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Pearson Edexcel

Mark Scheme (Results)

January 2023

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

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Question	Define the term 'personal savings'. **Answer**	**Mark**
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'personal savings', e.g. A source of (internal) finance **(1)** provided by the owner of a business/personal money from the owner **(1)**	**(2)**

Question	Using the data in Extract A, explain **one** way the change in the contribution of the pillar candle may affect BHC's break-even point. **Answer**	**Mark**
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS5**: Calculate cost, revenue, profit and break-even **Knowledge** 1 mark for identifying a way, e.g. • The break-even point may increase **(1)** **Application** Up to 2 marks for contextualised answers, e.g. • At the lower variable cost, contribution was \$17.95 - \$4.70 = \$13.25 **(1)** • At the new/higher variable cost of \$5.50, a pillar candle contributes \$0.80 less **OR** the new contribution is \$12.45 **(1)** **Analysis** 1 mark for developing the impact, e.g. • As each pillar candle contributes a lower proportion of the selling price towards paying off the fixed costs, a higher quantity of sales will be needed to break-even **(1)**	**(4)**

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Question	Analyse **two** reasons why BHC's actual sales may be higher than the sales forecasts. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining sales forecasts, e.g. • The prediction of future sales **(1)** often based on previous sales data **(1)** **OR** For stating two reasons, e.g. • Increased awareness of environmental issues **(1)** • Positive feedback on social media **(1)** **Application** Up to 2 marks for answers contextualised to *BHC*, e.g. • Candles made with 100% beeswax do not produce harmful toxins **(1)** • The 2% market share for beeswax candles is increasing **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *BHC*, e.g. • Customers are more likely to buy products that are not harmful to the environment, increasing demand for *BHC*'s products **(1)** • Customers may switch from buying competitor products to buy those made from beeswax instead, thus increasing sales **(1)**	**(6)**

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Question	Discuss whether *BHC* can successfully compete with larger candle making businesses. **Indicative content**
1(d)	**Indicative content guidance** 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. **Knowledge, Application, Analysis, Evaluation – indicative content** • The size of a business can affect the market share of competitors in a market • Large businesses can be very powerful, making it difficult for smaller businesses to operate and attract customers • As large businesses can benefit from economies of scale, they can charge lower prices, making them more competitive than smaller rivals like *BHC* • Shipping costs may be cheaper when buying from a larger business, again meaning that customers may prefer to buy from the larger competitor • *BHC* may not be able to cope with big orders, meaning it cannot satisfy demand from some customers • This could lead to large businesses increasing market share, at the expense of *BHC* • However, *BHC* produces candles made from 100% beeswax meaning it offers a more specialised product (niche market) • Therefore, customers may prefer to buy from a small business with a unique product, particularly as beeswax candles account for only 2% of all candle sales in the US market • As *BHC* aims to provide outstanding customer service as well as quality candles, it may be preferred by customers who value communication and personal service more than price

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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.

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Question	Assess the possible benefits for *BHC* of using labour-intensive production methods. **Indicative content**
1(e)	**Indicative content guidance** 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. **Knowledge, Application, Analysis, Evaluation – indicative content** • Labour-intensive production requires a higher proportion of labour than capital • It is usually more cost effective to use labour for production of smaller quantities than expensive machinery which may not be fully utilised • It is likely to be quicker to change between making the different types of candles in the product range • *BHC* may benefit from producing individual handmade items as they can be seen to have more value • By using labour to produce candles, production can be more flexible • Therefore, it can be easier to adjust to or from making more of the best-selling pillar candles • Employees can be trained to produce candles according to the level of demand from customers and could make suggestions for improvements to increase efficiency • However, labour can be more difficult to control, require motivation to be efficient and/or less predictable than machines • This means they may demand higher wages, call in sick or resign unexpectedly, thus increasing costs for *BHC* • If demand for candles made from beeswax increases, employees may not be able to keep up with demand and will need breaks and holidays whereas if capital-intensive production is used instead, it may be possible to do the work faster and with greater efficiency • Once up and running, capital-intensive production can be cheaper and therefore better for long term production and growth • It is possible that a combination of labour and capital-intensive production may be better for *BHC* if demand leads to the need to increase production

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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	3–4	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.

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Question	Define the term 'survey'. **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'survey', e.g. A method of (primary) research **(1)** used to collect information **(1)**	**(2)**

Question	Using the data in Extract C, calculate the number of students using *CoLearn* who improved their grades in 2021. You are advised to show your working. **Answer**	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages and percentage changes **Knowledge** 1 mark for identifying the formula for calculating the number of students: • Total number of students x percentage of grades improved **(1)** **Application** Up to 2 marks for selecting the correct data from Extract D: • 3.5 million **OR** 3,500,000 x **(1)** 80% **(1)** **Analysis** 1 mark for calculating the number of students with an improved grade: • 2.8 million students **OR** 2,800,000 students **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 2.8 million students or 2,800,000 students award 4 marks • If the answer given is 2.8 million or 2,800,000 award 3 marks	**(4)**

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Question	Analyse **two** reasons why a boom or a peak in the business cycle may be beneficial to *CoLearn.* **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining boom/peak, e.g. • The high point in the business cycle **(1)** where GDP is growing quickly **(1)** **OR** For stating up to two reasons, e.g. • It will be easier for businesses to expand **(1)** • Prices could increase **(1)** **Application** Up to 2 marks for answers contextualised to *CoLearn*, e.g. • *CoLearn* plans to offer lessons and videos for subjects other than mathematics **(1)** • 81% of Indonesian students use their phones to do homework **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *CoLearn*, e.g. • As there will be more money in the economy there will be higher demand for additional e-learning **(1)** • When more people are working, they may be more willing and able to pay a higher price for the lessons/videos **(1)**	**(6)**

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Question	Discuss the likely impact of this increase in the monthly minimum wage on *CoLearn*. **Indicative content**
2(d)	**Indicative content guidance** 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. **Knowledge, Application, Analysis, Evaluation – indicative content** • A minimum wage is a type of employment legislation. It is the lowest amount a business can legally pay its workers • An increase in the minimum wage means an increase in labour costs for the business • As the minimum wage in Jakarta has increased by 5.1%, costs for *CoLearn* will increase, leading to a reduction in profit if revenue remains the same • As well as teachers, *CoLearn* is likely to employ a number of technology and marketing employees in order to make the e-learning platform the success it is • Paying a monthly wage of $325 to each employee instead of the $309 paid previously will be more problematic with a high number of employees • However, *CoLearn* may be able to pass on at least some of the additional cost to the students, thus limiting the effect on profit • As it is a successful business, offering quality teaching, *CoLearn* may already be paying its employees above the minimum wage and so may not be affected by the legislation

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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.

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Question	Assess the benefits to *CoLearn* of using venture capital as a method of finance. **Indicative content**
2(e)	**Indicative content guidance** 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. **Knowledge, Application, Analysis, Evaluation – indicative content** • Venture capital is a method of external finance, used to fund small- to medium-sized businesses • It is often considered an alternative for businesses that are thought to be too risky for other types of investment • Venture capitalists would most likely be interested in investing in *CoLearn* due to it being a technology business with a high growth potential • As venture capital funding is often raised from pension funds and wealthy investments, there may be a large sum available to invest • This means *CoLearn* may not face many restrictions when expanding its e-learning platform • Venture capitalists may only invest for the first few years a business is trading, meaning *CoLearn* may be able to enjoy the benefits without losing control once it is more established • However, by using venture capital, *CoLearn* would lose some control over the e-learning platform business because the investors would most likely want to be involved in decision making • This may make it more difficult for *CoLearn* to continue with its plans to expand and offer tuition in other subjects • Venture capitalists are likely to take a share of the profits meaning that *CoLearn* would have less funding available to develop its technology • Venture capital may be a beneficial method of finance as long as the investors are interested in pursuing the same aims but alternative methods of finance may be more suitable if the owners of *CoLearn* want more control over its business

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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.

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Question	Using the data in Extract D, evaluate whether *Anzüge von Nicolaus* (*AvN*) should be concerned about its liquidity and working capital position in 2021. **Indicative content**
3	**Indicative content guidance** 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. **Knowledge, Application, Analysis, Evaluation – indicative content** • Liquidity shows how quickly a business can access cash in order to meet its short term debts • Current ratio and acid test ratio are measures of liquidity • Current ratio gives an idea whether the business would be able to repay its liabilities with its assets • Current ratio is calculated by current assets/current liabilities €2 124 000/€2 064 000 = 1.03:1 (1.029:1) • Acid Test ratio is calculated by current assets – inventory/current liabilities €2 124 000 – €740 000/€2 064 000 = 0.67:1 • Ideally the current ratio would be between 1.5:1 and 2:1 and the acid test ratio at or above 1:1 but both ratios are below this • Therefore, these ratios show *AvN* has a low ability to pay its short term debts • As the acid test ratio is quite a lot lower than the current ratio (0.36 lower) it may mean *AvN*'s current assets are very reliant on its inventory. The current assets minus inventories are not enough to cover the current liabilities of the business • Therefore, liquidity should be a concern to the business because inventories are not liquid assets, meaning they are likely to be more difficult to sell • Working capital is the money needed to pay for the day-to-day expenses of a business, such as wages, raw materials and energy bills • Working capital is the money left over after all debts have been paid • It is calculated by current assets – current liabilities • The working capital of *AvN* is €2 124 000 – €2 064 000 = €60 000 • As the working capital is low, it shows *AvN* may be struggling and may not be able to stay in business if it does not take action • However current and acid test ratios only provide a rough estimate of the business' financial health • Some businesses are still healthy when they have low liquidity ratios and it may be better to make comparisons with other manufacturers of men's suits to have a better understanding • Clothing manufacturers may rely on a high inventory turnover and so a low acid test ratio is not necessarily a problem

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	• Having ratios (too high) above 1 could mean cash is not being used which could upset shareholders who would prefer it paid out to them or re-invested • Having high amounts of working capital could be a problem because it is unlikely to be earning high rates of interest • Some businesses can operate with low amounts of working capital because there may not be much time between buying inventory and receiving payment from the customer • It would be better to compare these ratios with those from previous years or similar businesses in order to know whether *AvN* is in an improving or worsening position

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

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Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. 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.

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