GradeMax

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WBS12/01**

Business

International Advanced Subsidiary
UNIT 2: Managing business activities

Source Booklet

Do not return this Booklet with the question paper.

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Sources for use with Section A

Extract A

Etsy

Etsy is an e-commerce business, started in 2005 and based in New York. It is a global online marketplace where people come together to make, sell, buy and collect unique items. *Etsy* sells a wide variety of handmade products. The range of products includes jewellery, bags, clothing, furniture, toys and art.

The handmade products are made by creative people who are trying to turn their hobbies into a business. The products are individual to the person making them and are aimed at niche markets. *Etsy* does not have a warehouse, just creative people worldwide, selling the products they have made. *Etsy* connects these creative people directly with customers who are looking for something special.

Etsy charges a low fee to those selling their products on the *Etsy* website. This is lower than the fee charged by *eBay* and *Amazon* to sell on their websites. Most customers spend between $15 and $20. *Etsy* sells a wide range of products but relies on the diversity offered to differentiate itself from the hundreds of available similar sites online. *Etsy* targets a specific segment of the market by only selling handmade products on its website.

Growth of *Etsy* has led to challenges for sellers who find it difficult to keep up with demand and at the same time maintain a personal touch. *Etsy* recently changed its terms of business to allow original designs to be made by someone else so that production of items can be increased. However, this has led to the question of whether the items can still be called handmade.

Extract B

Third quarter 2020 financial summary for *Etsy*

	Three Months Ended September 30 2020	Three Months Ended September 30 2019
Revenue	$451.5m	$198.0m
Cost of sales	$120.2m	$68.9m
Gross profit	$331.3m	$129.1m
Gross profit margin	73.4%	65.2%
Other operating expenses	$213.1m	$114.8m
Sellers	3,681	2,592
Buyers	69,649	44,807

Sources for use with Section B

Extract C

Darwin Film Society and the Deckchair cinema

Darwin Film Society (DFS) is a social enterprise that helps community groups and charitable organisations to show films for fundraising events. It is mainly run by volunteers but does have a small number of salaried employees who oversee the running of the film society throughout the year.

In addition to the fundraising events, *DFS* set up the Deckchair cinema in 1994. The Deckchair cinema shows films outdoors from April until November each year. The atmosphere is very relaxed, with 250 deckchairs for customers to use. The skies are usually cloud-free and the stars make a great backdrop for the screen.

DFS has a growing membership of more than 1,000 people. Most of *DFS*'s revenue comes from ticket sales and film society members who pay Aus$75 per year. Membership includes free entry to four screenings at the Deckchair cinema, reduced ticket prices for further screenings and priority access to any *DFS* event. Most membership fees are paid in April and May and are credit sales.

Between December and March, the Deckchair cinema is closed and there are no screenings, charitable or special events. However, all other cash outflows need to be paid during these months.

Since 2012, environmental protection legislation in Darwin states that all drinks bottles must be labelled to show that Aus$0.10 will be refunded when the container is returned to an official collection point. As part of its ethical profile, *DFS* provides recycling bins at the Deckchair cinema, where bottles can be collected for this Container Deposit Scheme (CDS). All money raised supports local charities.

In addition, bottled water is no longer sold at the cinema to further reduce waste. Instead, customers are invited to enjoy filtered water free of charge from the sales kiosk.

Extract D

Cash flow forecast for *Darwin Film Society (DFS)* April–July 2021

	April (Aus$)	May (Aus$)	June (Aus$)	July (Aus$)
CASH INFLOWS				
Cash sales	2 250	3 500	3 500	4 500
Cash from credit sales	51 250	30 625	16 875	9 875
TOTAL CASH INFLOW	53 500	34 125	20 375	14 375
CASH OUTFLOWS				
Screenings, charitable and special events	6 500	9 000	9 000	8 000
Salaries (non-volunteers)	6 500	6 500	6 500	6 500
Rent	2 000	2 000	2 000	2 000
TOTAL CASH OUTFLOW	15 000	17 500	17 500	16 500
NET CASH FLOW	38 500	16 625	2 875	(2 125)
OPENING BALANCE	2 450	40 950	57 575	60 450
CLOSING BALANCE	40 950	57 575	60 450	58 325

Source for use with Section C

Extract E

Royal Bank of Scotland on the move

Royal Bank of Scotland (RBS) is to close its largest office in a move which will relocate more than 2,000 employees. The bank will sell its office at Drummond House, Edinburgh and move to its central headquarters outside the city. The move is intended to reduce costs, such as rent.

RBS's headquarters will require significant development to accommodate the relocated employees from the Drummond House office. The proposed new site already functions as the bank's central headquarters. An *RBS* spokesperson insisted that there will be no redundancies as a result of the move.

RBS's headquarters are currently underutilised, especially on certain days of the week, due to flexible working and remote working arrangements with employees. The bank will encourage employees to share facilities and increase flexible working arrangements, including working from home. To achieve this, the site will rely heavily on technology such as Office365 and Zoom, a video conferencing service.

Part of the work to prepare the site will include improvements to the restaurant as well as more investment in facilities. It is estimated the move will save around £18m a year.

RBS currently employs 12,000 people. It has 1.8 million personal customers and over 110,000 business customers.

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Acknowledgements

Extract A adapted from: https://www.etsy.com

Extract B adapted from: https://investors.etsy.com/press-releases/press-release-details/2020/Etsy-Inc.-Reports-Third-Quarter-2020-Financial-Results/

Extract C adapted from: https://www.deckchaircinema.com/the-darwin-film-society

Extract E adapted from: https://www.edinburghnews.scotsman.com/business/rbs-close-drummond-house-and-relocate-2000-staff-gogarburn-hq-major-cost-cutting-move-1343662

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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Time 2 hours

Paper reference **WBS12/01**

Business

International Advanced Subsidiary
UNIT 2: Managing business activities

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Sections A, B and C.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

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SECTION A

Read Extracts A and B in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Define the term 'demand'. (Extract A, line 17)

(2)

(b) Using the data in Extract B, calculate the operating profit for *Etsy* in the third quarter of 2020. You are advised to show your working.

(4)

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(c) Analyse **two** ways *Etsy* has reduced the threat of competition in the market.

(6)

(d) Discuss whether *Etsy* is likely to be affected by internal causes of business failure.

(8)

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(e) Assess the benefits to *Etsy* of being an online business.

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extracts C and D in the Source Booklet before answering Question 2.

Write your answers in the spaces provided.

2 (a) Define the term 'social enterprise'. (Extract C, line 2)

(2)

(b) Using the data in Extract D, calculate, to two decimal places, fixed costs for *Darwin Film Society (DFS)* as a percentage of total cash outflow for May 2021. You are advised to show your working.

(4)

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(c) Using the data in Extract D, analyse **two** possible problems for *Darwin Film Society (DFS)* from its cash flow forecast from April–July 2021.

(6)

Darwin Film Society (DFS) is considering applying for a grant to further increase its work in supporting charitable organisations.

(d) Discuss whether a grant would be a suitable method of finance for *DFS*.

(8)

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(e) Assess the effect of environmental protection legislation on *Darwin Film Society (DFS)*.

(10)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract E in the Source Booklet before answering Question 3.

Write your answer in the space provided.

The *Royal Bank of Scotland (RBS)* is relocating 2,000 employees from Drummond House to its headquarters just outside Edinburgh.

3 Evaluate the extent to which this is likely to increase the efficiency of *RBS*.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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