

Mark Scheme (Results)

October 2024

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

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October 2024
Question Paper Log Number P78379A
Publications Code WBS12_01_2410_MS
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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 'capacity utilisation'. (Extract A line 18) **Answer**	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'capacity utilisation', e.g. The percentage/proportion/amount of the maximum possible output **(1)** that is actually achieved **(1)**	**(2)**

Question	One of the most popular tours offered by *Green Tortoise* is the 'Pacific Trek', priced at $999 per passenger. Using the data above, calculate the decrease in revenue earned from a Pacific Trek tour, following *Green Tortoise*'s decision to reduce the maximum number of passengers from 40 to 29. 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 calculating the decrease in revenue: • Old level of revenue – new level of revenue (Old number of passengers x price) – (New number of passengers x price) **(1)** **Application** Up to 2 marks for selecting the correct data: • (40 x $999) **(1)** **-** (29 x $999) **(1)** **OR** • $39 960 **(1)** **-** $28 971 **(1)** **Analysis** 1 mark for calculating the decrease in revenue: • $10 989 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is $10 989 award 4 marks • If the answer given is 10 989 award 3 marks	**(4)**

Question	Analyse **two** possible advantages for *Green Tortoise* of having limited liability. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining limited liability, e.g. • When a business has a separate legal identity **(1)** to its owner(s) **(1)** **OR** For stating up to two advantages, e.g. • If the business fails or goes out of business, the owner(s) will only be liable to lose the money paid for their shares **(1)** • Shareholders have protection against legal claims on the business **(1)** **Application** Up to 2 marks for answers contextualised to *Green Tortoise*, e.g. • Maximum passenger capacity is now lower but prices have not increased **(1)** • A passenger may file a legal complaint if they became ill after preparation of meals on a bus tour **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Green Tortoise*, e.g. • Owner (Lyle Kent) would not have to sell personal assets to pay for debts of the business should it run into difficulties due to this change **(1)** • Owner (Lyle Kent) would not be sued personally if there is a legal claim where *Green Tortoise* is found liable **(1)**	**(6)**

Question	Discuss the importance of developing customer loyalty for a business such as *Green Tortoise*. **Indicative content** **(8)**
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** • Customer loyalty means customers return to the business, therefore increasing sales and profitability • Customer loyalty can be developed by good communication, providing customer service, offering incentives, personalising the goods/services or offering preferential treatment • *Green Tortoise* has shown it pays attention to its customer service by reducing the maximum capacity to 29 on each bus tour • Tours are frequently adjusted to the preferences of those travelling, meaning it personalises the service offered • The method of preparing meals is quite unique for a tour business and is a further example of personalising its service • As a result, *Green Tortoise* is showing evidence of trying to develop customer loyalty and it has apparently been successful in the past, due to many customers returning to travel on other tours • However, capacity may have been reduced further if *Green Tortoise*'s main focus was on developing customer loyalty and, as it has been in business since 1973, it has waited a long time to reduce the number of passengers on a tour to 29 from 40 • As the percentage of repeat customers has been reducing, it is possible the focus moved away from development of customer loyalty • There may be enough new customers attracted to the tours to make them successful without having returning customers

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 *Green Tortoise*'s decision not to increase the price charged for tours following the decrease in capacity. **Indicative content** **(10)**
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** • Revenue can be calculated by quantity of passengers x price • As the maximum number of passengers on a bus tour reduced by 11 per tour, this is likely to reduce the revenue for *Green Tortoise* considerably • An example would be losing $999 x 11 = $10 989 in revenue for one of its popular 'Pacific Trek' tours (a 27.5% decrease) • This means that *Green Tortoise* would need to reduce costs or be likely to experience a fall in profit • As 70% of meals are included in the price, the overall cost of ingredients is likely to reduce in line with the capacity of passengers, meaning that profit should not decrease as much as revenue • Acting upon customer feedback to provide more space may help to stop the percentage of repeat customers from decreasing • The impact on *Green Tortoise* may depend on how customers respond to the change in the quality and the comfort of the service • However, if they did increase the price this may deter some people from travelling with G*reen Tortoise* • This is especially true as the business mainly targets travellers on a low budget and a higher price may not be as competitive against hostel-based accommodation and the least expensive bus operators in the US • As a result, *Green Tortoise* may lose customers and not be able to sell all the 29 tour places it has available • Therefore, although at a higher price, the lower number of passengers may mean revenue will be lower (depending on PED) • It may depend on the competition and alternative tours available to customers, as well as economic influences • This is especially true of a business that travels in other countries, meaning competitor numbers may be higher and the rate of exchange may affect customer demand

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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 knowledge and understanding, supported 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 'partnership'. (Extract B, line 4) **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'partnership', e.g. A (type of) business/organisation owned **(1)** by two or more people **(1)**	**(2)**

Question	Using the data in Extract C, calculate how many 25 kg sacks of potatoes will be ordered each week by Golcar Fisheries. **Answer**	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS3**: Construct and interpret arrange of standard graphical forms **Knowledge** 1 mark for identifying the formula: • Maximum inventory level – minimum inventory level **(1)** **Application** Up to 2 marks for selecting the correct data from Extract C: • 12 sacks **(1)** – 2 sacks **(1)** **Analysis** 1 mark for calculating the re-order quantity: • = 10 sacks **(1)**	**(4)**

Question	The UK Government required many businesses to close their shops during the global health crisis. Some competitors of *Golcar Fisheries* did not survive this temporary closure. Analyse **two** possible reasons why this government legislation resulted in business failure for some of *Golcar Fisheries*' competitors. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining government legislation, e.g. • Legal requirements set by a government **(1)** which must be followed by individuals/businesses **(1)** **OR** For stating up to two possible reasons, e.g. • The legislation may limit what the business can do **(1)** • Businesses will have a lack of revenue to pay their costs **(1)** **Application** Up to 2 marks for answers contextualised to a business such as a competitor of *Golcar Fisheries*, e.g. • Shops were required to close for several months during the global health crisis **(1)** • Costs include perishable goods, such as sacks of potatoes **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for a business such as a competitor of *Golcar Fisheries*, e.g. • Therefore, the business would be unable to earn revenue from its usual activities, which could lead to business failure **(1)** • Costs of business still need to be paid in spite of receiving no income from customers coming into the shops **(1)**	**(6)**

Question	Discuss the drawbacks to *Golcar Fisheries* of holding buffer inventories. **Indicative content** **(8)**
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 buffer inventory is an emergency inventory to help in case there is a shortage of inventory • Storing the inventory takes up space, meaning there could be limited room in the shop, especially as it is only a small shop • Not all the inventory will be sold and, as some products sold by *Golcar Fisheries*, such as chips (made from potatoes) are perishable goods, they may go out-of-date and be unable to be sold • This would cause a wastage cost to *Golcar Fisheries* which may be especially problematic at a time when the price of food is increasing • It would cost *Golcar Fisheries* more to hold buffer inventories, meaning less money would be available to spend on fuel costs, which have been increasing • However, if there are problems with delivery, such as transport getting delayed, *Golcar Fisheries* would still have inventory to sell • It would be able to meet a sudden increase in demand should there be more customers than usual • This means that regular customers would not be disappointed and the business would maintain it's good reputation

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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 the likely effectiveness of the ways *Golcar Fisheries* competes in the market for hot takeaway food. **Indicative content** **(10)**
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** • Small businesses may need to find ways in which to compete, other than on price • This is due to the ability of larger firms to receive more discounts on costs and thus to charge lower prices • Ways in which small businesses may compete include developing a market niche, being flexible, offering a personal service, providing better communication and through innovation • *Golcar Fisheries* sells quality food which has led to a good reputation locally, therefore it is likely to be able to retain its customers and attract new ones • The business has a reputation for helping the local community, for example by offering free meals for school children during school holidays • This may mean *Golcar Fisheries* attracts more customers at these times because parents may accompany the children and buy meals too • As a result, revenue may increase and even lead to a higher profit, if the additional revenue made outweighs the cost of the food given away • However, as costs of food and fuel are increasing, customers may not be able to afford to buy food from takeaways • This may lead to fewer customers for *Golcar Fisheries*, meaning lower revenue and less profit • As a result, the business may not be able to compete with other shops that sell hot food in the area, especially it the competitors have more financial backing • Nonetheless, the higher food and fuel prices will affect other businesses too, meaning competitors may struggle to remain competitive if they focus on financial methods of doing so • This may mean that using ways to compete such as offering a personal service and helping the local community may be more effective given the occurrence of certain external factors

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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	*EIZO* wants to improve its liquidity. Evaluate whether it is better to use just in time (JIT) or factoring for *EIZO* to improve its liquidity. **Indicative content** **(20)**
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** JIT • Liquidity is the ease with which assets can be changed to cash • JIT is a type of inventory control, where raw materials are ordered just as production for customer requirements is due to begin and work in progress is kept to a minimum • This means that costs for *EIZO* to store the high-quality raw materials would be reduced from the ¥28 289 million held at the end of March 2023 • As *EIZO* uses the latest technology, it needs access to up-to-date raw materials to complete customer orders • Therefore, JIT would reduce the risk of having obsolete materials, minimising the costs of production for *EIZO* and in turn, help improve cash flow • Not having as much money tied up in raw materials (¥8 309 million more at the end of March 2023 than March 2022) would be a further benefit to *EIZO* and could be especially helpful to improve liquidity, as it would enable *EIZO* to access cash directly, rather than the need to sell raw materials in order to access the cash • This would allow the cash held by *EIZO* to increase from the ¥9 557 million held at the end of March 2023 • In addition, the 2,238 employees may feel more empowered due to the requirement of JIT for flexibility and more efficient production, in order to complete customer orders on time • However, JIT can be very risky, especially to a business that is known for its prompt delivery of monitors to customers • JIT requires a close working relationship with suppliers so that raw materials arrive in time, meaning *EIZO* would not always be in complete control over its production • Should raw materials arrive late, production may be interrupted and delivery of customer orders may be delayed • As a result, *EIZO*'s reputation may be damaged and sales could be lost, leading to a reduction in revenue, meaning liquidity could be adversely affected • This is especially true of some of the markets in which *EIZO* sells, such as air-traffic control and healthcare, where prompt delivery of monitors may be relied upon Factoring • Factoring takes place when a business receives payment for orders from a factoring company immediately, rather than having to wait for customers to pay for the goods/services • *EIZO* offers credit terms to many of its customers, meaning it may have millions of Yen outstanding at any point in time, thus reducing the cash held (a possible reason for the decrease of ¥4 330 million from 2022 to 2023) • By using a factoring company, *EIZO* would have immediate access to funds with which it could purchase further equipment or progress developments of its technology, enabling further revenue to be generated

	• The cash held would increase directly as a result of factoring, as well as indirectly from the flexibility it enables, both of which improve liquidity • However, *EIZO* operates on a multi-million Yen scale and factoring would considerably reduce the revenue received by *EIZO* as the factoring company does not pay the full value of the credit sale • This would reduce the cash held and would impact whether liquidity is actually reduced or improved • The 50+ years of experience and likelihood of accurate sales forecasts means JIT may be more effective for *EIZO* when improving its liquidity

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 knowledge and understanding, supported 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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