

# **Examiners' Report**

## **June 2023**

**International Advanced Level 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 and some topic areas which would benefit from further study.

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.

## Question 1 (a)

There were two parts to the definition of the term 'franchising' and examiners were looking for references to a type of business where the owners/franchisor allow(s) others/franchisee to trade under its name. It was necessary to provide both parts to gain two marks.

Examiners accepted references to using the brand name or logo but did not accept vague references to expanding or selling products on its behalf.

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

Partial explanations were given one mark.

1 (a) Define the term 'franchising'. (Extract A, line 4)

(2)

Franchising is when a business (franchiser) allows another operator (franchisee) to trade under the business name.



This response was given 2 marks as it has both parts required in the definition: 'when a business allows another operator' and 'to trade under its name'.



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.

1 (a) Define the term 'franchising'. (Extract A, line 4)

(2)

When someone pays an existing business a sum of money for permission to use their brand name and sell their goods or services



**ResultsPlus**  
Examiner Comments

Again, a full definition is given, even though it differs a little from the mark scheme version. Any appropriate response will be credited. In this case, 'someone pays an existing business' and 'for permission to use that brand name' lead to full marks.



**ResultsPlus**  
Examiner Tip

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 did not understand how to calculate the total variance. In such cases they often incorrectly calculated it by putting the budgeted figure minus the actual figure.

Marks could be gained by showing workings but these were not necessary if the correct answer was shown. This included a maximum of two marks for application if the three months were correctly calculated separately but not added together to show the total, as was requested by the question.

Examiners gave three marks if the units were missing.

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

- (b) Using the data in Extract B, calculate the total variance in sales revenue for the Žabka shop for the three months January–March 2022. You are advised to show your working.

(4)

~~Variance for January~~

Variance = actual income - budgeted income

Variance for January:  $95\,752 - 95\,000 = 752$

Variance for February:  $110\,555 - 100\,000 = 10\,555$

Variance for March:  $95\,720 - 100\,000 = -4\,220$

Total variance in sales:  $752 + 10\,555 - 4\,220 = 7\,087 \text{ (Zł)}$



**ResultsPlus**  
Examiner Comments

This response scored 4 marks. It has clear workings to arrive at the correct answer of 7 087zł.



**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.

- (b) Using the data in Extract B, calculate the total variance in sales revenue for the Żabka shop for the three months January–March 2022. You are advised to show your working.

(4)

Calculating the variance in sales for Jan:

$$95752 - 95000 =$$

$$= 752 \text{ zł favourable}$$

Calculating the variance in sales for Feb:

$$110555 - 100000 =$$

$$= 10555 \text{ zł favourable}$$

Calculating the variance in sales for Mar:

$$95180 - 100000 =$$

$$= -4220 \text{ zł adverse}$$

Calculating the total variance <sup>prof sales</sup> for three months:

$$95752 + 110555 + 95180 =$$

$$= 302087 \text{ zł}$$

$$302087 - 295000 =$$

$$= 7087$$

Total variance in sales for three months would be 7087 zł, which is a favourable result.

$$95000 + 100000 + 100000 =$$

$$= 295000 \text{ zł}$$



**ResultsPlus**  
Examiner Comments

Again this response scored all 4 marks. It has gone into more detail but gets all marks available for the correct final answer. However, had it not given a correct final answer, showing the workings can at least allow access to some marks.



**ResultsPlus**  
Examiner Tip

If the question asks for a response to be given to two decimal places, then full marks can only be gained by doing so. 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 reasons for the possible difference between cash held and the profit at a *Zabka* shop for the knowledge marks.

Reasons could include things like payment on credit, use of savings to finance the shop or sale of fixed assets.

The reasons needed to be in the context of *Zabka* to gain application marks and a cause/consequence given to be credited with analysis marks.

(c) Analyse **two** possible reasons why the cash a Zabka shop holds may differ from its profit.

(6)

Profit is total revenue - total costs  
~~Cash is the amount of liquid money~~ Cash is liquid money

Firstly, one reason the cash a Zabka shop holds may be different from its profit is because of ~~the~~ trade credits. A Zabka shop may purchase inventories like groceries on trade credit meaning they do not have to pay immediately. This will show up on the income statement as a cost and reduce profit however since the shop has something like 90 days to pay they will retain the same amount of cash.

Secondly, customers may buy items like hot sandwiches in bulk, however they may be able to "buy now and pay later" which would increase the revenue and thus the profits of a Zabka store but because the money is not coming in now the cash Zabka stores hold would increase.



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 and 2 x AO3 analysis.

Knowledge of the difference between cash and profit is shown by the two reasons: trade credit and bulk purchases allowing for 'buy now, pay later'. The definition would have been credited but both knowledge marks are already gained by the reasons.

This knowledge is given in the context of the *Zabka* shop purchasing inventory with 90 days credit and customers buying hot sandwiches by using the extracts.

A cause/consequence is then given for each reason to gain both analysis marks.



Although a definition is acceptable to gain 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 of the 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-based questions on the paper.

There were some excellent discussions regarding whether the reduction in taxation on personal incomes would benefit *Zabka* but some failed to give a counterargument.

Use of extracts was generally quite good but some generic responses were presented.

(d) Discuss the likely benefits to Zábka when the taxation on personal incomes is reduced.

(8)

Taxation is the amount of money paid to the government by people and businesses.

One benefit is that more customers will buy from Zábka, as they will have more personal income to spend on groceries. This is good for the business because sales revenue will increase as more customers ~~to~~ purchase its hot drinks, soups, ~~sandwiches~~ <sup>and</sup> Sandwiches. This leads to a higher ~~&~~ market share for Zábka in the market of food and groceries. Therefore, they <sup>benefit</sup> ~~gain~~ competitive advantage as they dominate a larger percentage of the market.

Thus, with reduced taxation on the personal income of customers, Zábka will generate higher revenues from sales and consequently a higher profit that could be invested in market research, as the business is close to their customers and understands their ~~&~~ needs, increasing customer loyalty.

However, a reduction in taxation on personal incomes may cause customers to purchase ~~pro~~ food of high quality or premium price, as they have the funds to afford it. This ~~would~~ leads to Zábka losing customers due to them choosing to dine or purchase groceries from substitute businesses that are more expensive/luxurious.

Therefore, Zábka would generate less revenue from sales and <sup>a loss would be made,</sup> ~~profit would be lower~~ as the costs would be higher than revenue.



This response scored Level 3 – 7 marks.

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

The use of a few assertions keeps it at the mid-point of Level 3 and 7 marks rather than it reaching the top mark available.



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

In this question, the benefits of the reduction in taxation on personal incomes should have been discussed versus the 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 question.

## Question 1 (e)

This was a levels-based question with four levels.

Many candidates were able to assess how *Zabka* might benefit from the using a zero based marketing budget, providing a two-sided argument.

For a level four response, examiners were looking for developed arguments stating why *Zabka* might benefit, using evidence, but also why the benefits may have been less significant or possible drawbacks, 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 conclusion.

(e) Assess the likely benefits to Zabka of using a zero based marketing budget.

(10)

Zero based budgeting is financial planning which does not involve backdata and is only based on expert opinion and future estimations.

Zero based marketing budgets will largely benefit Zabka as with grocery stores like Zabka consumer trends and preferences change very often and the ~~super~~ grocery markets are usually very volatile. These constant fluctuations in consumer preferences and markets will surely impact Zabka's decision making on whether to use zero based marketing budgets or not, because Zabka is desperate to be close to its customers and understanding their need. Since consumer needs change constantly, it would be wrong for Zabka to use past ~~data~~ marketing data and base their budgets on that. Instead Zabka will benefit by using a zero based marketing budget and assessing opportunity costs at every budgeting decision. This way Zabka will for sure keep up with the volatile consumers and markets.

On the other hand, however, Zabka has been around since 1998 and has over 8,000 stores in Poland, meaning that they have access to plenty of previous backdata. For example Zabka

surely must have all the past data on budgeted income and actual income for each year. This backdata can assist them in using historical budgeting and predicting future budgets based on past consumer trends in large cities, as well as small towns.

In conclusion, I believe Zabka should use zero based marketing budgets rather than historical budgeting, because consumer trends change all the time, for example nowadays healthy diets and natural product are popular and it is important that Zabka takes all the new trends into account in order to remain close to their customers and always understand their needs.



**ResultsPlus**  
Examiner Comments

This response achieved Level 4 – 9 marks.

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

Although there is development of the points, this could be better in order to achieve the full 10 marks available.



The command word 'assess' will always require a more in-depth development and evaluation 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 'production' and examiners were looking for references to the idea of a process where raw materials are turned into finished goods.

Any other appropriate response was accepted but the definition needed two parts to gain both marks.

2 (a) Define the term 'production'. (Extract D, line 4)

(2)

the term production is the process of creating a product, which it goes through the stages of raw materials to finished goods.



**ResultsPlus**  
Examiner Comments

This response was given 2 marks for the definition with both parts required. A product goes through the stages of raw materials (1) to finished goods (1).



**ResultsPlus**  
Examiner Tip

The question will always have two marks available for defining the term so make sure your response is fully developed and is not a vague attempt at a definition.

There are no marks available for examples so do not 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 number of hours as was required by the question, instead giving the answer as minutes. Such responses were still credited with relevant knowledge and/or application marks, as appropriate.

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 units (hours) were missing.

A machine is used to bring the different parts of a tennis ball together. The machine produces 100 finished tennis balls every eight minutes.

- (b) Using the data in Extract D, calculate, to two decimal places, the number of hours required by this machine to supply the 70,000 tennis balls needed by a US Open tournament. You are advised to show your working.

(4)

$$100 = 8 \text{ min.}$$

$$70\,000 = n \text{ min}$$

Total number of tennis ball x 8  
total number of min  
ball per 8 minutes

$$100 n = 560\,000$$

$$n = 5600 \text{ minutes}$$

$$\frac{5600}{60} = 93.33 \text{ hours.}$$



**ResultsPlus**  
Examiner Comments

This response scored all 4 marks because it has a correct answer of 93.33 hours.

There were a number of correct ways of calculating to find the correct answer and any correct method was accepted when the examiner reviewed 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 gained 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 limitations for *Wilson* of using break-even analysis to gain the knowledge marks.

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

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

*Wilson* is considering the use of break-even analysis.

(c) Analyse **two** limitations for *Wilson* of using break-even analysis.

(6)

Break-even is when a point when the business does production but has no profit and no loss.

Break-even is just a prediction. It cannot predict the break-even of producing a tennis ball for *Wilson*. As it 24 stages of production, that can include a various number of variable cost. Thus, limiting the use of break-even as it's hard to calculate.

Additionally, ~~With~~ *Wilson* supplied 70 000 tennis balls for the French Open and US open tournament. To calculate break-even from such a huge sum can be difficult as there can be given balls discounts or there can be balls defected. Thus, the break-even doesn't consider these factors so break-even not applicable for usage by *Wilson*.



This response scored all 6 marks as it shows two possible limitations, 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/reasons/limitations, 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 ask for two factors/limitations etc. 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 appreciation in the Thai Baht for *Wilson*. However, some were generic in nature instead of using the evidence to put the response in the context of *Wilson* and some were confused about the effects of a currency depreciation.

Equally, some were weak in terms of evaluation.

The currency used in Thailand is the Thai baht (฿).

(d) Discuss whether an appreciation in the Thai baht (฿) will benefit Wilson.

(8)

Appreciation is when the value of one currency rises compared to other currencies. This means that Thai baht can now buy more foreign currency for the same amount.

The rubber used to make Wilsons tennis balls are imported from nearby Asian countries such as Malaysia or Vietnam. An appreciation in Thai baht will benefit Wilson as it is now cheaper to import materials such as rubber. Therefore, it will reduce their cost of production as it now costs them less to import the rubber. This will lead to lower costs therefore a higher profit margin and Wilson will now be able to make a higher profit. As the value of currency is greater, they can have more rubber for the same amount which can lead to an increase in production. However, due to appreciation, if Wilsons export their product in order countries, it may sell for a higher price. This is because the value of currency of Thai baht has increased. Therefore, Wilsons may not be able to compete globally with their exports.

as the customers would rather buy tennis balls that are made in the country as they are cheaper than the ones exported from Thailand. This will make it difficult for Wilson to attract customers globally.



**ResultsPlus**  
Examiner Comments

This response scored 7 marks (Level 3) as it discusses the benefits of a currency appreciation and is in context, as well as offering evaluation of potential drawbacks. However, some of the points are not as well developed leaving the response at 7, rather than the full 8 marks.



**ResultsPlus**  
Examiner Tip

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 possible benefits of capital-intensive production but some failed to relate this to productivity, as required by the question. Some responses were generic in nature and failed to assess possible disadvantages or limits of the advantages.

(e) Assess the possible benefits that capital-intensive production may have on productivity at the Wilson factory.

- maintenance cost ↑  
- cannot do all task.  
(10)

capital-intensive is when a business uses machinery than labour in the production process.

If Wilson factory uses machinery to crush the rubber to form a core or cutting the core to size it will be less costly in the long term. This is because wages do not need to be paid because labour is not doing these jobs.

In the long term capital will be less costly, therefore cost of production increases for Wilson. Therefore, they will be able to earn a higher profit.

Furthermore, since the factories operate 24 hours a day, the machineries will never be "tired" like labour ~~is~~ intensive or workers. They can keep ~~producing~~ cutting felt into shapes to wrap around the ball and produce the correct weight and size core for the tennis ball without making mistakes. This increase productivity for Wilson's factory and ~~less~~ there will be less wastage because mistakes are not made by machines, (they cut accurately). This will help maintain the 100 million tennis ball output per year for Wilson. Therefore, they can keep their reputation stable.

However, maintenance cost is ~~high~~ and repair costs are high. If one of the machines break down, it will cost a lot for the business, furthermore it can cause production to pause as well because the production is ~~indep~~ an interdependence production because worker need the ~~cut~~ cut felt to be able to wrap it around the core. This will cause cost to increase and productivity/output to decrease. Therefore, it will cause Wilson to make a loss.

Furthermore, all tasks cannot be conducted by machines. For example, the more complex and skillful task such as wrapping the felt around the core, and some workers are needed to operate the machines. Therefore, without labour production cannot be complete, ~~without~~ without labour, productivity will reduce and there will be zero output.

In conclusion, capital intensive production will be cheaper than labour intensive because less wages need to be paid, but a labour is also needed in the factory to maintain high productivity.



This response scored 8 marks (Level 4) as it assesses points using the evidence reasonably well.

Each element of knowledge, application, analysis and evaluation was fairly well presented but not of a high enough standard to match the level descriptors in Level 4 fully, leading to a mark at the bottom of the level.



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, causes and/or consequences.

### 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 retained profit and sale of assets 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 stated as separate points with negatives associated with sale of assets and/or retained profit.

- 3 Evaluate whether sale of assets or retained profit would be more suitable for Asian Biscuit and Confectionery Ltd (ABC) to help finance the purchase of new production equipment.

(20)

Sales of assets involves a company selling assets such as land, equipment, etc in order to obtain finance. This is an internal source of finance therefore it is taken from within the business. ABC has been an established business since 2012, therefore it is likely that they have own many assets as they have been operating <sup>for</sup> more than 10 years. Sales of assets will be advantageous for ABC as they are <sup>an</sup> easy way to raise finance. Selling assets does not require any complicated paperwork (such as bank loan's requirements) and can easily be sold when needed. This makes them less time-consuming therefore ABC can use this method to get finance quicker and buy equipment quicker. This will lead to quickly generated finance hence they will not need to wait long periods in order to invest in equipment which will help them remain above their competitors.

Moreover, ABC owns fully automated factories

which means they already have a lot of machinery. ABC can sell this equipment in order to purchase a newer, more technologically advanced machine. This will help them increase productivity and efficiency as the new equipment is likely to operate better. This will lead to ABC gaining another competitive advantage as they are using <sup>and more efficient</sup> better equipment hence increasing production. However, the value of assets is not constant and depreciates. Therefore, the assets ABC has will be sold for a lower value which will lead to less finance being raised hence ABC may have to sell more assets. Moreover, once the assets are sold they can't be brought back so if the business needs quick finance for unforeseen events, they may not have enough assets left in order to sell them to get finance.

Retained profits are profits that a business has after a few years of trading. These profits can be re-invested back into the business for growth and development. Retained profits will be beneficial for ABC as they do not have any interest rate. As the business operates in Nepal, the currency of the country is weak and banks are likely to have high interest rates in order to avoid inflation. Even tho long term loans have a lower interest, ABC will still be required to pay more

than they borrowed. Therefore, retained profits will be a suitable option as ABC will not have to pay anyone back and can internally get the finance they need. Moreover, it will not add to the fixed cost of the business. This will lead to the business raising enough finance without any interest therefore they can purchase new equipment without having to worry about paying someone back. Furthermore, like sales of assets, retained profits does not require any complicated paperwork and can easily be accessed as they are already present in the business. This will lead to ABC generating finance in a cheap, easy and quick method which will be beneficial for the business.

In conclusion, it is recommended that the business uses sales of assets. Even tho the business will likely have enough retained profits since it has operated since 2012, it is more useful to use that finance in market research as the market they are in is very dynamic. Selling old machinery to purchase new and improved ones will benefit the business in terms of increasing production. However, the business can consider leasing the equipment in order to spend less amount of finance. (Total for Question 3 = 20 marks)



This response achieved 18 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-based questions and started at the mid-point within the level of 18 marks. There was no need to go down within the level because the response is a close match to the descriptors. Neither did it go up because it was felt the response did stray from the question to some extent in part, rather than fully developing each point with relevance.



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 each worth two marks 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 credited for simply repeating the 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.
- As is indicated in the specification, WBS12 questions may require students to draw on their knowledge from Unit 1.
- There may be more space provided than you need to write your responses. This is also indicated on the front of the question paper.