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Mark Scheme (Results)

Summer 2023

International A Level in

Business (WBS12)

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 'franchising'. (Extract A, line 4) **Answer**	Mar
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'franchising', e.g. A type of business where a business operator (franchisor) **(1)** allows others (franchisee) to trade under its name (for a fee) **(1)**	**(2)**

Question	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. **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 the formula for variance analysis: • Total actual income - Total budgeted income **(1)** **Application** Up to 2 marks for selecting the correct data: • 95 752 + 110 555 + 95 780 **(1)** - 95 000 +100 000 + 100 000 **(1)** **OR** • 302 087 **(1)** - 295 000 **(1)** **Analysis** 1 mark for calculating the total sales revenue variance: • = 7 087 zł **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 7 087 zł award 4 marks • If the answer given is 7 087 award 3 marks	**(4)**

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Question	Analyse **two** possible reasons why the cash a *Żabka* shop holds may differ from its profit. **Answer**	Mar
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining profit, e.g. • Profit is total revenue **(1)** minus total costs **(1)** **OR** For stating up to two reasons, e.g. • Cash may have been brought into the business from owner's savings **(1)** • Payment to suppliers may be made at a later date **(1)** **Application** Up to 2 marks for answers contextualised to *Żabka*, e.g. • A franchisee may use cash from his/her savings to help finance a new *Żabka* shop **(1)** • Some of the groceries bought to sell at the shop may be paid for using trade credit **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Żabka*, e.g. • This would increase the cash balance but have no effect on the profit made, as it is not treated as revenue **(1)** • As trading costs will differ from the costs paid out to suppliers, profit will be different **(1)**	**(6)**

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Question	Discuss the likely benefits to *Żabka* when the taxation on personal incomes is reduced. **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** • Tax is a charge made by governments on activities, earnings and income of individuals and businesses • *Żabka*'s customers would need to pay a tax on their personal incomes • Therefore, a lower tax on income would reduce the amount they had to pay, leaving them with more income to spend • This could be a benefit to *Żabka* because its customers may therefore choose to spend more on hot sandwiches and snacks in its shops • As a result, *Żabka* may receive more in revenue and therefore profit • However, *Żabka* mainly sells groceries, which are a necessity. This means that demand is likely to remain the same • If customers have more income, they may be able to afford to eat out at restaurants more often, leading to a lower demand for groceries from *Żabka* • Therefore, *Żabka* may not see any benefits from the lower rate of tax on personal incomes or it may actually experience a fall in sales instead

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 likely benefits to *Żabka* of using a zero based marketing budget. **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** • A zero based budget is a type of budget where no money is allocated for spending unless it has firstly been justified • By using a zero based marketing budget, *Żabka* would be able to minimise unnecessary spending when promoting its shops because it encourages an attitude which questions whether the spending is needed • It already has over 8,000 shops throughout Poland and so the name '*Żabka*' will be seen by many potential customers simply by its presence • This means the business can take the potentially cost-saving approach of only spending money on marketing when it is felt it will be beneficial instead of doing so simply because it has done so in its previous 25 years of trading • Therefore, money could be spent on other things within the business, such as setting up new stores to help meet *Żabka*'s aim of being close to its customers • However, it is time-consuming to prepare justification for the spending • This time may be better spent focusing on understanding the needs of its customers, such as their requirements when sending parcels • Some franchisees may lack the skill to accurately present suitable arguments to justify the need for marketing finance • It may depend on the individual expectations of the decision-makers whether finance for a type of marketing is approved because some may favour alternative ways to spend the money • It may be that a mix of zero based budgeting and historical budgets is more suitable, especially as different areas of Poland may have different requirements

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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 'production'. (Extract D, line 4) **Answer**	Mar
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'production', e.g. The process where resources/raw materials/components **(1)** are turned into goods/services **(1)**	**(2)**

Question	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. **Answer**	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS5**: Calculate cost, revenue, profit and break-even **Knowledge** 1 mark for identifying the correct formula to calculate productivity: • output = input/time **(1)** **Application** Up to 2 marks for selecting the correct data: • 100/8 **(1)** • (70,000/12.5)/60 **(1)** **OR** • 70,000/100 x **(1)** 8/60 **(1)** **Analysis** 1 mark for calculating the number of hours needed: • = 93.33 hours **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 93.33 hours award 4 marks • If the answer given is 93.33 award 3 marks	**(4)**

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Question	Analyse **two** limitations for *Wilson* of using break-even analysis. **Answer**	Mar
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining break-even, e.g. • The point at which total costs **(1)** are equal to total revenue **(1)** **OR** For stating up to two limitations, e.g. • Costs of production may vary **(1)** • Revenue may differ between orders **(1)** **Application** Up to 2 marks for answers contextualised to *Wilson*, e.g. • *Wilson* produces 100 million tennis balls at its factory in Thailand each year **(1)** • A tournament such as the US Open uses 70,000 tennis balls **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Wilson*, e.g. • Costs of materials are unlikely to be constant for each ball sold, meaning the break-even point will not be accurate **(1)** • Due to the high volume of tennis balls demanded, *Wilson* may offer discounts on large orders **(1)**	**(6)**

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Question	Discuss whether an appreciation in the Thai Baht (฿) will benefit *Wilson* **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** • An appreciation is the rise in price of one currency against another currency • The *Wilson* factory makes tennis balls, using rubber, some of which is imported from Vietnam and Malaysia • If the Thai Baht appreciates against other currencies, such as the Vietnamese (Dong) or the Malaysian (Ringgit), it will be cheaper for *Wilson* to import rubber from Vietnam/Malaysia • This is because fewer Thai Baht would be needed to buy the other currencies in order to pay for the rubber • Rubber is one of the main components used in the production of tennis balls and as 100 million are produced each year by *Wilson*, a stronger Thai Baht could lead to a considerable reduction in costs • However, some of the rubber used is not imported, meaning a currency appreciation would not always affect *Wilson*'s production costs • *Wilson* supplies tennis tournaments around the world, meaning that an appreciation of the Thai Baht against currencies, such as the Euro (€) would make buying the tennis balls more expensive for the French Open, possibly leading to fewer sales for *Wilson* • The loyalty of customers and the high quantities purchased mean that *Wilson* may absorb the difference in price caused by an appreciation of the Thai Baht, leading to lower profits

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	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

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Question	Assess the possible benefits that capital-intensive production may have on productivity at the *Wilson* factory. **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** • Capital-intensive production is where more emphasis is placed on the use of machinery rather than labour • Productivity is the rate of output that can be produced using a given quantity of resources, over a period of time • By using capital-intensive methods in its factory, *Wilson* is likely to become more efficient at tasks such as crushing the rubber • This means they may increase the output produced each day, leading to higher output for the factory and therefore, lower unit costs of production • A machine may be able to do tasks faster and operate continuously without a break. This will increase productivity and efficiency • Therefore, *Wilson* may be able to meet demand faster when supplying high volumes of tennis balls, such as the 70,000 required for US Open and French Open tournaments • However, machinery requires capital investment and maintenance and employees will need to be trained in its use, all of which increases costs and may reduce productivity • Machinery may not be able to fully replace human skill, for example, wrapping the felt around the rubber core, which needs a high level of accuracy if *Wilson* is to maintain the consistency needed to meet the requirements of the International Tennis Federation • The benefits of capital-intensive production may depend on other factors such as labour flexibility, working practices, rates of pay and the availability of suitable machinery

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	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	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	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. **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** Sale of assets • Sale of assets is a type of internal finance, involves selling resources that belong to the business • Assets may include things used repeatedly by a business (non-current assets), such as buildings, baking equipment and ovens, as well as inventory of raw materials (current assets), such as baking ingredients and packaging • *ABC* has been established for more than 10 years, meaning it may be able to sell unwanted assets in order to raise finance • *ABC* owns the largest biscuit factory in Nepal, with fully-automated production facilities, meaning it may have spare capacity available to sell, especially as it plans to buy new production equipment • By selling unwanted assets, *ABC* may be able to raise enough finance to support its plans to invest in new production equipment • However, *ABC* may need all of its non-current assets in order to meet demand should its aim to attract Nepalese customers away from buying imported biscuits, be achieved • It may not be possible to sell some current assets because ingredients are likely to be perishable, meaning obsolete inventory cannot be sold • This would limit the finance that *ABC* could raise from the sale of assets and therefore it may not be enough to invest in new production equipment Retained profit • *ABC* could raise finance by using retained profit, which is an alternative type of internal finance • Retained profit is profit after tax has been deducted that can be used for investment in the business • *ABC* may have accumulated a considerable amount of retained profit in the 10+ years it has been in business • Therefore, *ABC* may be able to purchase new production equipment with readily available finance, even more quickly than by selling assets • As the Goodlife brand is successful enough to be able to compete with international brands and is favoured over other Nepalese brands, *ABC* may have enough retained profit to fund the purchase of new production equipment • However, there may be an opportunity cost involved as retained profit may be needed to fund advertising campaigns in order to help to meet the aims of the business • There may not be enough retained profit available • It may be that a combination of sale of assets and retained profits are needed • Additional sources of finance may be used to support selling assets and/or using retained profit, such as leasing assets *ABC* has previously sold

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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.
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.