



Examiners' Report Principal Examiner Feedback

October 2021

Pearson Edexcel International A Level
Business (WBS12 01)

General

As with the previous series, the paper was split into 3 sections: Sections A and B each had five questions, ranging from 2 to 10 marks and Section C had one 20 mark question. It was pleasing to see that many candidates had used papers from previous series to practice their responses and especially to see, note had been taken of many of the points in previous examiner reports.

In general, candidates appeared to be well prepared for most of the topic areas on this paper. However, there were some topics where that did not appear to be the case. 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 and/or inaccuracies. The levels of response 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 did not appear to be many issues with the length of time students needed to complete all questions set.

Report on individual questions

Section A

Question 1a

There were 2 parts to the question to define the term competitive market and examiners were looking for references to 'a large number of rivals' and 'competing to increase sales and profit' or equivalent. Candidates had to provide both parts to gain 2 marks. Examples were occasionally used by candidates but, as in the previous series, no marks are available for these. Partial explanations were awarded 1 mark.

Tip: Unlike with higher mark tariff questions, reference to information in the extract(s) is **not** required for 'define' questions.

Question 1b

Many candidates were able to calculate the correct percentage change of -31.58% and so were awarded 4 marks. Marks could be awarded for showing workings but these were not necessary if the correct answer was shown. Examiners awarded a maximum of 3 marks if the % 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 to two decimal places.

Tip: It is important to state the answer to two decimal places when required by the question, as well as to use the correct units. By doing this, full marks can be achieved.

Question 1c

Good responses were able to analyse two disadvantages for Symington's if there is over-utilisation of capacity. The disadvantages could take the form of not being able to respond to increased demand or tired employees, along with any other suitable response.

Capacity utilisation refers to the use that a business makes of its resources.

Over-utilisation can cause a business to not adapt to quick changes in demand. Since Symington is using the 100% of its production capacity, they won't be able to increase their production in time ~~production~~ to satisfy a sudden rise in demand, therefore losing upon that profit and giving it to the competition. Since Symington "operates" in a competitive market" losing upon profit can be very risky due to the low profit margins in such markets.

In addition over-utilisation can lead to ~~a decrease~~ an unmotivated workforce. Since to keep up at such high levels of production and capacity usage, a business has to give a constant workload to its workers which may result very tiring for them and may lead them to inefficiency and a decrease in labour productivity. Since Symington "employs 800 people" (which would be considered a big company), keeping staff motivated and running efficiently without unhealthy workloads will be very important due to how much Symington relies on its work force.

The above exemplar was given the full 6 marks available. Two clear contextualised and developed disadvantages. First not adapting quickly to changes in demand, therefore losing profit in a

competitive market. Secondly, the 800 people employed being tired leading to inefficiency and a decrease in productivity.

Tip: There are 2 knowledge marks, 2 application marks and 2 analysis marks for analyse questions. Although the knowledge marks can be given for an appropriate definition instead of stating 2 ways/disadvantages/reasons etc., it is not possible to apply or analyse the definition and so marks are likely to be limited with this approach and students should focus on stating, then applying and analysing the two ways/disadvantages etc.

Question 1d

This question was marked using the levels-based marking grid. For an 8 mark 'discuss' 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 towards the top and this approach is used for all levels of response questions on the paper.

There were a varied range of discussions regarding the effect a change in the rate of unemployment may have on Symington's sales forecasts. Stronger responses focused on the ability of consumers to buy more with higher disposable incomes due to being in work and the likelihood of convenience foods such as the range produced by Symington's, being popular with those busy working. These were countered by the fact the rate of unemployment had only decreased a small amount and that the low value (£1) products may be inferior goods which decrease in demand due to rising incomes. Some students misunderstood the question and discussed the ability of Symington's to find employees instead of focusing their response on the effect on sales forecasts, as required by the question.

Unemployment is the situation where people are actively searching for jobs but are unable to find any jobs. As a result of unemployment in the UK, a fall in unemployment of 31.58% in the span of only 5 years, it ~~is~~ can be speculated that the sales of Symington's would increase. This is due to the fact that an increase in the level of people employed would mean that the citizens of UK would have greater purchasing power due to the inflow of income. As a result, ~~the~~ when citizens of UK ~~or~~ have the ability to afford goods and services, the demand for goods such as ~~soap, pasta and needles~~ ~~turner~~ convenience food products would increase. As a result, ~~in~~ the managers of Symington's would forecast that ~~the~~ fall in unemployment would increase turn-over of the business.

Moreover, as a result of a fall in unemployment in the economy of UK, Symington's would believe that the amount of sales of Symington's would increase as the demand for convenience food products in general would increase. This is due to the fact that in a highly engaging economy where citizens are constantly working, a packaged food product such as soup, pasta and noodles provided by Symington's would be of great need to the working population. As a result, the marketing department of Symington's could be able

to adopt this mindset into persuading consumers to buy Symington's food compared to competitors. Due to the increase in the efficiency of the promotion by Symington's, it would be able to increase sales and therefore, the sales forecast of Symington's in charge of sales forecast would predict an increase. However, due to the fact that ~~more~~ people in the market economy are growing in terms of financial prosperity, the level of expectations for product products may increase. As a result, a percentage of the UK population may consider food that are low priced to be of bad quality. This could affect the Symington's most popular product 'Mug shot' as

it is less than £1. As a result, a ~~part~~ part of market may be lost for Symington's as the growing ^{expectations} ~~perceptions~~ of consumers and therefore lead to an ~~unf~~ unfavourable sales forecast. To conclude, the sales forecast prepared may would be favourable as it is expected to increase demand due to higher purchasing power and the idea of adopting an ~~effective~~ effective promotional ~~advertising~~ slogan which would initiate an increase in sales.

This exemplar is a strong response, which scored Level 3 - 8/8 marks. It fully meets the requirements of the level 3 descriptor and appropriately links the developed points back to the effect on sales forecasts.

Tip: The command word 'discuss' requires a two-sided argument. If a candidate doesn't provide a two-sided argument or presents a generic answer, they would restrict their marks. A conclusion is not required for an 8 mark discuss question.

Question 1c

This was a levels-based question with 4 levels. Although many candidates showed a good understanding of private limited companies and usually were able to provide thoughts about the appropriateness of share capital as a method of finance for growth, some were unsuccessful in actually assessing whether it is likely to be the most appropriate method. To achieve a higher level, clarity regarding the link between the share capital and its appropriateness for a private limited company was required. Stronger responses successfully assessed this aspect using the evidence, while weaker responses didn't answer the question, either focusing on alternative methods of finance or the benefits of being a public limited company.

share capital is when shares of the business are sold in order to raise finance, those buying the share own part of the company, and have some control.

One reason why share capital is an appropriate method is that Symington can sell the shares to family or friends that the business trusts. This can be more reliable than outsiders buying the shares. This allows Symington's company to grow within the family by loyal trusted people. This finance can be used to open other branches outside of Yorkshire and introduce a larger variety of food besides pasta, noodles, soup etc. which can help them grow as they can expand their consumer variety in different cities and different food preferences. However, this may not be the case as when family or friends buy the shares they may feel entitled to take control or make decisions as they see fit. This can go against what the owner of Symington wants and cause tension and misunderstandings that can stunt the growth of their brand.

Another reason it may be appropriate is because the people (family and friends) that buy the shares can bring in their specialised and skilled information and

advice on how to grow for Symington. This advice from an experienced owner can help make their growth faster and at a larger scale through planning marketing schemes or ideas similar to the "Mug shot" that may gain attraction etc. However, the finance from share capital may not be enough for the scale of growth Symington is aiming for. It is a very costly plan to grow a company such as theirs as machinery is required for the packaging of foods, high quality ingredients are needed, new land and premises are needed in different cities across the UK along with salaries that other finance methods might be more appropriate for. Such as bank loans or venture capitalists.

In conclusion, share capital is not appropriate compared to other options such as bank loans or business angels as it gives Symington more freedom to make large scale plans to grow as they can raise more funds.

Level 4, 10 marks was achieved by the above response. It has a balanced argument which is full of context. It follows a logical chain of reasoning and awareness of competing arguments. It is further supported by a valid conclusion.

Tip: The command word 'assess' will always require a more in-depth development and some 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.

Section B

Question 2a

Again, there were 2 parts to the question of define inflation and examiners were looking for 'a general increase in the price level' and 'over a period of time'. It was important candidates showed understanding that the term refers to price level or prices and not just of a single good/service.

Tip: This question will always have 2 marks available for a definition so ensure that your response is fully developed and is not a vague attempt at explaining the term.

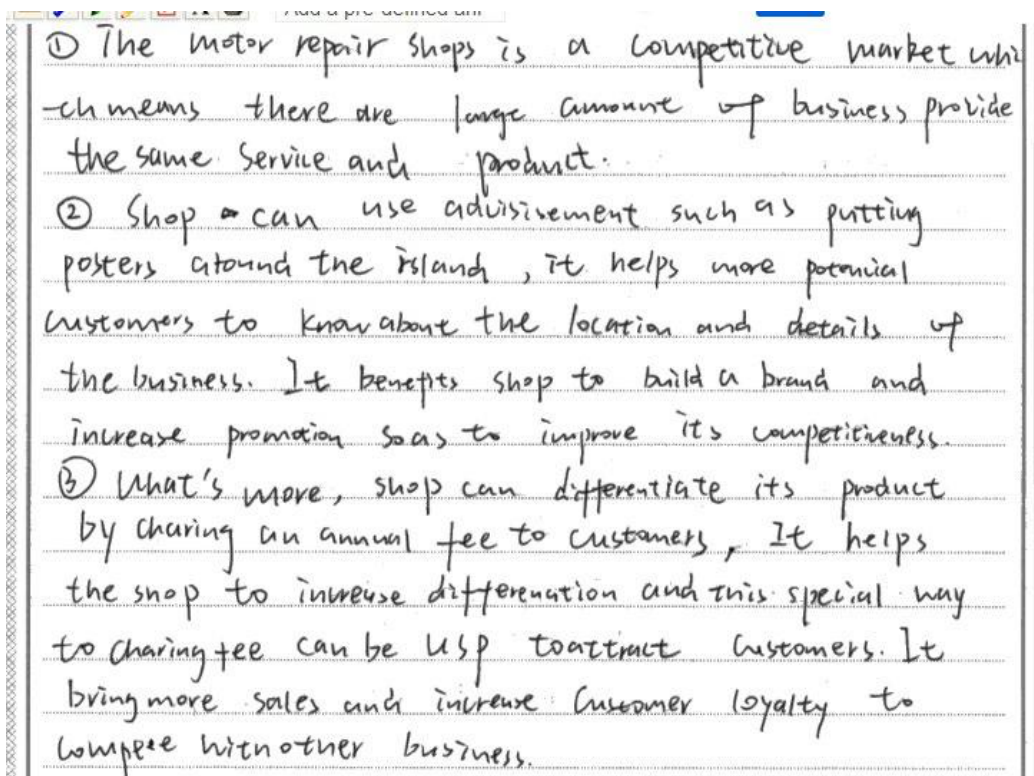
Question 2b

Many candidates were able to calculate the correct acid test ratio of 2.66 and so were awarded 4 marks. Marks could be awarded for showing workings but these were not necessary if the correct answer was shown. Some candidates were able to show knowledge of the formula but did not apply the correct figures, mistakenly including intangible assets in the calculation and therefore arriving at an incorrect answer.

Tip: Although full marks can be achieved by just stating a correct answer, it is strongly advised to show full workings. It may be possible to pick up marks if an incorrect final answer is given.

Question 2c

More able candidates were able to analyse two ways a motorcycle repair shop could compete with other businesses on the island. Most often advertising, differentiation or customer service was presented. The most frequent reason for not achieving full marks was due to lack of application.



This response scored 6 marks – Advertisement (K) putting posters around the island (Ap) it helps....competitiveness (An). Differentiate (K) charging an annual fee (Ap) USP....increase customer loyalty (An).

Tip: Make sure the extract is USED to apply the knowledge, not simply copied directly into a stand-alone sentence

Question 2d

Like 1d, this was marked using the levels-based marking grid and consisted of 3 levels. Candidates were generally able to provide a response which discussed whether an increase of labour productivity would always increase competitiveness but some were generic in nature, instead of putting the response in context. Better answers were able to apply evidence from the extract such as discussion about mechanics being able to service more motorcycles in a day as they were more familiar with the customers and the motorcycles if they made use of the annual scheme.

Low Labour productivity refers to the output produced per worker over a period of time. Jetty Service Centres train their workers to be more productive.

High productivity would mean the workers at Jetty Service centre are more repairing and servicing more motorcycles & fastens. This would mean Jetty's service center would be able to cater to more customers in a period of time leading to higher sales & volume increasing market share & which would make them more competitive in the market.

Higher productivity would mean Jetty service center would not need a lot of workers than compared to other businesses in the market. This would reduce their labour costs which would mean they can charge lower price for their services which would attract more customers & making them more competitive in the market.

If the ^{mechanics} workers provide services faster, it would mean customers would have to wait less for the motorcycles to be repaired. This would be more convenient for the customers making them Jetty center service

center more attractive. This would ~~increase their sales~~ leading to create a reputation as a business which provides services faster. This would increase sales ~~making~~ or they could even charge higher for this service, making them more competitive.

However, in order to increase productivity to ~~and~~ working faster faster mechanics may make mistakes ~~while~~ whilst handling customers motor cycle which would increase costs for the business. If they damage a motor cycle it would also create a bad reputation as ~~bad~~ bad message may be spread by customers who are dissatisfied. This would make the less competitive as the overall

quality of the ~~service~~ service may be low.

However, productivity may as Jetty Service Centre is training ^{productivity} to their ~~customer~~ mechanics to be more ~~product~~ it is increasing training costs for the business which would mean they may have to increase prices in order to cover the costs of training leading to ~~not~~ higher as their ~~not~~ ~~not~~ service being less competitive in the market.

Overall, productivity would increase sales volume and increase sales which would ~~more~~ make the business more competitive, but the business should also try to retain high quality as well.

The above exemplar was given 8 marks out of 8, in the top level, level 3. It has a two-sided argument which uses the extract well and develops the chains of reasoning effectively to link the increase in productivity to the increase in competitiveness. It also evaluates the rationale as to why an increase in labour productivity may not always increase competitiveness.

Tip: The command word 'discuss' requires both sides of an argument. Some candidates only look at one side, thus restricting their marks due to not providing a awareness of competing arguments.

Question 2e

As with 1e, this was a levels-based question with 4 levels. Candidates were able to provide a good understanding of cash-flow forecasts. However, not all were able to provide a developed assessment regarding how its use may lead to success.

A cash-flow forecast is the prediction of the cash inflows and outflows of a business in a given time period.

A cash-flow forecast outlines when there may be cash shortages.

This may help Jetty Service Centre prevent cash flow problems. They may decide to introduce money into the business when there are no monthly installments ~~so~~ expected to come in, ~~for example~~.

It also aids in planning. Cash flow forecasts are used with other methods such as sales forecasts and budgets to plan a company's future. Jetty Service Centre improves their chances of success when they plan ahead. A cash flow forecast may make it clear to management

that they should reduce cash from \$47 900 and pay off some of the \$18 000 worth of current liabilities because they may have excess cash in circulation.

While cash flow forecasts increase the chances of success, they do not in any way ensure it. Additionally cash flow forecasts have their drawbacks.

Cash flow forecasts are time consuming. Often many businesses spend too much time constructing one. Jetty Service Centre may waste valuable time that could have been spent on promoting its services.

Cash flow forecasts rely on estimates as well as past data to make predictions. Due to changing or volatile consumer tastes and external influences, the actual sales rarely are equivalent to the forecasts. Jetty Service Centre may become demotivated if less people than predicted use their services when in fact the predicted values were misleading.

Cash flow forecasts are subject to the owner's subjective opinions. A manager at Jetty Service Centre may be too optimistic and anticipate ~~5,000~~ ^{of the 15,000} customers ~~when in fact~~ to be serviced by them. This is unrealistic and may negatively affect planning.

There is nothing that can ensure the success of a business as there are always uncertainties. Cash flow forecasts will improve Jetty Service centre's likelihood of success despite its shortcomings.

The response is a level 4 answer and was awarded 8 out of 10 marks. It has good knowledge and understanding, effectively uses the extract and provided an appropriate two-sided argument. However, it fails to reach the top of the level and therefore full marks due to the limited development of chains of reasoning.

Tip: As with 1e, the command word 'assess' will always require more depth and development of the concept and chains of reasoning compared to the command word 'discuss'. Any area of the specification can be targeted by any of the questions on this paper. It is therefore important to give sufficient teaching and learning time to all topics on the specification.

Section C

Question 3

This is the highest mark question on the paper, worth 20 marks and with 4 levels. However, although the understanding demonstrated by candidates was often reasonable, some candidates struggled to apply the extracts appropriately or provide balanced arguments. A small number of candidates lacked understanding of either quality assurance or quality control, or sometimes confused the two. A general discussion about quality did not enable the candidate to progress through the levels.

Quality assurance is checking the quality of the good through every stage of production. Whereas Quality control checks the quality at the end of the production after the good is complete.

In extract E, a business such as Lena Lighting Quality assurance is a benefit as they create light fixtures that suit individual customer requirements. That means each one needs to be checked through every stage of production to ensure they are made as the customer requested. This will make sure the fixtures are made as the customer wants and at a high standard which meets it's reputation of being professional and high quality. It would increase customer satisfaction as

the lights quality was thoroughly checked meaning the customer is receiving top quality goods. This can increase their sales as they are known for making high quality light fixtures. However, it is a very expensive process as it requires higher skilled specialised staff who require higher salaries. This increases costs for Lena Lighting.

Quality control may be a good option for ^{mu62} ~~CF fashions~~ in extract F as they are a mass production company. Therefore it would be too time consuming to check through every stage, and since they sell mass the unit costs are not expensive if one is found to be faulty at the end of the production process, and the faulty products do not go to waste as they are sold to discount stores. This shows that quality assurance is not always better than quality control.

For a business such as CF fashions Quality assurance is a better option as they have a high labour turnover as employees do not feel valued. ~~including~~ including quality assurance will help the employees feel a sense of responsibility.

and value. Making them work more efficiently and productively. They can include quality circles where groups of employees look at different stages of the production of the clothes ensuring they are high quality and tackling any problems together if they are not.

Quality control for a business such as Lena Lighting is not suitable as the cost of a faulty product being found at the end of the production line is very high and would waste time and resources that could have been spent making a new light fixture for a new customer.

In conclusion, it is not always better for a business to use quality assurance over quality control as it is different for each company and the standards that need to be met.

Mid level 4 was reached by this response, with 17/20 marks. Knowledge and understanding are shown with a good two-sided argument regarding the positive and negative aspects of quality assurance and quality control. The response is well contextualised, with each of the extracts discussed appropriately in terms of quality assurance and/or quality control. The top of the level is not reached as the response could make better use of quantitative and qualitative information and make more effective conclusions based on the arguments presented.

Tip: This is an 'evaluate' question meaning that ideas needed to be developed and presented with understanding of the significance of competing arguments. To achieve the top level, amongst other things detailed in the mark scheme, an effective conclusion is sought.

Summary

Candidates are offered the following advice and reminders:

- Questions 1a and 2a 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 are not always acted upon by some candidates, e.g. only providing **one reason** in 'explain' questions.
- 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 answer space provided than you need to write your responses. This is also indicated on the front cover of the question paper.
- The use of relevant evidence is required throughout and this can be from the Extracts provided or, often, from candidates' own knowledge. The Extracts are there for a reason – so please use them!