition in the market. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for the threat of competition, e.g. • The behaviour of competitors **(1)** that may lead to the loss of market share **(1)** **OR** For stating two ways, e.g. • Charging lower prices **(1)** • Differentiating the products **(1)** **Application** Up to 2 marks for answers contextualised to *Etsy*, e.g. • Sellers only pay a low fee to sell their products via the online shop **(1)** • Customers can find unique, handmade products on the *Etsy* website **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Etsy*, e.g. • As customers are usually sensitive to price changes, charging lower prices for handmade products is likely to attract more customers in a competitive market **(1)** • Having diversity in products offered may enable *Etsy* to gain market share from its competitors **(1)**	**(6)**

Question	Discuss whether *Etsy* is likely to be affected by internal causes of business failure. **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** • Internal factors are those which a business can control • Business failure can occur due to causes from inside the business, such as poor management of cash flow, overestimating sales, poor marketing, poor quality or overtrading • *Etsy* may overestimate sales on its website and therefore commit too many resources to advertising or expanding too quickly • This could lead to a decrease in (operating) profit (from $118.2m in the third quarter of 2020) • Poor quality of handmade products is possible due to the high number (3,681) of sellers *Etsy* allows to sell on its website, because it may not be able to check they all meet a suitable standard • As a result, *Etsy* may get a bad reputation for allowing those selling poor quality products to trade on its website and the number of buyers may fall from 69 649 in the third quarter of 2020 • Allowing the change for other people to make products aside from the sellers of the original designs could detract from the unique approach that helped *Etsy* become successful previously • However, *Etsy* has been trading for over 15 years and is now well-established so overtrading is unlikely to lead to business failure • *Etsy* has a healthy financial position, with a year-over-year increase in gross profit margin of 8.2% in the third quarter of 2020 and so its management of cash flow may not be a problem for the business • If *Etsy* increases checks on the products available, it may prevent problems occurring due to poor quality of products sold on its website • Business failure may be more likely to occur due to external causes, which are outside *Etsy*'s control, such as market conditions or economic factors

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	Assess the benefits to *Etsy* of being an online business. **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** • Online businesses trade via the internet, using electronic means of payment • *Etsy* may benefit from trading online because it allows access to sellers and customers from all over the world rather than just in New York where it is based • Costs are likely to be low as there is no need for business premises. *Etsy* does not even have a warehouse • This may have helped *Etsy*'s profit margin to grow to 73.4% in the third quarter of 2020 • Online shopping is accessible to far more of the world's population than traditional shopping (there may not be another outlet for these products) and so *Etsy*'s growth may be able to continue for years to come • Further growth of e-commerce and the number of internet users may add to this, as well as help grow the number of sellers from the 3,681 reached in 2020 • However, competition from other businesses trading online is high, especially from well-known rivals such as *eBay* and *Amazon* • If *Etsy*'s competitors are able to take a percentage of the market share from *Etsy* as a result of having global access from the online trading, this could reduce *Etsy*'s 2020 third quarter revenue from $451.5m. • Low set-up costs and *Etsy*'s success (an increase from 44,807 buyers in the third quarter of 2019 to 69,649 a year later) could lead to a further increase in competition • Being an online business may attract more competitors globally, however, the size, growth and success of *Etsy* may enable the business to withstand new entrants to the market through advertising and its ability to differentiate • As an online business, *Etsy* may suffer from technical breakdowns and fraud, however, it is likely that having reached a quarterly gross profit of $331.3m, it will have sufficient resources to manage any such problems

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	Define the term 'social enterprise'. **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'social enterprise', e.g. A business with mainly welfare or environmental objectives **(1)** rather than maximising profit **(1)**	**(2)**

Question	Using the data in Extract D, calculate, to two decimal places, fixed costs for *DFS* as a percentage of total cash outflow for May 2021. You are advised to show your working. **Answer**	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages and percentage changes **QS5**: Calculate cost, revenue, profit and break-even **Knowledge** 1 mark for identifying the formula for calculating fixed costs as a percentage of total cash outflow: • $\frac{\text{Fixed costs}}{\text{Total cash outflow}}$ x 100 **(1)** **Application** Up to 2 marks for selecting the correct data from Extract D: • $\frac{\$6\,500 + \$2\,000}{\$17\,500}$ **(1)** x 100 **(1)** **OR** $\frac{\$8\,500}{\$17\,500}$ **(1)** x 100 **(1)** **Analysis** 1 mark for calculating the fixed costs as a percentage of total cash outflow: • 48.57% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 48.57% award 4 marks • If the answer given is 48.57 award 3 marks	**(4)**

Question	Using the data in Extract D, analyse **two** possible problems for *DFS* from its cash flow forecast from April – July 2021. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge** Up to 2 marks for defining cash flow forecast, e.g. • A cash flow forecast shows cash inflows and outflows **(1)** over a future period of time **(1)** **OR** For stating up to two negative implications, e.g. • Declining credit sales/cash inflows **(1)** • A negative monthly net cash flow is likely to continue **(1)** **Application** Up to 2 marks for answers contextualised to *DFS*, e.g. • Forecast total cash inflows fell from Aus$53 500 in April 2021 to Aus$14 375 in July 2021 **(1)** • In July 2021, *DFS* forecasts its net cash flow to be (Aus$2 125) **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for D*FS*, e.g. • This means that *DFS* may need to find ways to earn higher revenue throughout the year, perhaps by changing the way membership fees are paid **(1)** • Therefore, *DFS* may need to make plans to cover the shortfall if it does not have a sufficient balance from previous months **(1)**	**(6)**

Question	Discuss whether a grant would be a suitable method of finance for *DFS*. **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** • A grant is a sum of money given by a government or other organisation • It does not need to be repaid and no interest is required • This means that *DFS* could benefit from receiving a grant as it would increase cash inflows • An increase in cash inflows would be especially helpful from June onwards, as net cash flow is expected to reduce considerably (from Aus$16 625 in May to Aus$2 875 in June) once the majority of film society membership has been paid for the year • Increasing the net cash flow (and keeping it positive) may allow *DFS* to screen more charitable and special events, thus increasing its support of charitable organisations • Without finance from a grant, *DFS* may struggle to fund as many special events, especially if demand for screenings at the Deckchair cinema falls • However, in order to obtain finance from a grant, *DFS* would need to prove it qualifies for the finance by meeting the criteria • The necessary documentation required by the Australian Government or other organisations to be successful in being approved to receive a grant may take a considerable amount of time to complete • This may prove problematic as only a few employees are paid by the society and volunteers may not be as willing or as keen to complete lengthy paperwork • Alternative methods of finance may be more suitable for *DFS* such as an overdraft or bank loan

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	Assess the effect of environmental protection legislation on *DFS*. **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** • Environmental protection legislation is designed to reduce the impact of businesses and protect the environment • It is put in place by a government and can reduce pollution, destruction of wildlife and depletion of resources • The Container Deposit Scheme (CDS) began in 2012 in Darwin, reducing the number of bottles discarded, causing litter and/or contributing to unnecessary landfill • Not only does *DFS* follow the legislation but it encourages fundraising for local charities through use of recycling bins • This could promote the reputation of *DFS* and its Deckchair cinema, encouraging further custom at the same time as not increasing costs for the society • The legislation compliments the ethical stance of *DFS* allowing the society to fulfil its objectives more easily • However, consumers of bottled drinks may want to keep the Aus$0.10 themselves and so the provision of recycling bins may have a limited effect • Although not required by the legislation, the provision of free filtered water is a cost to *DFS* and it might reduce sales of other bottled drinks made by the society/the refunds to support local charities • As a result, this would reduce revenue made by *DFS* and/or the positive impact on *DFS* • There may be additional environmental protection legislation with which *DFS* needs to comply. It could be difficult to ensure the film society complies effectively as it is mainly run by volunteers

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	Evaluate the extent to which this is likely to increase the efficiency of *RBS*. **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** • Efficiency can be achieved when a business makes the best use of its resources, such as using its labour, capital and materials as effectively as possible • A business could improve efficiency via a number of ways, such as relocating, downsizing, standardisation or investing in new technology • Relocating takes place when a business moves to a new location. This can improve the use of premises and can lead to lower costs, such as lower rent • Downsizing involves reducing capacity, such as making employees redundant. This would reduce costs, such as wages • If a business can reduce its average costs, efficiency is likely to improve because it is using its resources as effectively as possible • By moving to the bank's headquarters, *RBS* estimates it will save around £18m a year and will not need to make anyone redundant • This means it will have much lower costs to deduct from revenue coming into the business and therefore the bank will increase efficiency • Employees may be happier with the flexible working arrangements and so employee retention may improve, preventing labour costs from increasing for *RBS* • Relocating can therefore be seen to be a very effective way for *RBS* to improve efficiency • However, significant development is needed at the proposed new site, for the 2,000 additional employees. This includes investment in facilities and improvements to the restaurant • As employees can already work from home using video conferencing technology, such as Zoom, there is an argument that office space is not required, which could reduce costs and therefore improve efficiency further • It may therefore be more appropriate for *RBS* to invest more in new technology as this could allow the flexible and remote working arrangements to be further developed with employees • Downsizing and reducing capacity by making employees redundant, rather than relocating would allow cost saving and allow *RBS* to increase its efficiency but may lead to remaining employees being less productive • Overall, already relocating might be an effective way for *RBS* to increase efficiency, it may not to be the most effective way • Instead, it may be better to use a combination of ways to improve efficiency, such as increasing investment in technology • This may depend whether the 1.8 million personal customers and over 110,000 business customers continue to use *RBS* with fewer physical premises

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.