GradeMax



Mark Scheme (Results)

Summer 2024

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 'social media'. (Extract A, line 21) **Answer**	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'social media', e.g. An internet-based platform **(1)** that enables users to create and share content **(1)**	**(2)**

Question	Using the data in Extract A, calculate the percentage change in revenue per trip, following Mario's decision to use social media to promote the scheduled services of the *MV Pride* on social media. You are advised to show your working. **Answer**	Mark
1(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 percentage change: • Change/original x 100 **(1)** **Application** Up to 2 marks for selecting the correct data: • (10 x \$30) – (8 x \$30) **(1)** / (8 x \$30) **(1)** x 100 **OR** • \$300 - \$240 **(1)** **/** \$240 **(1)** x 100 **Analysis** 1 mark for calculating the percentage change: • 25% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 25% award 4 marks • If the answer given is 25 award 3 marks	**(4)**

Question	Analyse **two** reasons why the *MV Pride* could be described as a lifestyle business. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining a lifestyle business, e.g. • A business set up with the idea of making no more than a set level of income **(1)** to enable a particular lifestyle **(1)** **OR** For stating up to two reasons, e.g. • Allows the owner to maintain a chosen lifestyle **(1)** • Owner has no need to work additional hours to earn a higher income **(1)** **Application** Up to 2 marks for answers contextualised to the *MV Pride*, e.g. • Mario has a passion for working with boats **(1)** • Mario does not attempt to gain market share or pay to advertise chartered boat trips **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for the *MV Pride*, e.g. • Running the *MV Pride* allows Mario to earn a livelihood at the same time as enjoy running the boat service between the islands **(1)** • Therefore, Mario has more free time to enjoy leisure activities **(1)**	**(6)**

Question	Discuss whether budgeting could be beneficial to Mario when running *MV Pride*. **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** • Budgets provide a target for costs or revenue that a business must aim to meet over a period of time • It would allow Mario to control spending on the *MV Pride* or to focus on generating enough profit to live comfortably from the service offered • Therefore, Mario could monitor costs and revenue, as well as make comparisons with previous years • As a result, Mario would be more likely to be aware of any issues in advance and could make any adjustments to running the *MV Pride* if it became necessary • This means he may be able to ensure he has enough income to cover variances in the cost of fuel and continue to enjoy time socialising with friends rather than working additional days • However, there is no guarantee the targets will be met, meaning Mario may have wasted time preparing the budgets for little or no gain • The *MV Pride* is only a small business and so budgeting may be ineffective • As Mario and his family have spent their lives around boats, they may not have the expertise to prepare budgets, adding to the time needed or the chance of them being unsuccessful • This is especially likely to be an issue for Mario, given the way he prefers to spend his time, instead of worrying about budgeting

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 Mario of using an overdraft as a method of finance for the repairs needed on the *MV Pride*. **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** • An overdraft is an external, short-term method of finance where a business withdraws more money from its account than it holds in it • It allows a business to pay for expenses in the short-term that it may not otherwise have enough money to pay for • Therefore, Mario could afford to repair the *MV Pride* and keep it running the scheduled service twice a week without having to keep it out of the water until he had enough money in his account • As a result, the *MV Pride* could continue to generate revenue from passengers, enabling Mario to repay the overdraft • By maintaining regular payments from revenue generated by running the *MV Pride*, Mario would be able to repay the overdraft and return to a positive bank balance • This is likely to be easier to do because overdrafts involve less paperwork than many other methods of finance • As running the *MV Pride* may be considered as a lifestyle business, this may be beneficial to Mario, who may welcome spending more time on the water with friends rather than dealing with financial matters • However, using an overdraft would incur interest charges • This means that Mario may make less profit from running the *MV Pride* on scheduled trips and so may need to make additional chartered trips between the islands • As a result, Mario would have less time to spend with friends • If Mario failed to repay the overdraft there is a risk that assets, such as the *MV Pride* (boat), may be seized by the bank • This would mean an end to Mario's business and his livelihood, as well as him being able to spend personal time on the water

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	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 'economic variables'. (Extract B, line 11) **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'economic variables', e.g. Measures within the economy **(1)** which have effects on business/consumers **(1)**	**(2)**

Question	Using the data in Extract C, calculate to two decimal places, the gross profit margin for *KAL* in the year ended 31 March 2022. 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 **Knowledge** 1 mark for identifying the formula for gross profit margin: • Gross profit/revenue x 100 **(1)** **Application** Up to 2 marks for selecting the correct data from Extract C: • £134 000 **(1)** / £14 263 000 **(1)** x 100 **Analysis** 1 mark for calculating the gross profit margin: • = 0.94% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 0.94% award 4 marks • If the answer given is 0.94 award 3 marks	**(4)**

Question	Analyse **two** ways that *KAL* could reduce capacity utilisation at these classes. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining capacity utilisation, e.g. • The percentage of total capacity **(1)** actually being utilised during a period of time **(1)** **OR** For stating up to two ways, e.g. • Reduce demand by increasing the price **(1)** • Offer more fitness classes **(1)** **Application** Up to 2 marks for answers contextualised to *KAL*, e.g. • The price for peak membership is £29.95 per month **(1)** • *KAL* has 12 leisure centres offering fitness classes **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *KAL*, e.g. • Fewer people are likely to demand the services offered if a higher membership fee is charged as they may try to attend off-peak sessions instead and pay less **(1)** • The demand for fitness classes could be spread over more sessions, meaning fewer people attending each class **(1)**	**(6)**

Question	Discuss whether health and safety legislation is likely to cause difficulties for *KAL* when trying to decrease its costs. **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** • Legislation can include things like consumer, employee and environmental protection, as well as health & safety and competition policy • It is put in place by governments to ensure businesses produce goods and services that are fit for purpose and are safe for consumers to use, as well as provide a safe and healthy work place for employees • Health and safety legislation may make it difficult for *KAL* to decrease costs even by using the idea of increasing the number of volunteers instead of using paid employees • This is because volunteers will require training to supervise the swimming pools, which will incur a cost to *KAL* • There may be health and safety legislation regarding the temperature the water in the pools can be reduced to • This may make it difficult for *KAL* to decrease its energy bills, which are part of the other costs incurred by *KAL* • However, volunteers could be used instead of paid employees for other tasks at the leisure centres, which do not require training • Therefore, *KAL* may be able to reduce 2021/22's employee costs of £8 761 000 • The idea to reduce opening times of the facilities is unlikely to be affected by health and safety legislation • This means that *KAL* may be able to decrease costs using this idea

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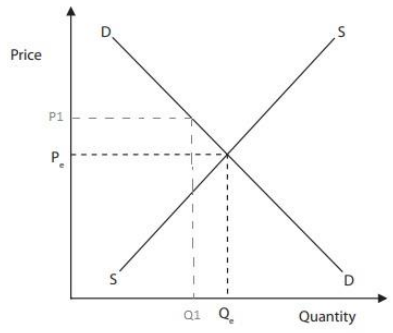
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance 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 demand for off-peak *KAL* membership if the price is increased from £19.95 per month. **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** • Demand is the willingness and ability of consumers to buy a product at a given time and at a given price • The law of demand for a normal good dictates that when price increases, quantity demanded will fall • Possible use of a diagram:  • This is because fewer people are likely to be willing to purchase the membership as they believe it is not worth the higher price and/or fewer people are likely to be able to afford the higher price • Therefore, if *KAL* increased the off-peak membership price from £19.95, demand is likely to fall • This may mean *KAL* would have fewer off-peak members using its facilities which may lead to a fall in revenue and therefore profit • However, it would depend on how much the price increased as demand may not fall by much if many people were still willing and able to purchase the membership at the higher price • It would depend on the price elasticity of demand how much demand would fall as there may be few competitors offering a similar service at a lower price • It may depend on the income of members, as some people may have enough disposable income for an increase not to have too much of an effect and/or they may believe health and fitness are worth the extra expense • External influences, such as the rate of inflation or interest, may affect demand. For example, if members have a lower disposable income due to increases in either rate • If the membership fee has not increased for some time, members may feel it is worth paying the higher price • As customers have experienced the closure of some facilities they may prefer to pay a higher fee than lose access to other leisure centres/swimming pools

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	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 spending on advertising or selling to new markets would be more suitable for *GourmIstra* when trying to increase its profits. **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** Advertising • Advertising is when a business communicates with potential customers to inform them about products and attempts to persuade them to make a purchase • Advertising can take many forms, including television, magazines, posters and social media • Increased spending on advertising could help to make more people aware of the availability of the local gourmet products from the Istra region • This could be especially helpful to increase profit as there is a wide range of locally produced products available, which can be popular choices for tourists • As *GourmIstra* already has positive reviews on social media, it may be that advertising via this medium could attract customers because they would see that existing customers have been happy with their purchase(s) • However, advertising can be very expensive, meaning that revenue received as a result would need to exceed the costs in order for a profit to be made • Even by attracting new customers, if they only spend a small amount on olives for example, it is possible *GourmIstra* may not break even from sales resulting from advertising, never mind increase profits • It may take time for enough customers to make purchases to cover the costs of advertising, especially as competitors offer some of the products at a cheaper price • Therefore, advertising may actually reduce profits (at least in the short term) rather than increase them Selling to new markets • Selling to new markets means increasing the customer base for its products • *GourmIstra* currently only offers products for sale from its shop in Piran. It could therefore greatly increase the number of customers it has by offering delivery to other parts of Slovenia or even to other countries • As customers may have seen the positive reviews on social media, selling to new markets would enable them to make purchases themselves, perhaps with online orders • This would increase revenue for *GourmIstra* without necessarily increasing its fixed costs, thus increasing profit • However, the postage fee even within Slovenia is likely to be more expensive than the price of some of the products. This may deter online customers, especially if they only want products at the lower-priced end of the range • The wider market for Istrian products is likely to have many more competitors than in the local region alone, therefore it may be more difficult to attract new custom, even if online sales are available • Without visiting the shop in Piran, customers would not benefit from Mattia's expertise or the opportunity to sample products before buying them and so may not be prepared to pay the higher prices charged

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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