

# **Examiners' Report**

## **June 2022**

**IAL Business WBS12 01**

## Introduction

A good awareness of business was shown by candidates taking unit 2 – Managing Business Activities.

In general, candidates appeared to be well prepared for the topic areas covered by unit 2, although there are areas where work is needed around the requirements of particular command words.

The ability of the most able candidates was shown through relating their knowledge and understanding to the evidence presented, whereas those struggling with such concepts typically answered questions with a more generic approach. The levels-based questions required understanding to be developed and applied to the relevant evidence. Although this approach was adopted by some, there were instances where a more basic understanding was demonstrated, thus limiting the attainment of higher levels.

There didn't appear to be many issues with the length of time candidates needed to complete all questions set.

## Question 1 (a)

There were two parts to the definition of the term 'revenue' and examiners were looking for references to the amount made from selling goods and services. It was necessary to provide both parts to gain two marks.

Examiners accepted references to 'price x quantity sold', but did not accept vague references to 'money'; it was necessary to say what happens to it.

Examples were occasionally used by candidates but no marks are available for the use of examples.

Partial explanations were given one mark.

### 1 (a) Define the term 'revenue'. (Extract B)

(2)

Revenue is what a business makes from the selling of their products or services.

Calculation = Price X Quantity



**ResultsPlus**  
Examiner Comments

This response was given 2 marks as it has both the required parts in the definition: 'what a business makes' and 'from the selling of their products'. 2 marks would also have been awarded for 'price x quantity', but the candidate has already gained full marks.



**ResultsPlus**  
Examiner Tip

The question will always have 2 marks available for a definition so ensure that your response is complete and not a vague attempt at explaining the term.

There are no marks for examples, so do not rely on an example to lift an imprecise definition.

## Question 1 (b)

Many candidates were able to calculate the correct answer and so were given the full four marks, but some candidates confused profit for the year margin with profit for the year.

Marks could be gained by showing workings, but these were not necessary if the correct answer was shown.

Examiners awarded three marks if the percentage sign was missing.

Some candidates were able to show knowledge of the formula and/or apply it with correct figures, but then failed to arrive at the correct answer.

(b) Using the data in Extract B, calculate to two decimal places, the profit for the year (net profit) margin for *R B Rustico* in 2019. You are advised to show your working.

(4)

$$\frac{\text{Net profit for the year}}{\text{revenue}} \times 100$$
$$\frac{41\,800}{498\,700} \times 100 = 8.38\%$$



**ResultsPlus**  
Examiner Comments

This response scored 4 marks. It has clear workings to arrive at the correct answer of 8.38%.



**ResultsPlus**  
Examiner Tip

Quantitative skills are an important part of the specification. Candidates will be expected to be able to apply a range of quantitative skills.

If the question asks for a percentage or to two decimal places, then full marks can only be gained by using a percentage sign and two decimal places! Make sure you know how to round up or down correctly.

## Question 1 (c)

Examiners were looking for responses to show either a definition or two separate advantages for *R B Rustico* using cell production for the knowledge marks.

The advantages needed to be in the context of *R B Rustico* to gain application marks and a cause/consequence given to be awarded analysis marks.

(c) Analyse **two** possible advantages of using cell production for a business such as *R B Rustico*.

(6)

Cell production is <sup>a</sup> ~~the~~ method of production where a team focuses on all aspects of production to create a product. *R B Rustico* has teams utilizing cell production cutting and shaping wood making tables, another cell <sup>team</sup> creating chairs etc.

Cell production allows *R B Rustico*'s employees to specialize their labour, ~~it~~ leading to ~~the~~ each cell doing one thing really well such as the archway cell specializing <sup>in</sup> and creating archways leading to ~~w~~ worker efficiency which leads to more production and lower cost per unit which leads to increased profit margin for *R B Rustico*.

By each cell working ~~with~~ through teamwork to cut the wood, shape the wood and assemble a chair for example *R B Rustico*'s staff will be more motivated as they are working in teams and teamwork leads to higher ~~moti~~ motivation which leads to low staff turn-over and retention of skill for *R B Rustico* which in turn leads to more efficient production of outdoor furniture.



This response scored all 6 marks as it met all the criteria required by the AOs in the mark scheme – 2 x AO1 knowledge, 2 x AO2 application, 2 x AO3 analysis.

Knowledge of cell production is shown by the two advantages: labour being able to specialise and staff being motivated. This knowledge is given in the context of *R B Rustico* by using the extracts.

A consequence is then given for each advantage to gain the analysis marks.



Although a definition is acceptable to gain the knowledge marks, it is better to give advantages/reasons/ways as required by the question. This is because these need to be given in context and with a cause/consequence to access all 6 marks.

The 'analyse' question requires two factors and so only giving one will not allow access to all the marks.

## Question 1 (d)

This question was marked using the levels-based mark scheme.

For an eight-mark question, there are three levels.

Examiners read the whole response and decide which level is the best match. If a response is lacking certain characteristics, examiners move towards the bottom of the level. If it is a strong match, they will move to the top of the level and this approach is used for all levels-questions on the paper.

There were some good discussions regarding whether quality circles may be beneficial to *R B Rustico*, but some failed to give a counter argument and a number confused quality circles with quality assurance or quality control.

Use of the extract was sometimes limited, so a generic response was presented.



(d) Discuss whether quality circles are likely to be beneficial for R B Rustico.

(8)

Quality circles are groups of employees that meet up regularly to solve issues and discuss problems involving the business.

One of the main focuses of R B Rustico is the high quality of the products they make, quality circles would involve workers in the decision process and their input would be taken under consideration. Input from the people that develop the products from the cutting of the wood to ~~the~~ applying the paint would be beneficial to R B Rustico as this way faults in the production process could be spotted quickly and quality could be improved. By spotting problems in the production process the loss of sales could be reduced so that the business is more profitable.

However, quality circles might be hard to introduce without the absolute ~~mutual~~ approval of senior managers, which might be reluctant to change. R B Rustico is a small company, so ~~senior~~ managers might not feel the need to take into account opinions from employees as there are not many of them and managers can look for problems themselves.

Quality circles would also be beneficial to R B Rustico as employees would feel more empowered. Quality circles involve the help from all workers when detecting problems, so ~~if~~ employees feel like their opinions are being heard and considered.



they are more likely to be more efficient when producing the furniture and care more about the future of the business. Through quality circles R B Rustico might be able to lower costs for 2020 and keep growing as they have done from 2018 to 2019.

However, taking opinions and input from workers can be time consuming and even costly. This is because during the time employees could be producing furniture, they are having meetings about quality. As R B Rustico is a small business, even if not all workers are not in meetings, the cells of the production process would be missing people. This can slow down the production process and lead to customer ~~dece~~ dissatisfaction if products are not delivered on the previously accorded date. There might even be tension between workers if a member of a unit is not completing their part of the work because they are having meetings.

Through quality circles problems in the production process and possible improvements are solved faster and more efficiently, this can result in R B Rustico reducing the amount of resources needed for making the furniture and therefore achieving higher profit.



This response scored Level 3 – 8 marks.

It provides a two-sided argument and uses some relevant evidence in the answer, developing points appropriately.

There is also a good balance between competing arguments.



The command word 'discuss' requires a two-sided argument.

In this question, the benefits of quality circles should have been discussed versus possible disadvantages or limits of the benefits. If a candidate does not provide a two-sided argument or presents a generic answer, they may restrict their marks as the full level descriptors for eight marks would not be met.

A conclusion is not required for an eight-mark 'discuss' question.

## Question 1 (e)

This was a levels-based question with four levels.

Many candidates were able to assess how *R B Rustico's* statement of comprehensive income may be affected by raising prices, providing a two-sided argument.

For a level four response, examiners were looking for developed arguments stating why the firm may have been affected, using evidence but also why the effects may have been less significant, again using the evidence.

For a high level four response, examiners needed to see evaluation as well as a balanced awareness of competing arguments, leading to a supported judgement.

(e) Assess how raising prices may affect the statement of comprehensive income for RB Rustico.

(10)

A statement of comprehensive income shows a business's expenditure & income ~~revenue~~ over a period of time. A rise in the prices would likely lead to the ~~cost of production for RB Rustico~~ revenue earned to increase from ~~£401 000~~ in 2018 to £498 700 in 2019, as since RB Rustico is a outdoor furniture company that can be deemed to be a niche market whereby they 'target customers who are looking for a specific design.' it is likely that an increase in prices wouldn't lead to demand falling, as furniture products sold by RB Rustico can be highly inelastic, thereby increasing revenue for RB Rustico in the statement of comprehensive income.

Moreover, it is also likely that the profit for the year would increase as a result of raising prices, as by raising prices for furniture that could be deemed to be inelastic such as 'products with weather-resistant paint.' RB Rustico's profitability would increase, thereby ~~reducing the cost of~~ increasing the profit for the year in 2019 to above £41 800, thus increasing cash inflow & hence income.

In addition, a rise in prices is also likely to ~~increase gross profit~~ reduce selling expenses, as if demand for furniture products sold by RB Rustico were to be inelastic such as picnic tables & barbecues, the reduction in demand would lead to stock being tied up ~~& hence a reduction~~ as a result of ~~the less~~ stock being sold, leading to a reduction in selling expenses to



less than €58 200 in 2019.

Conversely, a rise in the price may lead to a substantial fall in revenue earned to less than €499 700 for R B Rustico as an increase in price when a competitor is present, especially in a dynamic market such as furniture would lead to consumers buying from competitors & henceforth a reduction in annual income for the statement of comprehensive income for R B Rustico.

In addition, an increase in the price may also lead to unit cost per output increasing with the cell production for furniture such as single chairs as revenue <sup>due to output</sup> falls <sup>from</sup> thereby leading to cost of sales significantly increasing for R B <sup>decrease</sup> Rustico whereby cost of sales may increase above €372 400 in 2019, which is an increase in expenditure for R B Rustico's statement of comprehensive <sup>income</sup> ~~to conclude, note the~~

To conclude, R B Rustico's statement of comprehensive income being affected by a rise in price, depends on the elasticity of the furniture being sold. As higher elasticity would mean that an increase in prices would lead to a significant reduction in purchases & therefore revenue. Therefore, R B Rustico must do market research within the Italian furniture market to ensure that a rise in prices would not lead to adverse effects on the statement of comprehensive income for R B Rustico.



This response achieved Level 4 – 9 marks.

It has logical and coherent arguments with good chains of reasoning. Arguments are developed and evaluated with good use of the extract.

Although there is evaluation and a judgement, the balance could be better, preventing the full ten marks being achieved.



The command word 'assess' will always require a more in-depth development and evaluation of the arguments compared to the command word 'discuss'.

Candidates are encouraged to use a range of relevant evidence throughout their response to highlight their chains of reasoning. A supported judgement is also required.



## Question 2 (a)

There were two parts in the definition of the term 'budget' and examiners were looking for references to a financial plan agreed/prepared in advance OR a cheaper option, often of lower quality.

Any other suitable response was accepted, but two parts were needed to gain two marks.

There were no marks for examples.

### 2 (a) Define the term 'budget'. (Extract C, line 5)

(2)

The budget is the target of ~~revenue~~ in terms of revenue and costs of a business that it have to achieve over a time period.



**ResultsPlus**  
Examiner Comments

This response was given 2 marks because it has both parts of the definition 'target in terms of revenue and costs' and 'achieve over a period of time'.



**ResultsPlus**  
Examiner Tip

The question will always have 2 marks available for defining the term, so ensure that your response is fully developed and is not a vague attempt at a definition.

There are no marks available for examples so don't rely on an example to lift an imprecise definition.

## Question 2 (b)

The correct answer was calculated by many candidates to receive full marks, however some failed to calculate the average price, as was required by the question.

As with all four-mark, 'calculate' questions, marks were given for showing correct workings, but these were not necessary if the correct final answer was shown.

Examiners gave three marks if the pound sign was missing, eg 70.35.

(b) Using the data in Extract D, calculate the average price in GBP (£) between 2018–2020 of an activity that costs €79.50. You are advised to show your working.

(4)

$$\begin{aligned} & 1.13 + 1.14 + 1.12 = \frac{3.39}{3} = 1.13 \\ & 1.13 \cdot 79.50 = 70.353 \\ & \quad \quad \quad 1.13 \\ & \quad \quad \quad \boxed{\pounds 70.35} \end{aligned}$$



**ResultsPlus**  
Examiner Comments

This response scored all 4 marks because it has a correct answer of £70.35.

There were a number of correct ways of working to calculate the final answer and any correct method was accepted if the examiner needed to review the working.



**ResultsPlus**  
Examiner Tip

As with Q01(b), full marks can only be given if correct units are shown.

Although full marks can be achieved by just showing a correct final answer, it is advisable to show full workings. This is because it may still be possible to pick up marks if an incorrect final answer is given.

## Question 2 (c)

This question required two possible factors that may affect the sales forecast to gain the knowledge marks.

The factors needed to be in context to gain the application marks and a cause/consequence given for each factor to gain analysis marks.

A variety of factors were offered by candidates and anything valid was credited.

- 1  
- exchange rate  
- taxation

Anika and Hans prepared a sales forecast for *Cruise & Go*.

- external factors  
- competitors

(c) Analyse **two** possible factors that may affect this sales forecast.

(6)

A factor that may affect the sales forecast for *Cruise & Go* can be the economy. A cruise is a type of holiday where people travel on a ship for pleasure. It's a luxury activity not a first need. If the total economy income raises prices for goods will raise too, meaning consumers will be more likely to save their money. As a cruise is not a first need activity, the demand and sales of Anika and Hans will decrease meaning its sales forecast won't be accurate. If they had predicted more sales than they had they will face losses.

Another factor affecting this sales forecast can be the action of competitors. They may copy their idea of passengers planning their own alternative activities in advance and be able to do it at a lower price, so customers will leave and join a rival company meaning less sales will be produced than expected.



This response scored all 6 marks as it shows two possible factors, in context and analysed.



Just as with Q01(c), although a definition is acceptable to gain the knowledge marks, it is better to give advantages/factors/reasons, as is required by the question.

This is because these need to be given in context and with a cause and/or consequence to access all 6 marks.

The 'analyse' questions asks for two factors and so only giving one will not allow access to all the marks.

## Question 2 (d)

Like Q01(d), this was marked using the levels-based marking grid and consisted of three levels.

Candidates were generally able to provide a two-sided response which focused on the benefits of copyright, but some were generic in nature instead of using the evidence to put the response in the context of *Cruise & Go*. Equally, some were weak in terms of evaluation.

(d) Discuss whether copyright is likely to benefit Cruise & Go.

(8)

copyright is when a firm registers the business name and hence no one else can use the same name. Which makes Cruise and Go unique to the eyes of the customer and builds a brand name as they become successful.

Yes, copyright will benefit Cruise and Go as they have spent a lot of time and money on market research to develop a Cruise and Go app to make things easier for their customers. This makes it worthwhile for the business when people get aware of their services which are easy and unique to use as they allow passengers to plan alternative activities in advance due to short time at each location. Hence beneficial to Cruise and Go.

Also, copyright is beneficial because they are providing a unique service and easy as they are bundling things for customers to do in a short time at the various location the ships sets at. They have a unique selling point so other firms cannot steal their idea. Hence can dominate the cruise market and earn more revenue. Anika and Hans receive a percentage of payments as they have kept passengers in touch with the organisers of the activity.



However, competitors can see that Cruise and Go are successful and can partner with the cruise operators and plan something similar with a different name to not get sued by law due to violating copyright laws to make Cruise and Go go out of business. But the cruise operators charge very expensive prices which some customers may not find it worth due to the short time at each location, hence will make them opt for Cruise and Go as it allows them to plan and pay beforehand. Cruise and Go also trades in euros to attract customers from the UK. This increases the brand name and sales for the business.

In conclusion, giving a copyright is beneficial as competitors will steal your idea, which has taken long as time and money invested to develop and build on it and a lot of time and market research. To give customers a view that your business is legit and give you a good perception in the view of customers, however, some will always try and steal ideas and build more on it. Copyright will attract more customers which will increase revenue hence increase the profits of the firm to be able to reinvest it back in the business and expand giving a variety of products to consumers.



This response scored 7 marks (Level 3) as it discusses the benefits of copyright and is in context, as well as offering evaluation of why the benefits may not be present/problems of using copyright.

This evaluation drifts away from answering the question and so the response fails to achieve the full 8 marks.



The command word 'discuss' requires a two-sided argument. If candidates only look at one side, full marks are unlikely to be gained because the response will not fully match the level descriptors in the mark scheme.

A conclusion is not required for an 8-mark 'discuss' question.

## Question 2 (e)

As with Q01(e), this was a levels-based question with four levels.

Many candidates were able to analyse the use of the internet as being an effective media of advertising, but some responses were generic in nature or failed to analyse whether the internet was the **most** effective media.

Anika and Hans intend to advertise their app on the internet.

(e) Assess whether the internet is likely to be the most effective advertising media to use for Cruise & Go to increase sales.

(10)

By advertising Anika and Hans Cruise app on the internet they could potentially increase their sales.

Advertising on the internet is a very cheap method of advertising which could cut costs and allow investment to be provided in other aspects of the business. Secondly, the "Cruise & Go" app itself is a digital based app therefore internet advertising would most likely <sup>reach</sup> the target market and would be fitting within the brand image. Moreover, Go Cruise will have the ability to reach a wide target market via the internet then compare to a static billboard. This is especially important as Anika and Hans hope to attract customers from the UK while also making an euros. Moreover, the ability to notify potential customers on upcoming events / cruise is far more effective than via social media in comparison to other methods of advertising. Lastly, social media advertising can enable a sense of



community and customer loyalty. While, enabling potential consumers to ask Hans & Anika or the ~~the~~ workforce direct questions on the Cruise & Go Company.

However, the internet is highly saturated with advertisement and therefore will not be as effective as other more personal forms of advertisement. For example, the handing out of leaflets will attract a high foot fall. Furthermore, Cruise and Go has a potential wide target market and not all of the customers may be able to access the internet as a result reducing your personal customer network. It can be assumed that the target market is wider as customers have the ability to choose what they want to do on cruises therefore widening the demographic. Moreover, until pop up advertisements on the internet physical leaflets and bill boards may have more impact on the potential consumer however they can not be easily shared like internet advertisement.

Overall, a mix of both lower budget internet advertisement and higher advertisement like billboards and leaflets would be

(Total for Question 2 = 30 marks)

Cruise & Go



This response scored 9 marks (Level 4) as it assesses points using the evidence very well.

It has a balanced assessment and chains of reasoning, but fails to secure the full 10 marks because the judgement is not supported.



As with Q01(e), questions with the command word 'assess' will always require more depth and development of the concept and chains of reasoning compared to the command word 'discuss'.

Candidates are encouraged to use a range of relevant evidence throughout their response and also, to demonstrate their chains of reasoning: cause(s) and/or consequence(s).



### Question 3

This is the highest mark question on the paper, worth 20 marks and with four levels.

The understanding demonstrated by candidates was strong in terms of bank loans and peer-to-peer funding, but the evidence was sometimes narrated rather than actually **used** in the response.

This was an 'evaluate' question, meaning that ideas needed to be developed and presented with an understanding of the significance of competing arguments rather than simply stated as separate points and a generic list of the negatives associated with bank loans and/or peer-to-peer funding.

- 3 Evaluate whether a bank loan or peer-to-peer funding would be the more suitable source of finance for Royal Oven's expansion plans.

(20)

Peer to peer <sup>(P2P)</sup> funding allows <sup>Royal</sup> ~~them~~ Oven easier access to finance. This is because peer to peer funding is done over the internet and doesn't require collateral or credit checks to be done. This enables Royal Oven to acquire the necessary capital required to open more branches in Tanzania. As a result, costs (administration and operation) can remain lower as there aren't high interest rates associated with peer to peer funding which enables the business to avoid increasing their liabilities any further. However this type of financing is limited. This is because, as it doesn't involve a financial institution the amount of capital they acquire isn't determined by how much Royal Oven can pay back but by how much the peer is willing to give to them, and as P2P loans aren't secured by collateral peers might be less willing to give large amounts out of fear that Royal Oven might not be able to pay it back. As a result, the capital they get may not be enough to purchase the necessary ovens to run a new <sup>11th</sup> store, as well as the

time it takes for Royal Oven to get their capital. The expansion may have to be delayed / cancelled.

Banks ~~loans~~ would be more willing to lend a large amount of capital to Royal Oven, this is because they're loan would be secured against collateral.

As well as <sup>Royal Oven</sup> ~~the business~~ being a company, banks might be able to be more trusting that it would be able to pay off its loan due to its limited liability.

As a result, the vast amount of capital they can gain from a loan can be used to finance the opening of a new store. This allows them to reach potential families from areas outside of Dar es Salaam and Mwanza, enabling them to increase their brand awareness / recognition. It also enables them to compete with other bakeries in the area, as the capital can be used purchase productive machinery that as well as hire more bakers, which enables them to produce a larger number of bread and cakes which can reduce the unit cost of production and enable them to offer families lower priced bread. This will increase demand for their product and potentially profit which enables them to pay off their current liabilities.

However, a bank loan has to be repayed with interest. This means that the amount that they repay increases over time depending on



how long they take to pay. This increases their current liabilities, and potentially reduces the amount of working capital they have <sup>This</sup> ~~as the~~ disables them from being able to deal with their daily expenditure, <sup>alongside paying off the loan</sup> such as paying suppliers of flour. This may mean that Royal Oven will have to look for cheaper supplier of flour. As a result, the cheaper supplier of flour <sup>y</sup> may ruin the quality of their cakes. This will damage their reputation for producing high quality and good value baked goods. This might lower demand and force them to ~~start~~ close some of their 13 stores as they'll no longer be able to support them.

The suitability of the financing method all depends on the situation. This is because unforeseen economic events may occur that could change the interest rates which would raise the cost of borrowing which would make bank loans more expensive. The most important factor is the market, as if there <sup>is</sup> ~~be~~ a decrease in demand for baked goods the expansion might end up costing Royal Oven more than they gain.



This response achieved 19 marks (Level 4). It shows an excellent two-sided argument which matches most of the level 4 descriptor requirements.

Having decided the response is a closest match to the level 4 descriptors, examiners used the standard marking method for levels questions and start at the mid-point of 18 marks. There is no need to go down within the level because the response is a close match to the descriptors, but it did go up because it was felt the response was fairly strong in each element.



This question is worth 25% of the marks on the paper and so it is essential to ensure enough time is spent on it.

It is important to remember that examiners are looking for an awareness of how significant competing arguments are. It is advisable to look at the descriptor table in the mark scheme when practising essays.

## Paper Summary

Based on performances from this exam, candidates are offered the following advice:

- Q01(a) and Q02(a) are worth two marks each and so will need two parts in the definition of the term to attain both marks. Examples are not rewarded.
- Be careful to read the whole of the question. Certain requirements are given which were not acted upon by some candidates in this series, eg when answers are required 'to two decimal places'.
- Candidates need to understand the requirements of the command words in the questions. This will allow them to access marks requiring each of the four assessment objectives.
- Quantitative skills will be tested throughout the paper. These may be in the form of diagrams/graphs, calculations, or using the data in the extracts to provide the application in the questions.
- Application marks will **not** be awarded for simply repeating evidence in the extracts. The evidence needs to be used in the response.
- The command word 'discuss' requires a two-sided argument in order to achieve full marks.
- There may be more space provided than you need to write your responses. This is also indicated on the front of the question paper.