

Examiners' Report

June 2024

IAL Business WBS12 01

Introduction

A good awareness of business was shown by candidates taking this unit. In general, candidates appeared to be well prepared for the topic areas covered 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 are two parts to the definition of the term 'social media' and examiners are looking for references to an internet-based platform enabling firms to interact with consumers. It is necessary to provide both parts to gain 2 marks. Examiners will accept any suitable reference to buying/selling/advertising etc but it must be clear that the platform is online/internet-based/digital etc. Examples, such as TikTok or Facebook, were occasionally used by candidates but no marks are available for the use of these. Partial explanations are given one mark.

SECTION A

Read Extract A in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Define the term 'social media'. (Extract A, line 21)

(2)

Online platforms such as Facebook,
youtube, instagram that can be used
to advertise your products.



ResultsPlus
Examiner Comments

This response achieves 2 marks as it has both parts required in the definition: 'online platforms' and 'used to advertise products'. The examples are ignored as they do not score any 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.

Question 1 (b)

Many candidates were able to calculate the correct answer and so were given the full 4 marks but some candidates did not understand how to calculate the percentage change in revenue. In such cases they sometimes tried to calculate the percentage change in number of passengers or of capacity utilisation. Marks can be gained by showing workings but are not necessary if a correct final answer is given. Only 3 marks are awarded if the units are 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 A, calculate the percentage change in revenue per trip, following Mario's decision to use social media to promote the scheduled services of the *MV Pride*. You are advised to show your working.

$$\text{Change in percentage} = \frac{\text{new} - \text{old}}{\text{old}} \times 100$$

New value = 100% capacity

Old value = 80%

$$\text{change in percentage} = \frac{100 - 80}{80} \times 100$$

$$\text{change in percentage} = 25\%$$



ResultsPlus
Examiner Comments

This response scores 4 marks. It has clear workings to arrive at the correct answer of 25%. The application is a different approach to that shown in the mark scheme but any appropriate route is credited.



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 A, calculate the percentage change in revenue per trip, following Mario's decision to use social media to promote the scheduled services of the *MV Pride*. You are advised to show your working.

(4)

$$30 \times 8 = 240$$

$$30 \times 10 = 300$$

$$\frac{300 - 240}{240} \times 100 = 25\%$$



This response scores all 4 marks. It uses a different approach in the application to the previous exemplar, which is also correct, and it gets all marks available for the correct final answer. Had it not given a correct final answer, showing the workings can at least allow access to some marks.



Make sure you use the appropriate units to provide a fully accurate response.

Question 1 (c)

Examiners are looking for responses to show either a definition or two separate reasons why the MV Pride could be described as a lifestyle business for the knowledge marks. Reasons could include things like the owner maintains a certain lifestyle or does not need to work additional hours. The reasons need to be in the context of Mario and/or the MV Pride to gain application marks and a cause/consequence given to be credited with analysis marks.

(c) Analyse **two** reasons why the *MV Pride* could be described as a lifestyle business.

(6)

a lifestyle business is a business whose main objective is the production of enough profit to sustain a certain lifestyle.

One reason why *MV Pride* can be seen as a lifestyle business is that Mario does not spend money on advertising. This means that he is not too concerned with attracting customers and increasing revenue as he is satisfied with his current revenue as it allows him to live his current lifestyle. This is clear as it is not a main objective to gain market share and compete.

Another reason to describe *MV Pride* as a lifestyle business is that the service only runs twice a week and exceptions on unscheduled days. This displays how the objective is not to maximise profit however only to create enough profit to allow Mario to enjoy his days on the water with his friends.



This response scores all 6 marks as it meets all the criteria required by the AOs in the mark scheme – 2 x AO1 knowledge (K), 2 x AO2 application (Ap) and 2 x AO3 analysis (An). Two separate applied and analysed reasons of lifestyle businesses are given:

- Not too concerned with attracting customers (K), doesn't spend money on advertising (Ap), allows him to live chosen lifestyle (An).
- Objective isn't profit (K), service only runs twice a week (Ap), allows Mario to enjoy days on the water with friends.



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 reasons and so only giving one will not allow access to all the marks.

Question 1 (d)

This question is marked using the levels based mark scheme. For an 8 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 how budgeting could be beneficial to Mario when running the MV Pride but some failed to give a counter-argument. Use of extracts was generally quite good but some generic responses were presented.

The cost of fuel needed to run the *MV Pride* can vary. A friend of Mario's suggested he uses budgeting.

(d) Discuss whether budgeting could be beneficial to Mario when running the *MV Pride*.

(8)

Budgeting is creating a financial plan for the future, to help the organisation or the business, in terms of where to allocate finance

Budgeting may be beneficial to Mario and *MV pride* as it will help him identify how much of the budget is allocated to fuel. This is significant to Mario as he prefers to spend his days enjoying the water with his friends so he must identify how costly fuel is to be able to still have money to support his lifestyle.

However a budget may be too time consuming and draining for a person like Mario. He prefers to only work twice a week and by creating and following a budget he may have to take more time from his week to maintain the budget. This is negative for Mario as it may alter his current living style and he may not be motivated to create a budget as a result producing unreliable data and draining his time.

A Budget may be unnecessary for such a business as there is not much to plan for. Since Mario works alone he does not have employees to pay and his only cost is his fuel. With a small work load of two days per week and enjoying the boat at other times he will only need to create a budget for fuel which will not require much time or urgency so Mario may not find it necessary or beneficial.



This response scores 7 marks, level 3.

It provides a good understanding of budgeting within the context provided but is not sufficiently balanced for the full 8 marks, offering more reasons why budgeting may not be beneficial to Mario. The second paragraph is not all about budgeting but the rest of what is presented is a good match to the level 3 descriptors.



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

In this question, the benefits of using budgeting for Mario should have been discussed versus the possible disadvantages or limits of the budgeting. If a candidate does not provide a two-sided argument or presents a generic answer, they may reduce their chances of achieving full marks as the full level descriptors for 8 marks would not be met. A conclusion is not required for an 8 mark question.

Question 1 (e)

This is a levels based question with four levels.

Many candidates were able to assess how Mario may benefit from using an overdraft, providing a two-sided argument. For a level four response, examiners are looking for developed arguments stating why he 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 need to see evaluation as well as a balanced awareness of competing arguments, leading to a supported conclusion.

In August 2022, the *MV Pride* needed some repairs to ensure it could continue to run trips between the two islands.

- (e) Assess the benefits to Mario of using an overdraft as a method of finance for the repairs needed on the *MV Pride*.

(10)

An overdraft is an external source of finance where Mario would borrow money that he does not have in his account from a bank.

One benefit from using an overdraft is that Mario can gain a large sum of finance to support his repairs. This is good for Mario as he can then pay back this money over a period of time and this is an advantage as it won't require Mario to work overtime. This is significant as he will still have time to meet his personal objectives of enjoying time on the boat with his friends as well as repairing the *MV Pride* ensuring his business is in order as well as his lifestyle.

However an overdraft has its drawbacks such as having to pay back in interest. This may be difficult for Mario as he does not produce much revenue as the price for a passenger is \$30 and his maximum weekly revenue is \$600 without subtracting fuel costs and his own personal costs. This means that Mario may not be able to sustain enough to repay the overdraft putting a risk on *MV Pride* as an asset if he fails

to pay the money.

In conclusion an overdraft is good for Mario as it helps him gain finance to repair MV Pride without having to adjust his lifestyle or increase his workload. However this is good short term but this will depend on whether Mario can pay the overdraft long term. An overdraft is not the only option for Mario as he can use peer-to-peer lending which does not require interest but can strain his close relationship with friends. Overall an overdraft may be better paired with other sources of finance.



ResultsPlus
Examiner Comments

This response achieves 8 marks, level 4.

It has logical and coherent arguments with reasonable chains of reasoning. Arguments are mostly developed and evaluated with appropriate use of the extracts. Although there is development of the points, this could be better in order to achieve higher within the level.



ResultsPlus
Examiner Tip

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 are two parts in the definition of the term economic variables and examiners are looking for references to the idea of factors or measures which have an effect on businesses and/or consumers. Any other appropriate responses are accepted but the definition needs two parts to gain both marks.

SECTION B

Read Extracts B and C in the Source Booklet before answering Question 2.

Write your answers in the spaces provided.

2 (a) Define the term 'economic variables'. (Extract B, line 11)

(2)

Economic variables are a part of economic influences which affect a business, for e.g. increased energy costs or increased taxes. It can also be seen as government intervention.



ResultsPlus
Examiner Comments

This response achieves 2 marks: 'Economic influences' (1) 'which affect a business' (1). The examples do not score any marks as none are ever available for questions with the command word 'define'.



ResultsPlus
Examiner Tip

The question will always have 2 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 gross profit margin, instead perhaps calculating the gross profit or putting the revenue in the wrong part of the calculation. These responses were still credited with relevant knowledge and/or application marks, as appropriate. As with all 4 mark calculate questions, marks are given for showing correct workings but these are not necessary if the correct final answer is shown. Examiners award 3 marks if the units (%) are missing.

- (b) Using the data in Extract C, calculate to two decimal places, the gross profit margin for KAL in the year ended 31 March 2022. You are advised to show your working.

$$\text{gross profit margin} = \frac{\text{gross profit}}{\text{revenue}} \times 100$$

$$\text{gross profit margin} = \frac{134}{14203} \times 100$$

$$\text{gross profit margin} = 0.9394937951\%$$

$$\text{gross profit margin} = 0.94\%$$



ResultsPlus
Examiner Comments

This response scores all 4 marks because it has a correct answer of 0.94%. This response has shown the formula and the correct application of the data, meaning it would still have scored 1 x knowledge and 2 x application marks even if the final answer had been incorrect.



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. This response would not have scored all 4 marks had it not rounded the full answer to 2 decimal places.

Question 2 (c)

Examiners are looking for responses to show either a definition or two separate ways that KAL could reduce capacity utilisation for the knowledge marks. Ways could include things like increase the price of peak membership or make more classes available. The ways needed to be in the context of KAL to gain application marks and a cause/consequence given to be credited with analysis marks.

Some of the peak time fitness classes operated by KAL are often at full capacity, leading to customer complaints.

(c) Analyse **two** ways that KAL could reduce capacity utilisation at these classes.

(6)

capacity utilisation is the use a business makes of its resources.

One way is by increasing the prices of the classes. ~~above £29.95~~. Since consumers are sensitive to price changes, increasing the price of memberships above £29.95 per month would reduce the demand at these classes. This means that less customers will be willing and able to attend. Hence capacity utilisation at KAL will decrease for these classes and customers will be more satisfied.

Another way could be by expanding. If the classes are full each week, KAL could try to increase the number of classes for the same amount of people. This would mean each class would hold less than its full capacity, giving customers the room and flexibility they desire.



This response scores all 6 marks as it meets all the criteria required by the AOs in the mark scheme – 2 x AO1 knowledge, 2 x AO2 application and 2 x AO3 analysis:

- Increase price (K), £29.95 (Ap), the rest of the paragraph then analyses (An), providing both cause and consequence.
- Increase number of classes (K), each class would hold less than its full capacity (Ap) and the consequence of more room/flexibility (An).



As with Q01(c) , 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.

Some of the peak time fitness classes operated by KAL are often at full capacity, leading to customer complaints.

(c) Analyse **two** ways that KAL could reduce capacity utilisation at these classes.

(6)

KAL could raise their prices from 29.955 to more in order to reduce the members at the classes. By using this method less members will be willing and able to pay which will decrease demand therefore, reduce capacity utilisation and stop customer complaints.

Another method is doing couple more fitness classes each day and spread them across all 12 leisure centres. By doing this employees will have more hours to choose from, therefore demand will be spread across more places and times, which will lead to a reduce in capacity utilisation.



ResultsPlus
Examiner Comments

An alternative approach but still worthy of the full 6 marks:

- Increase price (K), demand theory – less willing and able to pay (An), reduce complaints (Ap).
- More fitness classes (K), across all 12 centres (Ap), *consequence* = demand is spread across more places (An).



ResultsPlus
Examiner Tip

The way/reason/advantage can come in any part of the response but must be provided in order to secure the marks.

Question 2 (d)

Like Q01(d), this is marked using the levels based marking grid and consists of three levels.

Candidates were generally able to provide a two-sided response which focused on the difficulties faced by KAL as a result of health and safety legislation. However, some were generic in nature instead of using the evidence to put the response in the context of KAL and some were unable to provide a counter argument. Equally, some were weak in terms of evaluation.

UK health and safety legislation affects the running of leisure services, such as public swimming pools, which must be under the constant supervision of trained lifeguards.

- could decrease quality → decrease hygiene in pools
- (d) Discuss whether health and safety legislation is likely to cause difficulties for KAL when trying to decrease its costs.

(8)

Health and safety could be a difficulty for KAL to decrease costs as normally, quality is affected. This means that if the law of health and safety ~~limits~~ requires a high quality standard ~~for clean and safe~~ like for example, a ~~safety~~ and hygienic gym. This would make KAL's ~~costs~~ total expenses to increase and therefore cost efficiency would not be achieved. However, other factors could also affect costs such as customer satisfaction. This means that if customers see quality is decreasing, ~~then~~ they may prefer to move to competition ~~like~~ who can provide better services.

Reducing staff could also be affected by the UK health and ~~safe~~ safety legislation as KAL ~~can't~~ can't reduce the amount of trained and skilled workers in exchange for new volunteers as trained employees are needed to supervise swimming pools or other leisure centres. This means that KAL won't be able to reduce

employee costs from £8,761,000. ~~This is~~ Therefore KAL would still have financial issues and they ~~would~~ have more risk of liquidity problems. However, by reducing temporarily the use of ^{two} swimming pools and two leisure centres, other costs like energy bills or water supply could decrease and KAL would be able to recover some of the money lost because of the global health crisis.



ResultsPlus
Examiner Comments

This response scores 7 marks, level 3.

It discusses the difficulties for KAL and is in context, as well as offering evaluation of these difficulties by way of a counter argument. 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 less likely 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 likely impact of a price increase but some failed to relate this to the impact on demand for off-peak membership, as required by the question. Some responses were generic in nature and failed to assess the impact presented.

(e) Assess the likely impact on demand for off-peak KAL membership if the price is increased from £19.95 per month.

(10)

Demand is the quantity of goods or services that consumers are willing and able to pay at a given time and given price.

Some customers may be purchasing off-peak memberships due to it being cheaper than peak time membership which costs £10 more, even though peak-time membership is a better time for them. Increasing off-peak membership prices may cause members to switch to peak-time memberships as the prices may then be similar and they would get to go to leisure centres at preferred times. This leads to a decrease in demand for off-peak memberships and an increase in peak-time membership, which lead to high congestion of leisure centres during peak-times. This may lead to customer dissatisfaction as it may be too busy meaning some members are unable to use certain facilities. This leads to lower sales and potential membership withdrawals. However demand for off-peak memberships may be unaffected as this already may be a suitable time for some and price increase may not be that significant as a % of members income. Therefore there may be no change in demand, leading to increased gross profit ~~for KAL~~ margin for KAL.

Another impact may be that demand decreases as customers may switch to competitors if KAL is in a competitive market. This is because other leisure centres in the UK may have a more competitive price. This leads to a decrease in sales volume for KAL as rivals pricing may attract consumer in the market as rivals with competitive pricing have more

market power. This leads to a ~~decrease~~ decrease in market share as some members may be lost. However KAL's services may be superior to competitors possibly due to wide range of facilities such as 12 leisure centres with each having health and fitness facilities. Some have tennis courts etc. This leads to no change in demand for off-peak memberships.

In conclusion I believe that the impact on demand for increasing the prices ~~of~~ for off-peak KAL memberships depends on the price increase.

This is because ~~if~~ if it is a small increase that is a small percentage ~~of~~ of member income, then it is likely that demand is not impacted as it may not make a difference to some. However if price increase is significant then this may lead to consumers switching to peak time memberships which may cause overutilisation or members leaving to competitors with more attractive prices.



ResultsPlus
Examiner Comments

This response scores 9 marks, level 4.

It assesses points using the evidence well. Each element of knowledge, application, analysis and evaluation are well presented but not of a high enough standard to match the level descriptors in level 4 fully, drifting to assess peak rather than off-peak membership as required by the question. This results in a mark at the mid-point 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 profits, advertising and, in many cases, of selling to new markets 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 either option presented to increase profits.

SECTION C

Read Extract D in the Source Booklet before answering Question 3.

Write your answer in the space provided.

- 3 Evaluate whether spending on advertising or selling to new markets would be more suitable for Gourmistra when trying to increase its profits.

(20)

Advertising refers to spreading awareness of a product or brand with the intent of having consumers purchase it.

Advertising can vastly spread awareness of Gourmistra shop, especially as it already well known on social media with lots of positive feedback. Advertising on social media proves as a low-cost approach as Matwa can simply make posts online on forums based on Piran and Slovenia for tourists as a whole. ~~First~~ Gourmistra's superior quality products and amazing experience combined with the picturesque local scenery can attract a very large number of consumers who are interested in the scenery of Slovenia, and the taste of local, natural food, sourced within 20km of the Istria region. However, advertising online may prove to be a long-term process and needs to be re-advertised every season as Gourmistra is heavily dependent on tourism, and tourists show up only on certain parts of the year. Additionally, factors such as travel prices may affect the demand of the shop as less consumers are willing to travel when prices are high. Even further, by having an online presence, negative comments brand much further than

by word of mouth, which can impact the business demand. If ~~Gourmlstra~~ Gourmlstra chooses to use door-to-door promotion, it may get very expensive, which Mattia may not be able to afford due to busy shop space being expensive, and due to him renting the shop instead of owning it, thus he may not have a lot of retained profit and may be unable to advertise for ~~very~~^a long duration, which may affect the awareness of the business.

Selling to new markets opens Gourmlstra to ~~new~~ a larger overall market, allowing it to make many more sales and improve its revenue. Selling to markets in other countries can reduce Gourmlstra's reliance on tourists by having market share in a large market. Gourmlstra's unique quality ingredients and the unique selling point of being able to taste food before you buy it can allow it to penetrate into other markets. This would allow the business to make many more sales all-year-round, and continue to expand awareness of the business. The improvement to Gourmlstra's cash flow allows it to continue its expansion and growth. However, busy shop locations are very expensive, and Mattia may not have much retained profit to buy another location, which is important because the shop is well liked for its location and proximity to customers, ~~its~~ its unique experience, and its tasty experience. Out of those, only the tasty experience and shop location advantages can be carried over. If

Gumbira lacks a valuable shop location, it may be unable to expose its factory shop to a large number of cosmes, which could limit its growth in the new market. Additionally, different regional areas have different taste buds, which may not enjoy the garnet Gumbira offers. To counter this, Gumbira may do market research. However, market research can be very expensive especially at large distances. Even further, to enter new markets, Gumbira must enlarge its distribution range, which involves significant investments like the purchase of a vehicle.

In conclusion, both advertising & new markets can enlarge Gumbira's cosmes base ~~the decision~~ ^{but} the decision depends on the level of Gumbira's retained profit, the method of advertising they are interested in, as some may be unsuitable for garnet business or too expensive, and if the new market is domestic or foreign, as taste buds may differ for foreign markets.



This response achieves 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 idea of Matteo being able to open new stores in the manner suggested detracted from the response showing a full awareness of the validity of competing arguments. Nonetheless, a strong response, achieving mid-point within the top level.



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 in this series, eg when answers are required 'to two decimal places'.
- Understand the requirements of the command words in the questions. This will allow access to 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 indicated in the specification, questions may require knowledge drawn from unit 1.
- There may be more space provided than is needed for a full responses. This is also indicated on the front of the question paper.