Pearson Edexcel

Mark Scheme (Results)

October 2023

Pearson Edexcel 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.

Question	Define the term 'quality'. (Extract A, line 10) **Answer**	Mark
1(a)	**Knowledge 2** Up to 2 marks for defining the term 'quality', e.g. (Positive) features of a product **(1)** that makes it stand out from competitors **(1)**	**(2)**

Question	Using the data in Extract B, calculate to two decimal places the average daily capacity utilisation of services from Pristina to Tirana for *Arditi Tours* in April 2022. You are advised to show your working. **Answer**	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS1**: Calculate, use and understand ratios, averages and fractions **QS2**: Calculate, use and understand percentages and percentage changes **Knowledge** 1 mark for identifying the formula for capacity utilisation: • Current output/maximum possible output x 100 **(1)** **Application** Up to 2 marks for selecting the correct data: • 19 **(1)** / 45 **(1)** x 100 **OR** • 76 **(1)** / 180 **(1)** x 100 **Analysis** 1 mark for calculating the average capacity utilisation: • = 42.22% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 42.22% award 4 marks • If the answer given is 42.22 award 3 marks	**(4)**

Question	Analyse **two** possible reasons why *Arditi Tours* continues to offer four bus journeys a day in each direction. **Answer**	Mark
1(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining under-utilised/excess capacity, e.g. • When a business has too many resources **(1)** to produce the level of output demanded **(1)** **OR** For stating up to two reasons, e.g. • The business may be able to cope more easily with sudden increases in demand **(1)** • In order to compete with rivals **(1)** **Application** Up to 2 marks for answers contextualised to *Arditi Tours*, e.g. • Demand from students, tourists and families varies a great deal during the year **(1)** • There are several bus companies offering the same route between Pristina and Tirana **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Arditi Tours*, e.g. • This would allow *Arditi Tours* to increase the number of passengers it could transport and meet the needs of its customers **(1)** • Customers are less likely to travel with a competitor if *Arditi Tours* offers more convenient times for customers to travel, meaning it may be able to maintain/increase market share **(1)**	**(6)**

Question	Using the data in Extracts A and B, discuss whether *Arditi Tours* should have been concerned about its margin of safety in April 2022. **Indicative content**
1(d)	Quantitative skills assessed: **QS1**: Calculate, use and understand ratios, averages and fractions **QS5**: Calculate costs, revenue, profit and break-even **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** • Margin of safety is the difference between output sold and the break-even level • The break-even point is 17 passengers, giving a margin of safety of two passengers because the actual average number of passengers travelling from Pristina to Tirana is 19 • *Arditi Tours* only had 15 passengers on its 05:00 service and 11 on its 15:00 service on the day of the study • Therefore, the business would have made a loss on both of those services • This could be a concern to *Arditi Tours* because, if this continued, the business may not be able to pay its fixed costs • As a result, *Arditi Tours* may not be able to stay in business • However, based on the study, *Arditi Tours* had a margin of safety of eight passengers when spread over the whole day • This means that *Arditi Tours* could afford to have up to eight passengers fewer and still make a profit • As demand varies throughout the year, *Arditi Tours* may not need to be concerned with a low/no margin of safety in some months because it may be higher in other months

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.

Question	Using the data in Extracts A and B, assess whether raising the price of a bus ticket by €1 is likely to be the best way for *Arditi Tours* to increase sales revenue. **Indicative content**
1(e)	Quantitative skills assessed: **QS5**: Calculate costs, revenue, profit and break-even **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** • Price x quantity = sales revenue • Therefore, raising the price could lead to an increase in sales revenue • *Arditi Tours* currently charges €15 for a bus ticket, meaning the new price would be €16 • For example, with 17 passengers per journey sales revenue increases by €17 • If demand is inelastic for the price of the bus tickets, sales revenue will increase even if there is a fall in the number of passengers due to the rise in price • This is because the percentage change in the number of tickets sold will be lower than the percentage change in price, meaning more revenue will be generated than before the price increase • However, if demand is price elastic which is more likely due to there being several competitors, revenue will decrease with an increase in price because the percentage fall in demand will be higher than the percentage increase in price • Therefore, lowering the price may bring in higher sales revenue due to the lower price of a bus ticket attracting more passengers than when €15 was charged • Alternatively, *Arditi Tours* could make changes to the service it offers, such as charging separately for luggage, instead of including two pieces up to 50kg in the price of the bus ticket • This may still encourage passengers to buy a ticket for the bus journey but additional revenue could be made depending on individual requirements • Advertising, offering more services such as TV on journeys, or establishing better customer relations may be more likely to increase sales revenue than a price increase but will involve a cost to *Arditi Tours*

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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.

Question	Define the term 'brand'. (Extract D, line 4) **Answer**	Mark
2(a)	**Knowledge 2** Up to 2 marks for defining the term 'brand', e.g. A name/feature that allows a product **(1)** to be differentiated from its competitors **(1)**	**(2)**

Question	Explain **one** reason why *Grupo Tamazula* has registered a trademark for its brand, Salsa Valentina. **Answer**	Mark
2(b)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a reason: • Owners can take legal action against anyone who uses the trademark without permission **(1)** **Application** Up to 2 marks for contextualised answers to *Grupo Tamazula*: • Salsa Valentina is a market leader in Mexico **(1)** • The hot sauce is exported to the US and Canada **(1)** **Analysis** 1 mark for giving a cause/consequence of the reason: • This is to stop a competitor using the brand name as customers may confuse it with the real Salsa Valentina **(1)**	**(4)**

Question	Analyse **two** ways *Grupo Tamazula* may remain competitive. **Answer**	Mark
2(c)	**Knowledge 2, Application 2, Analysis 2** **Knowledge** Up to 2 marks for defining competitive, e.g. • The ability of a business to have an advantage **(1)** to gain market share **(1)** **OR** For stating up to two ways, e.g. • Differentiate its products **(1)** • Selling in foreign markets **(1)** **Application** Up to 2 marks for answers contextualised to *Grupo Tamazula*, e.g. • *Grupo Tamazula* products are made with the finest ingredients **(1)** • Sales are made all over Mexico as well as exported to the US and Canada **(1)** **Analysis** Up to 2 marks for reasons/causes/consequences for *Grupo Tamazula*, e.g. • Customers may be more attracted to a different taste offered meaning it can gain a competitive edge **(1)** • By exporting its products, *Grupo Tamazula* may be able to attract more customers and maintain its status as a market leader **(1)**	**(6)**

Question	Discuss the benefits for *Grupo Tamazula* of being a public limited company (plc). **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 public limited company is a business owned by shareholders where the shares can be traded on the stock market • *Grupo Tamazula* could raise a large amount of money from selling shares to the public • This means it could afford to finance keeping the 26,000 m^2 factory up to date with investment in the most modern equipment available • *Grupo Tamazula* may benefit from having a more prestigious profile as a plc • This could be especially important due to the high number of competitors in the Mexican hot sauce market, as a better profile could allow *Grupo Tamazula* to increase its market share further • However, setting up a plc can be very expensive and time-consuming, as well as not being able to keep accounts private • Outsiders may take control of the business, meaning the traditions from its formation in 1960 and its products being made from the finest ingredients may change • As a result of the outside control, *Grupo Tamazula* may no longer be able to deal with customers on a personal level, therefore losing some of its ability to cater for their needs

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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.

Question	Assess whether *Grupo Tamazula* will find it difficult to keep waste to a minimum. **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** • Waste minimisation is where a business reduces loss of inventory due to perishable items becoming out of date or stock becoming obsolete • *Grupo Tamazula* uses several ingredients which are fresh, so they are likely to be perishable in the production of its hot sauce range • Sales can be difficult to forecast meaning the business may find it a challenge to have the right level of inventory to meet demand • This is especially true due to the high number of competitors in the Mexican hot sauce market • The hot sauce may need to be transported quickly especially due to the hot and sunny Mexican climate • This may be more challenging for *Grupo Tamazula* because it exports to the US and Canada, meaning transportation takes longer • As it is expanding its export market, *Grupo Tamazula* may find it more difficult to hold the right level of chillies for production of its hot sauce range • However, perishable products could be placed in chilled or frozen storage to prolong the life of perishable goods • Stock rotation may be used to reduce waste, meaning the oldest ingredients are used first in the manufacture of Salsa Valentina and Salsa Tamazula • *Grupo Tamazula* has a 26,000 m^2 factory and uses the most modern equipment available, which may include computer systems that manage the ordering of perishable goods more effectively • This could lead to better quality and fewer breakages, thus reducing costs • Due to the popularity of hot sauce and the number of homemade versions, inventory which is close to going 'out-of-date' may be sold cheaply to local residents in Guadalajara in order to minimise waste or given away which may boost customer relations in the local area • As it has been trading since 1960, *Grupo Tamazula* may have historic data relating to demand and lead times that allow it to manage waste more efficiently

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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.

Question	Evaluate whether *Amazon*'s decision to stop selling its Kindle in China was due to internal or external causes of business failure. **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** • Internal causes of business failure include poor cash flow management, overestimation of sales, poor marketing and poor quality • *Amazon* may have overestimated sales of its Kindle in China following the country becoming its market leader three years after launching there • As a result, *Amazon* may have been complacent about developing the product, failing to offer enough support to Kindle users or to introduce new e-books such as online fiction, including the Harry Potter range • Although quality of the e-reader is not seen to be a problem, failure to develop the Kindle with e.g. desktop-sized screens or colour ink may partially have led to the failure in China • *Amazon* did not meet the needs of its customers because it did not adapt the Kindle to suit the needs of Chinese consumers • More than 500 million Chinese users listened to or read eBooks in 2021 and the number of customers is growing, meaning *Amazon*'s problems in China are not due to a lack of demand for e-readers and e-books • Jokes were made about not knowing the *Amazon* Kindle was for sale in China. This shows that marketing was not always effective in making consumers aware of the product • Therefore, internal causes may have been more to blame for the failure of the *Amazon* Kindle in the Chinese market • External causes of business failure include market conditions, competition, supplier problems and government regulation • Market conditions have led to a number of western technology companies reducing operations or leaving the Chinese consumer market • These include businesses in other types of market, such as *Airbnb* and *Microsoft*, that have left or reduced operations in China recently • Domestic businesses in China, such as *iFlytek* and *Huawei* have taken market share from *Amazon* meaning competition may have been a major factor in the Kindle being withdrawn • However, an 18% increase in sales revenue in a year to $6bn in 2021, means even a lower market share may still have been a significant revenue for *Amazon* • Additionally, the highly competitive Chinese market means competing with traditional print books, which are price-competitive with e-books • *Amazon* had a good relationship with the publishers C*ITIC Press Group* and *Commercial Press*, meaning supplier problems were not likely to have been a cause of the business failure in China • Consumer trends change over time meaning businesses need to adapt their products to meet the changing needs or they may risk failure. This could be seen as both an internal and an external cause of failure for *Amazon* • Overall, a combination of internal and external causes could be seen to have resulted in the withdrawal of the Kindle • Several external causes are apparent but perhaps internal action could have lessened their impact, preventing the business failure of the *Amazon* Kindle in China

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.