GradeMax



Mark Scheme

January 2024 (Results)

Pearson Edexcel International Advanced Level In Business (WBS12)
Unit 2: Managing Business Activities

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

January 2024
Question Paper Log Number P73478A
Publications Code WBS12_01_MS_2401
All the material in this publication is copyright
© Pearson Education Ltd 2024

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 'unique selling point (USP)'. (Extract A line 3) **Answer**	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'unique selling point (USP)', e.g. A feature/aspect of a product **(1)** that distinguishes it from other products/competitors **(1)**	**(2)**

Question	Using the data in Extract A, calculate the average sales revenue per film shown at *The Rex Cinema* in 2021. You are advised to show your working. **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 sales revenue: • Sales volume x price **(1)** **Application** Up to 2 marks for selecting the correct data: • 200 x 39% **OR** 78 **(1)** x £9.50 **(1)** **Analysis** 1 mark for calculating the average sales revenue per film: • = £741.00 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is £741.00 **or** £741 award 4 marks • If the answer given is 741.00 **or** 741 award 3 marks	**(4)**

Question	Analyse **two** possible advantages for the Mundin family of using retained profit to open *The Rex Cinema*. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining retained profit, e.g. • A method of finance remaining in a business **(1)** after profit has been distributed to owners **(1)** **OR** For stating up to two advantages, e.g. • Inexpensive method of finance **(1)** • Flexibility in what it can pay for **(1)** **Application** Up to 2 marks for answers contextualised to opening *The Rex Cinema*, e.g. • Retained profit may be available due to the success of the family's other three cinemas **(1)** • The Mundin family owns *The Rex Cinema* and has control of the business **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *The Rex Cinema*, e.g. • No interest needs to be paid on the finance, therefore the full value of the money can be invested in the cinema **(1)** • The family has complete control of the finance, meaning that decisions can be made quickly/without waiting for a response from a lender about what to spend the money on **(1)**	**(6)**

Question	Discuss the advantages to the Mundin family of leasing the building. **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** • Leasing occurs when one party agrees to pay to use an asset, such as a building, owned by another party • The Mundin family began leasing the building in 2018 when it opened *The Rex Cinema*, meaning it needed fewer upfront costs to start the new business • Therefore, the family was able to use more of the retained profits it had available from its other cinemas to focus on meeting the needs of its customers and promoting the new cinema • Leasing means the Mundin family is not responsible for the maintenance of the building, such as repairs to the roof • This means that the family may have more control over its costs as unexpected expenditure will not fall on them • As a result, *The Rex Cinema* may be more likely to be able to afford to stay in business • Leasing allows more flexibility to discuss terms of how a business will operate, as well as the conditions and duration of the lease • However, there are likely to be restrictions about what activities may be allowed to take place in the building, meaning opening times may be affected • The cost of leasing may increase over time, making it more expensive to run *The Rex Cinema* one year to the next • This may mean the price of a cinema ticket may need to increase in order to meet the costs and/or less profit may be made

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	Using the data in Extracts A and B, assess whether the causes of the previous cinema closure in 1995 are likely to be avoided by the *The Rex Cinema*. **Indicative content**
1(e)	Quantitative skills assessed: **QS8**: Use and interpret quantitative and non-quantitative information in order to make decisions **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 may fail due to external conditions which are outside its control • These conditions include interest rates, government regulations and market conditions • The previous cinema closed in 1995 due to UK-market conditions • UK-cinema attendance had fallen to 54 million in 1984 due to a lack of demand, when television and access to DVD home-viewing became more preferable than going to the cinema but has started to increase again, to 115 million by 1995 • Between 2001 and 2020, UK-cinema attendance was higher and more stable, at between 155 and 177 million, meaning *The Rex Cinema* statistically faces more favourable demand than the original cinema did • In 1995, the seating capacity at the original cinema had reduced and the current cinema has a capacity of 200 'more comfortable' seats • This means it may be easier to fill the seats and avoid large under-utilisation of capacity issues • *The Rex Cinema* runs 'The Pizza Club' and other new initiatives to help combat low attendances resulting from the global health crisis, meaning it is proactive in trying to increase demand for its cinema tickets • *The Rex Cinema* has unique selling points (USP), such as the Pizza Club and having restored former cinema premises, which may help it to attract more customers than its competitors • However, cinema attendance in the UK fell during the global health crisis and there is no guarantee it will rise as high as pre-global health crisis levels • Even if attendance does increase, *The Rex Cinema* may not experience the same rise • *The Rex Cinema* opened at the end of 2018, meaning it has limited information with which to predict demand for future attendances • Other external factors, such as income levels or the rate of inflation may affect demand for cinema attendance • Therefore, *The Rex Cinema* may still face some of the causes that forced the original cinema to close

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	Define the term 'complementary goods'. (Extract C, line 8) **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'complementary goods', e.g. Products consumed/used together **(1)** so they are purchased together **(1)**	**(2)**

Question	Using the data in Extract C, explain **one** way the change in the contribution of kayak rentals per hour will affect *Kajak Kanu Klub*'s break-even point. **Answer**	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS5**: Calculate costs, revenue, profit and break-even **Knowledge** 1 mark for identifying a way: • The break-even point will increase **(1)** **Application** Up to 2 marks for contextualised answers to *Kajak Kanu Klub*: • At the lower variable cost, contribution was €10.00 - €0.50 = €9.50 **(1)** • At the new variable cost of €0.60, one hour of kayak rental contributes €9.40 **(1)** **Analysis** 1 mark for giving a cause/consequence of the way: • As each hour of kayak rental contributes a lower proportion of the rental price towards paying off fixed costs **(1)**	**(4)**

Question	Analyse **two** possible advantages for *Kajak Kanu Klub* of producing a business plan. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining business plan, e.g. • A documented plan for the development of a business **(1)** giving details such as cost and revenue forecasts and resources needed **(1)** **OR** For stating up to two advantages, e.g. • To make it easier to gain finance **(1)** • Identify the strengths, weaknesses, opportunities and threats of the business **(1)** **Application** Up to 2 marks for answers contextualised to *Kajak Kanu Klub*, e.g. • *Kajak Kanu Klub* was able to purchase kayaks which it can rent out to locals and tourists **(1)** • The café is open 12 hours each day and is located in a peaceful setting by the Ljubljanica River **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Kajak Kanu Klub*, e.g. • As a result of the business plan, finance providers may have been prepared to risk lending money for the idea **(1)** • Identifying positive and negative aspects of the business may enable it to find ways to promote positives and deal with negatives before they become problematic **(1)**	**(6)**

Question	Discuss whether consumer trends make it difficult to accurately forecast kayak rentals for *Kajak Kanu Klub*. **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 • Accurate sales forecasts may be affected by the actions of competitors, economic variables and consumer trends • Consumer trends may include long-term trends such as the popularity of kayaking and water sports as a hobby as well as seasonal variations, such as being more popular to spend time on the water in the warmer summer months • Knowledge of seasonal variations is important to allow *Kajak Kanu Klub* to make accurate sales forecasts • This is less likely to be a problem as the business has had several successful years on which to base its predictions • As kayaking is one of the most popular activities in Slovenia, it is less likely that the long-term trend changes will cause problems for sales forecasts of *Kajak Kanu Klub* • However, it may be more difficult to forecast the rental trends of tourists, compared to the locals, as these will be affected by several other factors, such as exchange rates and travel costs • Seasonal variations may change depending on any changes in the climate or on changes due to factors outside the control of the business, such as the global health crisis

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 likely impact on *Kajak Kanu Klub* of the changes in the Slovenian interest rate in 2022. **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** • An interest rate is the charge made per period of time as a proportion of the amount borrowed or the reward for saving • In Slovenia, the interest rate increased from 0% before June 2022 to 2.5% by the end of 2022 • A rise in the rate of interest would make the cost of borrowing more expensive and may reduce the disposable income of Slovenian customers who have a mortgage/loan • This may therefore encourage saving and discourage borrowing or spending • As a result, spending on hobbies such as kayaking or eating out at a café, neither of which are necessities, may reduce • This may mean *Kajak Kanu Klub* experiences a fall in custom due to the higher rate of interest • If it needed to borrow money to finance the purchase of the kayaks or the premises used for the café, *Kajak Kanu Klub* may find it more expensive to repay the finance providers due to the increased cost of borrowing • However, the rate of interest has only increased by 2.5% over the six months to the end of 2022, this may not be a major factor in the spending of the business or its customers • Some of *Kajak Kanu Klub*'s customers are tourists who may not be directly affected by the rise in interest rates in Slovenia. They may be more affected by interest rate changes in their own country and/or economic variables such as exchange rates • There is no information about whether *Kajak Kanu Klub* actually borrows money and so it may not be directly affected by an increase in the rate of interest • As the business has been successful in previous years, *Kajak Kanu Klub* may have been able to save profits and so may benefit from a higher reward for saving due to the increase in interest rates • It depends whether the trend of rising/higher interest rates continues and on other economic variables, such as the rate of inflation or taxation in Slovenia

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 whether short product lead-in times or quality management is more likely to give *Freewing Model Technology Co Ltd* a competitive advantage. **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** • Product lead-in times refer to the length of time taken from obtaining raw materials to producing the finished product and delivering it to the customer • Competitive advantage occurs when a business is in a better position to attract customers than a rival • *Freewing* is able to buy materials with which to make kits from local suppliers, helping to reduce product lead-in times • By having a short product lead-in time, *Freewing* is able to operate with a smaller inventory volume with which to meet customer demand • Delivery time is between three and ten days, regardless of the product selected by the customer from the extensive range, helping *Freewing* to maintain customer satisfaction • This can make F*reewing* more competitive than other businesses selling model aeroplane kits due to price, speed of delivery and range of products available • This means that customers are more likely to be satisfied with their purchase(s) and buy from *Freewing* again in the future rather than switch to a competitor • Therefore, higher profits can be made, which enable further technological improvements for the business and/or which can be passed on to customers in the form of lower prices • Quality management focuses on the overall quality provided by a business in terms of its products, service and means to achieve overall quality consistently • Customers of *Freewing* pay between $200 and over $1 000 for its kit, increasing the importance of a high-quality product and service • The decision to buy from a business in China rather than a more local competitor is likely to add to the need for quality • This is due to problems that may occur if a customer needs to return a kit to *Freewing* in China • *Freewing* focuses on quality from the purchase of raw materials, to the design, development and production of the aeroplane kit, demonstrating its commitment to complete quality management • Its inclusion of a one-year warranty on most kitts means quality must be adhered to in order to keep costs low • This is because, a high number of returns would involve replacement and delivery costs, as well as risk of a negative reputation • This may result in dissatisfied customers buying from competing businesses • Overall, a combination of short product lead-in times and quality management is likely to result in a competitive advantage because this means there are both benefits to attracting new customers and keeping existing ones

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.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London, WC2R 0RL, United Kingdom