



Mark Scheme (Results)

Summer 2022

Pearson Edexcel International Advanced Level
In Business (WBS12) Paper 01
Unit 2: Managing business activities

Question Number	Define the term 'revenue'. Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 2</p> <p>Up to 2 marks for defining the term 'revenue', e.g.</p> <p>The amount of money a business receives (1) from selling its output (goods/services) (1)</p>	(2)

Question Number	Using the data in Extract B, calculate to two decimal places, the profit for the year (net profit) margin for <i>R B Rustico</i> in 2019.	Mark
1(b)	<p>Answer</p> <p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed:</p> <p>QS5: Calculate cost, revenue, profit and break-even</p> <p>Knowledge</p> <p>1 mark for identifying the formula for profit for the year (net profit) margin:</p> <ul style="list-style-type: none"> Profit for the year $\frac{\text{-----}}{\text{Revenue}} \times 100 \quad (1)$ <p>Application</p> <p>Up to 2 marks for selecting the correct data from Extract B:</p> <ul style="list-style-type: none"> $\frac{\text{-----}}{\text{-----}} \times 100$ $\text{€ 41 800} \quad (1)$ $\text{€ 498 700} \quad (1)$ <p>Analysis</p> <p>1 mark for calculating the profit for the year (net profit) margin in 2019:</p> <ul style="list-style-type: none"> $= 8.38\% \quad (1)$ <p>NB: If no working is shown, award marks as follows:</p> <ul style="list-style-type: none"> If the answer given is 8.38%, award 4 marks If the answer given is 8.38, award 3 marks 	(4)

Question Number	Analyse two possible advantages of using cell production for a business such as <i>R B Rustico</i> .	Mark
Answer		
1(c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining cell production, e.g.</p> <ul style="list-style-type: none"> • A method of manufacturing where employees are organised into multi-skilled teams (1) with each team responsible for a particular product (1) <p>OR</p> <p>For stating two advantages, e.g.</p> <ul style="list-style-type: none"> • Lead times are reduced (1) • Motivation of employees is improved (1) <p>Application Up to 2 marks for answers contextualised to a business such as <i>R B Rustico</i>, e.g.</p> <ul style="list-style-type: none"> • Furniture is transported to different parts of Italy faster due to less need to move resources around the factory (1) • Employees work in cells as teams and are multi-skilled (1) <p>Analysis Up to 2 marks for reasons/causes/consequences for a business such as <i>R B Rustico</i>, e.g.</p> <ul style="list-style-type: none"> • Therefore, it can be quicker to get the furniture to customers once orders are placed, leading to more satisfied customers (1) • Better quality tables and picnic benches are produced as a result of increased motivation (1) 	(6)

Question Number	<p>Discuss whether quality circles are likely to be beneficial for <i>R B Rustico</i>.</p> <p>Indicative content</p>
1(d)	<p>Indicative content guidance</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> Quality circles are small groups of workers who meet regularly to discuss and resolve problems in production Tables, chairs and archways are made by groups of workers in cells As <i>R B Rustico</i> already uses cell production, these workers are familiar with working together This could be beneficial for <i>R B Rustico</i> as it could motivate the workforce because they feel involved in the decision-making As the manufacturing of different types of furniture takes place within each cell, the workers may be more specialised and therefore best-placed to discuss improvements to the production, materials and/or the furniture itself However, quality circles are only likely to be beneficial for a business when managers, as well as employees are supportive This is because it is important that the ideas and suggestions of the workers are listened to when contributions are made regarding the production of the quality furniture Production time is lost whilst employees take part in the meetings of the quality circle

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 Number	Assess how raising prices may affect the statement of comprehensive income for <i>R B Rustico</i> .
Indicative content	
1(e)	<p>Indicative content guidance</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • A statement of comprehensive income is a document that shows key information relating to the financial performance of a business • It shows the income and expenditure of a business and can be used to compare year on year or with other businesses • In 2019, the revenue of <i>R B Rustico</i> was €37 700 higher than in 2018 (€498 700 - €461 000) • The cost of sales increased by €31 600 as well (€372 600 - €341 000) which is a lower increase than that of revenue • This means that <i>R B Rustico</i> may benefit from raising prices if costs remain the same as it will lead to higher operating profits • Profit for the year increased by 6.77% between 2018 and 2019; higher prices would allow the profit for the year to increase further • However, a rise in prices may lead to a fall in demand • Although a rise in prices will generate more revenue per unit sold, if demand falls, revenue may not increase much/may fall if fewer items of furniture are sold • This could depend on the level of competition for the wooden garden furniture sold by <i>R B Rustico</i> because this will affect whether customers have a choice where to buy the products • As <i>R B Rustico</i> targets customers who are looking for furniture made from the high-quality wood offered by the business, there may be fewer competitors, meaning an increase in revenue is more likely as a result of raising product prices • It will depend on the price elasticity of demand (PED) of the furniture. This may be more inelastic if there are fewer competitors • Overall, the effect on the statement of comprehensive income may depend on whether/how much demand is affected by the price rises and/or whether any cost increases are necessary

Level	Mark	Descriptor
	0	A completely inaccurate response.
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 Number	Define the term 'budget'. Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2</p> <p>Up to 2 marks for defining the term 'budget', e.g.</p> <p>A financial plan (1) prepared/agreed in advance (1)</p> <p>OR</p> <p>A cheaper/inexpensive option (1) often of a lower quality (1)</p>	(2)

Question Number	Using the data in Extract D, calculate the average price in GBP (£) between 2018-2020 of an activity that costs €79.50.	Mark
Answer 2(b) <p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed:</p> <p>QS1: Calculate, use and understand ratios, averages and fractions QS5: Calculate cost, revenue, profit and break-even</p> <p>Knowledge</p> <p>1 mark for identifying the correct formula for average price:</p> <ul style="list-style-type: none"> • Price in Euros (€) ----- Average exchange rate (1) <p>Application</p> <p>Up to 2 marks for selecting the correct data from Extract D:</p> <ul style="list-style-type: none"> • €79.50 (1) ----- $(\text{€1.13} + \text{€1.14} + \text{€1.12}) / 3$ (1) <p>OR</p> <ul style="list-style-type: none"> • €79.50 (1) ----- €1.13 (1) <p>Analysis</p> <p>1 mark for calculating the average price in GBP (£):</p> <ul style="list-style-type: none"> • = £70.35 (1) <p>NB: If no working is shown, award marks as follows:</p> <ul style="list-style-type: none"> • If the answer given is £70.35, award 4 marks • If the answer given is 70.35, award 3 marks 		(4)

Question Number	Analyse two possible factors that may affect this sales forecast. Answer	Mark
2(c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining a sales forecast, e.g.</p> <ul style="list-style-type: none"> • A sales forecast is a prediction of future sales (revenue) (1) by estimating the number of sales a business will make during a future time period/often based on past data (1) <p>OR</p> <p>For stating two factors, e.g.</p> <ul style="list-style-type: none"> • Actions of competitors (1) • Economic variables (1) <p>Application Up to 2 marks for answers contextualised to <i>Cruise & Go</i>, e.g.</p> <ul style="list-style-type: none"> • <i>Cruise & Go</i> has competition from the cruise operators that offer activities at each destination (1) • The exchange rate of the GBP (£) depreciated from £1: €1.14 in 2019 to £1: €1.12 in 2020 (1) <p>Analysis Up to 2 marks for reasons/causes/consequences for <i>Cruise & Go</i>, e.g.</p> <ul style="list-style-type: none"> • Therefore, <i>Cruise & Go</i> may not sell as many activities via its app because customers may prefer competitor activities (1) • This means that UK customers will have to pay a higher price to participate in <i>Cruise & Go</i> activities when the GBP (£) falls in value against the Euro (€), which may mean fewer sales are achieved (1) 	(6)

Question	Discuss whether copyright is likely to benefit <i>Cruise & Go</i> .
Indicative content	
2(d)	<p>Indicative content guidance</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Copyright is a type of intellectual property right to protect the creator of something unique • It is a legal right that would allow Anika and Hans the exclusive use of the <i>Cruise & Go</i> app and mean only they are able to distribute it • This means that <i>Cruise & Go</i> would be able to try to succeed as a business without the risk of someone else setting up in direct competition, using the same app • Therefore <i>Cruise & Go</i> may be able to build brand loyalty and create a competitive advantage over the cruise operators • It would allow Anika and Hans to sell the app as a business should they choose to • However, copyright is usually only given for a limited time • Copyright only offers limited protection, such as the name of the app <i>Cruise & Go</i> but it does not protect the concept itself • This means competitors could still be a problem, especially as <i>Cruise & Go</i> has yet to begin trading • Anika and Hans may think that copyright gives greater protection than it actually does, meaning they do not obtain alternative protection for the business

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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 Number	<p>Assess whether the internet is likely to be the most effective advertising media to use for <i>Cruise & Go</i> to increase sales.</p> <p>Indicative content</p>
2(e)	<p>Indicative content guidance</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Advertising is a form of promotion where a business communicates with potential customers to make them aware of the product and to persuade purchases to be made • Internet advertising is a cheaper method of advertising than using the radio or TV and is therefore more suitable for a small business starting up • It will be easier to update adverts on the internet as new activities are added to the app. This means that Anika and Hans will be able to make <i>Cruise & Go</i> customers aware of changes and therefore, potentially attract further custom • It will be possible to measure interest in <i>Cruise & Go</i> adverts from using the internet to advertise because the number of 'hits' will enable them to judge the level of interest in the app. Therefore, whether the internet is an effective form of advertising • However, there is a huge amount of information and advertising on the internet and so it may be difficult for the <i>Cruise & Go</i> app to be noticed • This may mean the money spent on internet advertising is wasted when it could have been put to a more effective use • There may be technical problems which reduce the effectiveness of the adverts and even prevent them from being seen • Alternative means of advertising may be more effective, such as advertisements in travel/holiday magazines which may be read by potential customers when they book a cruise • Overall, internet advertising may be an effective form of advertising media, but it may need to be used alongside alternative methods as well

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	0	No rewardable material.
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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 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 Number	<p>Evaluate whether a bank loan or peer-to-peer funding would be the more suitable source of finance for <i>Royal Oven</i>'s expansion plans.</p>
	Indicative content
3	<p>Indicative content guidance</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <p>Bank loan</p> <ul style="list-style-type: none"> • <i>Royal Oven</i> could expand by taking a loan from a bank • Banks are more likely to lend to successful businesses, such as <i>Royal Oven</i> • <i>Royal Oven</i> has grown from a partnership to a private limited company with 13 retail bakeries in Tanzania. Therefore, a bank may see the business as being a secure business to lend to • This would enable the business to meet its aim to open additional retail bakery shops in locations in Tanzania • Banks are likely to have specialist business advisors who are experienced in providing advice to growing businesses • This could help <i>Royal Oven</i> to further develop its range of bread and cakes successfully • However, taking a loan from a bank incurs an interest charge • Smaller businesses may incur a higher rate of interest because they may be seen as a greater risk than a large business which is already operating on a national or international scale. Therefore, increasing costs • There is likely to be a need to complete an application process and/or a business plan in order to obtain a loan. • This means that it may be time-consuming and/or more difficult for the owners of <i>Royal Oven</i> to obtain finance from a bank as their expertise may be baking rather than managing financial paperwork <p>Peer-to-peer funding</p> <ul style="list-style-type: none"> • Peer-to-peer funding occurs when a person lends money to other individuals or businesses via online transactions • There is no guarantee the lender will receive their money back and so they would be keen to see evidence that <i>Royal Oven</i> is operating a successful business before funding its expansion to areas of Tanzania • It is likely to be cheaper for <i>Royal Oven</i> to arrange finance through peer-to-peer funding because charges are usually lower than from a bank • There is no need for a formal application and the process is generally quite flexible and so it may suit the owners of <i>Royal Oven</i> more to use this as a source of finance

- However, as no knowledge of business is needed by the lender, *Royal Oven* would not be able to obtain advice and experience if using this source of finance
- There is no guarantee that *Royal Oven* will be accepted for receipt of finance and so there would be uncertainty during the early stages of *Royal Oven's* expansion plans
- It is likely that there would be a lot of competition for peer-to-peer funding from other small to medium sized businesses in Tanzania
- Overall, it may be possible to combine borrowing from a bank and peer-to-peer funding in order to expand *Royal Oven* to areas of Tanzania
- It may be better to use alternative sources of finance, such as family & friends, business angels or internal finance

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<p>Isolated elements of knowledge and understanding.</p> <p>Weak or no relevant application of business examples.</p> <p>An argument may be attempted, but will be generic and fail to connect causes and/or consequences.</p>
Level 2	5–8	<p>Elements of knowledge and understanding, which are applied to the business example.</p> <p>Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question.</p> <p>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.</p>
Level 3	9–14	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question.</p> <p>Arguments are well developed.</p> <p>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.</p>
Level 4	15–20	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>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.</p>