GradeMax



Mark Scheme (Results)

January 2025

International Advanced Subsidiary
In Business (WBS12)
Paper 02: Managing Business Activies

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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 'total costs'. (Extract B, line 8) **Answer**	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'total costs', e.g. The sum of all fixed costs **(1)** and all variable costs **(1)**	**(2)**

Question	Using the data in Extract B, calculate the margin of safety for Jennifer in September 2023. 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 margin of safety: • Actual sales level – break-even point **(1)** **Application** Up to 2 marks for applying the correct data: • 198 children/places - **(1)** (£952/£8.50) **(1)** **OR** • 198 children/places - **(1)** 112 children/places **(1)** **Analysis** 1 mark for calculating the margin of safety: • 86 children/places **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 86 children/places award 4 marks • If the answer given is 86 award 3 marks	**(4)**

Question	Analyse **two** economic variables that could lead to a reduction in the sales forecasts of an *Adventure Babies*' franchisee, such as Jennifer. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining economic variables, e.g. • Indicators that show **(1)** current trends in a market **(1)** **OR** For stating up to two economic variables, e.g. • Inflation **(1)** • Interest rates **(1)** **Application** Up to 2 marks for answers contextualised to *Adventure Babies*, e.g. • A franchisee needs to pay for the premises in which the classes are held **(1)** • The price for a place in one of Jennifer's classes in 2023 was £8.50 **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Adventure Babies*, e.g. • A general rise in prices may increase this cost meaning the franchisee may need to raise the price to attend a class **(1)** • Higher interest rates may reduce the disposable income of parents paying off a mortgage/loans, meaning they can no longer afford this price **(1)**	**(6)**

Question	Discuss the benefits for Jennifer of being an *Adventure Babies*' franchisee. **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** • A franchisee is a person holding the right to operate under the name/logo/brand of a business after paying to operate a franchise • *Adventure Babies*' franchisees receive full training and support from the franchisor • This means that Jennifer can rely on professional help to run their classes, without additional cost or worry of not having access to such expertise • The brand, *Adventure Babies*, is already established and operates classes in 70 areas • Therefore, Jennifer does not need to spend as much time or money on marketing • Jennifer only needs to pay a monthly fee to operate the business, instead of investing the large amount of capital more likely to be needed to open a business • However, Jennifer has limited control over the business because she needs to operate within the constraints put in place by the franchisor • There is still a monthly fee of £174 to be paid, meaning that Jennifer needs to attract enough customers in order to be profitable • Jennifer has limited opportunity to be creative or may need to seek permission to introduce new story-telling ideas • This could potentially cause conflict between Jennifer and the franchisor

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 whether Jennifer's mother is a suitable source of finance for her business. **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** • Money from family is classed as an external source of finance • As she had no previous experience of running a business, it is less likely a bank would have been keen to offer Jennifer a loan • Only a small amount of funding (£174 x 3 = £522) was needed to pay the franchisee costs for the first three months, meaning that Jennifer's mother may have been able to provide it without too much difficulty • Friends and family are less likely to charge interest and may not even request the money back (Jennifer's mother gave her the money), as they may wish to help with the success of the business • This means that costs can be kept reasonably low • Having the financial support at the start would allow Jennifer time to undergo the training and to start running classes, meaning she can start to earn revenue with which she could pay future costs • Jennifer may have struggled to become established without this money • However, having put money into the business, Jennifer's mother might want to be involved in its running • This may result in disagreements and lead to problems with the relationship, especially if it is unclear whether the finance is to be paid back or when it is to be paid back • Therefore, Jennifer may feel she has more limited control over her business, especially as it is a franchise • It may depend on the relationship Jennifer has with her mother as to how suitable the finance is on this occasion • A bank may be a more suitable source (loan/overdraft) as it may consider a franchise less of a risk despite Jennifer's lack of experience • There are further costs (rent of the premises) to be considered, in addition to the franchise fees, meaning alternative sources of finance may be more suitable • Family and friends may be suitable as a source of finance in the short term but less so in the longer term

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 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 'batch production'. (Extract C, line 8) **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'batch production', e.g. A number of identical items **(1)** made simultaneously/together **(1)**	**(2)**

Question	Using the data in Extract C, calculate the total fee paid to *Viatour* for taking these bookings. **Answer**	Mark
2(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: • (Price x fee) x number of bookings **(1)** **Application** Up to 2 marks for selecting the correct data from Extract C: • \$1.02 **(1)** x 175 **(1)** **OR** • \$1 050 **(1)** x 17% **(1)** **Analysis** 1 mark for calculating the total fee: • = \$178.50 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is \$178.50 award 4 marks • If the answer given is 178.50 award 3 marks	**(4)**

Question	Analyse **two** reasons why productivity may have improved at the *Belmont Estate*. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining productivity, e.g. • The rate of output **(1)** per unit of input **(1)** **OR** For stating up to two reasons, e.g. • Motivated employees **(1)** • Flexibility of the workforce **(1)** **Application** Up to 2 marks for answers contextualised to *Belmont Estate*, e.g. • *Belmont Estate* is a happy and positive place to work **(1)** • The batch production process is well-organised **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Belmont Estate*, e.g. • Motivated employees can lead to a faster rate of production **(1)** • Efficient production means less time is needed between stages of production **(1)**	**(6)**

Question	Discuss how increasing the price of *Belmont Estate*'s products may increase its profit. **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** • Profit is the money made by a business after total costs are deducted from total revenue • If *Belmont Estate* raises its price from $7.50, it will receive more revenue per bar of chocolate sold (price x quantity sold = revenue) • This means that, provided costs remain the same, profit should increase on every chocolate bar sold • As the price of $7.50 is already high for a bar of chocolate, an increase may have less impact on demand • *Belmont Estate* has unique selling points (USPs), such as offering natural products and a positive reputation due to its aims • *Belmont Estate* offers unique flavours and quality products, meaning demand for the chocolate may be price inelastic, therefore customers may be willing to continue paying a higher price • However, a rise in price often leads to a fall in demand, due to fewer people being both willing and able to buy the product • A fall in sales, could mean a decrease in revenue and therefore a decrease in profit • This will depend on the price elasticity of demand for chocolate from *Belmont Estate*, which may depend on how much the price is increased • It will also depend whether/by how much the costs change

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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	3–5	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 advantages of using labour-intensive production methods rather than capital-intensive methods, for a business such as *Belmont Estate*. **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** • Labour-intensive production requires a high use of human capital rather than machinery to produce goods and services • Businesses such as *Belmont Estate* may benefit from producing bars of chocolate by hand, as they can be seen to have more value due to the quality • By using labour to produce the chocolate, bars can be specifically made to a consumer's requirements allowing a premium price, such as $7.50 per bar, to be charged • Different flavours of chocolate, such as mango, banana or ginger, can be produced more easily, as it can be quicker to switch flavours than if using capital-intensive methods of production • This means that costs can be reduced, especially when production is of small batches of chocolate • By using labour-intensive methods, *Belmont Estate* is able to keep its aims of transforming lives and supporting local communities because it offers employment to more people than using capital-intensive methods • However, if capital-intensive production is used instead, the work can be done faster and with greater efficiency • Machinery can operate more quickly, continuously without a break and with consistency • This means, once up and running, capital-intensive production can be much cheaper and more productive, leading to higher profits • Therefore, capital-intensive production may be better for long term production • As *Belmont Estate*'s main activity has been chocolate production since 2017 and it is increasing export sales, capital-intensive production may be more suitable • Despite this, there may not be sufficient output to make capital-intensive production an option given the cost of the machinery • Nonetheless, if the quality and/or reputation of chocolate from *Belmont Estate* suffers as a result of switching to capital-intensive methods of production, it may need to reduce the price or risk losing sales

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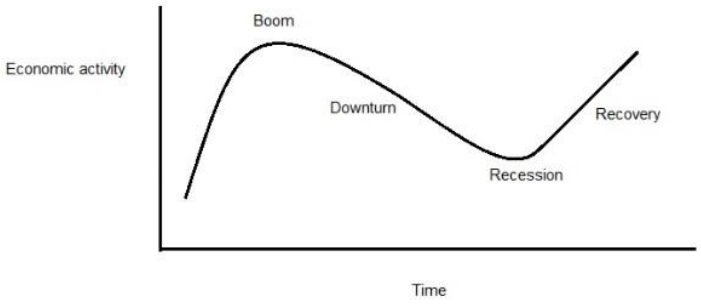
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate knowledge and understanding, supported by relevant and effective 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	Evaluate the extent to which the business cycle is likely to affect *Coles*. **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** • The business cycle measures economic activity over time and shows stages of boom, downturn (where there is rising unemployment), recession and recovery • Possible diagram to show the business cycle  • Demand is likely to increase during a boom or recovery and decrease during a recession or downturn • The business cycle may impact *Coles*' assessment of whether it is likely to experience growth or a decline in sales • Therefore, it may be able to forecast revenue and profit with a greater degree of accuracy than without use of this economic measure • This may allow *Coles* to make any necessary adjustments to the employment of the 120,000 workers at the 800+ stores • Depending on the wage rate, during the boom stage, it may be that *Coles* experiences a shortage of employees, as they may opt to seek employment elsewhere • Therefore, *Coles* may need to increase wages to ensure it has sufficient employees to serve customers, especially if demand does increase • Using the business cycle may allow *Coles* to take account of fluctuations in the rate of growth of GDP and therefore access potentially accurate sales figures each year • *Coles* could use the business cycle to predict the impact GDP might have on growth in the market, as well as on new competitors entering the market, attracted by higher demand • This could enable *Coles* to make more informed decisions about its marketing budget and the potential customers to target • However, *Coles* sells food and household items, many of which are likely to be classed as necessities • This means that there is likely to be a relatively stable demand regardless of the stage the economy is in on the business cycle

	• Products such as bread, cheese and eggs are not likely to be in higher demand when economic activity is increasing at a higher rate, nor lower demand when it is decreasing • This is especially true as *Coles* sells brands to accommodate several different budgets, including those which may be classed as inferior goods (bread at AUS$2.40 and cheese at AUS$1.05) and those targeted at customers attracted to higher quality more than low prices (bread at AUS$7 and cheese at AUS$4) • Therefore, sales of products in these brand ranges may lead to opposing changes in demand to one another. For example, sales of Coles Finest products may decline during recession or downturn stages but sales of Coles own-label products may increase • Nonetheless, as only a limited range of Coles Finest products are available, the impact on *Coles* may be more significant during the recession or downturn stages • Although the impact on *Coles* may not be significant overall, the business is likely to experience changes in the demand for individual products and brand ranges, meaning it can adjust inventory, employee levels and budgets accordingly • The impact of the business cycle on *Coles* is likely to be affected by a number of other economic influences, such as the rate of inflation, taxation and interest rates

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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