GradeMax



Mark Scheme (Results)

October 2022

Pearson Edexcel International Advanced Level
In Business (WBS12) Paper 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 'inventory'. **Answer**	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'inventory', e.g. The raw materials/work-in-progress **(1)** held by a business **(1)**	**(2)**

Question	Using the data in Extract A, calculate to two decimal places, the estimated percentage change in demand for this CCTV system if there is an increase in price. **Answer**	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS2**: Calculate use and understand percentages and percentage changes **QS7**: Interpret values of price and income elasticity of demand **Knowledge** 1 mark for identifying the formula for PED: • Percentage change in quantity demanded ---------- = PED **(1)** Percentage change in price **Application** Up to 2 marks for selecting the correct data: • (75/625) x 100 = 12 **(1)** x - 0.38 **(1)** **Analysis** 1 mark for calculating the estimated percentage change in demand: • = -4.56% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is -4.56% OR 4.56% award 4 marks • If the answer given is -4.56 OR 4.56 award 3 marks	**(4)**

Question	Analyse **two** possible disadvantages to *ASV* of using job production. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining job production, e.g. • Job production is a method of production where the production of a single good/service is carried out one at a time **(1)** that involves producing this good/service to the specific requirements of the customer **(1)** **OR** For stating up to two disadvantages, e.g. • It can be very time-consuming **(1)** • Production may be expensive **(1)** **Application** Up to 2 marks for answers contextualised to *ASV*, e.g. • Mark needs to train employees in all aspects of installing the security systems and CCTV **(1)** • The latest technology is used to provide a high-quality service **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *ASV*, e.g. • By taking time to train employees, *ASV* may not be able to meet the increasing demand of its growing customer base **(1)** • The need to cater for the individual requirements of a range of vehicles means more equipment may be needed that could increase costs for *ASV* **(1)**	**(6)**

Question	Discuss the extent to which problems with suppliers may affect *ASV*. **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** • Supplier problems are issues with receiving components in time to meet customer orders • *ASV* relies on CCTV components being delivered by suppliers because it does not keep a high level of inventory • Therefore, delays or failure to deliver security components may mean *ASV* cannot complete customer orders or they may take longer to complete than promised • This could lead to dissatisfied customers and negative reviews on social media, whereas good reviews are something the business relies upon for new custom • As a result, *ASV* may experience a fall in demand for its services. This could be especially problematic if *ASV* loses one of the business customers with a fleet of vehicles • However, *ASV* has been trading for 22 years and has limited competition • In addition, *ASV*s work is completed to a very high standard • This means that customers may be prepared to wait for *ASV* to be able to complete their orders, especially if Mark is able to warn them of the delay in advance

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 possible benefits to *ASV* of becoming a private limited company (Ltd). **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** • A private limited company (Ltd) is one that has a separate legal identity to its owner • If *ASV* became a private limited company, Mark would no longer be liable for debts incurred by the business as *ASV* would have limited liability • It would be possible for *ASV* to sell shares privately, meaning finance could be raised to help with the purchase of new equipment • Private limited companies are considered to have a higher status than sole traders and so this change may be beneficial to the reputation of *ASV* • It is possible competitors may set up in business and take custom away from *ASV* in the future, meaning *ASV* may benefit from the protection of having limited liability • However, it would be necessary for Mark to complete a number of legal documents, such as the memorandum of association and the articles of association in order to form a private limited company. This would take time, something he is already short of • *ASV* has a large number of customers and limited competition, meaning Mark may not need to worry too much about not having enough work or risking his personal assets • Mark wants to keep control of the work to maintain standards and so it is unlikely he would want to lose control to other shareholders by selling more than 49% of shares in the business, meaning he would be less likely to raise sufficient finance from the sale of shares • *ASV* already has a good reputation with customers travelling from other parts of Ireland to benefit from its services and so making changes to the ownership of the business may not be necessary • When looking at the advantages and disadvantages of becoming a private limited company, Mark may decide it is dependent on whether *ASV* will grow in the future, the timing and/or external factors

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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 'supply'. **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'supply', e.g. The amount that producers are willing/able to produce **(1)** at a given price/over a given period of time **(1)**	**(2)**

Question	Using the data in Extract B, calculate the total variable costs per month. **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 correct formula: • Total revenue - Total fixed costs = Total variable costs **(1)** **Application** Up to 2 marks for selecting the correct data: • £1 598.40 **(1)** - £680 **(1)** **Analysis** 1 mark for calculating the total variable costs per month • = £918.40 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is £918.40 award 4 marks • If the answer given is 918.40 award 3 marks	**(4)**

Question	Analyse **two** sections that might be included in a business plan prepared by *Dapaah Chocolates*. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining business plan, e.g. • A business plan is a document giving details of a variety of aspects about the business **(1)** in order to provide a strategic look at the business/attract investors **(1)** **OR** For stating up to two sections, e.g. • Owner's background **(1)** • Cost and finance **(1)** **Application** Up to 2 marks for answers contextualised to *Dapaah Chocolates*, e.g. • Raphael and his siblings have a long family history in the farming of cocoa **(1)** • A bar of chocolate made by *Dapaah Chocolates* is sold for £9.99 on its website **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Dapaah Chocolates*, e.g. • This shows the owners have a better understanding of the implications of running a business in the chocolate industry and are more likely to be successful **(1)** • Potential investors will want to know how the owners plan to cover their costs and how much revenue the business expects to receive from sales of its chocolate to make sure it can at least break even **(1)**	**(6)**

Question	Discuss whether *Dapaah Chocolates is* likely to find it difficult to accurately forecast sales. **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** • Sales forecasting is the prediction of future sales quantity and revenue • Consumer trends, actions of competitors and economic variables are all factors that may affect accurate sales forecasting • *Dapaah Chocolates* may not have much data from previous sales periods on which to base its forecasts • Consumer trends may be more likely to shift away from the luxury chocolate market, especially if income levels fall so they can no longer afford more expensive options • Not much information may be available about the trend in organic/dairy-free chocolate meaning forecasts may be inaccurate • *Dapaah Chocolates* is reliant on cocoa supplies from Ghana and sales via the internet. Either of these factors could be affected by economic variables which prevent sales from being made successfully • However, as it operates in a specialist market, *Dapaah Chocolates* may have fewer competitors, meaning its market share may be able to withstand external variables • *Dapaah Chocolates* may have conducted enough market research into things like the market for dairy-free/organic/ethically-produced chocolate to help provide more accurate forecasts

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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 how *Dapaah Chocolates* could increase its profits. **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** • Profit is calculated by subtracting total costs from total revenue • Profit could be increased by raising the price of a bar of chocolate from its current price of £9.99 • Costs could be reduced by making changes to the organic and ethical approach used by *Dapaah Chocolates* • *Dapaah Chocolates* could increase its advertising to market its products to a wider audience, this may increase demand and therefore revenue • If new markets could be found, which would further the aim to become globally recognised, *Dapaah Chocolates* could sell more chocolate and therefore increase revenue, leading to increased profits • However, raising the price from what is already a high price for a bar of chocolate may reduce demand considerably and therefore result in revenue falling and lower profit • *Dapaah Chocolates* prides itself on making organic, ethical and sustainable products. Making changes to this would go against its aim and may deter customers who select its products on the basis of its beliefs • Increased advertising would incur additional costs and so would only lead to an increase in profit if the advertising resulted in a higher increase in revenue than the costs of the advertising • In order to target new markets, it is likely that research would be needed to ascertain factors such as the potential demand for luxury chocolate and existing competitors in the market. This would lead to additional costs

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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 how economic influences in the Philippines may affect Gustavo's decision of which business he chooses to start. **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** • Economic influences are concerned with economic variables such as economic growth, inflation, interest rates and unemployment • The rate of inflation is the general rise in the price level of goods and services over time, expressed as a percentage • Interest rates show the percentage charged on top of an amount borrowed or the percentage earned by savers • Research shows there is likely to be enough demand if Gustavo chooses to set up a thrift shop but this is likely to be affected by the rate of inflation • The most recent trend shows there has been an overall rise in the rate of inflation, from below 1% at the end of 2019, to more than 4% in 2020 • As higher rates of inflation mean prices are more expensive and consumers can therefore buy fewer goods and services with the same amount of income, the higher the rate of inflation, the more demand there is likely to be for cheaper, second-hand goods such as those that would be sold at Gustavo's thrift shop • This means Gustavo's shop may receive more revenue than the $300 per day shown by his research • As Gustavo already owns most of the equipment needed to set-up in business as a website designer, he is less likely to need to borrow or pay interest and so the interest rate would be less of a factor in his decisions • As interest rates have been decreasing since 2019, it is possible more businesses would demand the services of a website designer • Potential customers may be affected though and demand for Gustavo's website designs may increase if interest rates are low/decreasing because more people are likely to borrow in order to set-up their own business • However, the rate of inflation has fluctuated over the period shown, being negative in 2015 and over 6% in 2018 • This may mean fewer people choose to buy second-hand bags, shoes and dresses as they can afford to buy more new goods

	• Gustavo may not have enough inheritance to pay the start-up costs and so may need to borrow to pay for the shop rent, shelving and storage/purchase of the goods • Therefore, the rate of interest would be a major consideration as this would affect how much he needed to repay • Although the interest rate was relatively low, at 2% in 2021, it has fluctuated since 2012 and reached a high of about 4.8% in 2019 • This means Gustavo may have to pay higher costs which would affect profit • If the rate of inflation is high/increasing, the interest rate may be increased to try to reduce spending in the economy, meaning Gustavo may need to pay more interest on any finance he has borrowed • This increase in cost could counter any benefit made from an increase in revenue, again affecting profit • Potential demand for Gustavo's website designs may be reduced due to the recent rising trend in the rate of inflation or due to its fluctuating nature • Overall, it would depend on the actual start-up costs of the thrift shop and of marketing the web design business in determining whether/how much finance Gustavo would need to borrow • The rate of inflation and interest rates can help Gustavo make decisions regarding the start-up of his new business but there are many other factors to consider such as competition, tax, legislation and consumer demand

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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