



Mark Scheme (Results)

October 2020

Pearson Edexcel International Advanced
Subsidiary

In Business (WBS12/01)

Unit 1: 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	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 2</p> <p>Up to 2 marks for defining the term 'health and safety', e.g.</p> <ul style="list-style-type: none"> Measures put in place by businesses (1) to prevent accident or injury in the workplace (1) 	(2)

Question	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS5: Calculate cost, revenue, profit and break-even</p> <p>Knowledge 1 mark for identifying the formula:</p> <p style="text-align: center;">Total costs</p> <ul style="list-style-type: none"> $\frac{\text{-----}}{\text{Number of goods produced}} = \mathbf{(1)}$ <p>Application Up to 2 marks for selecting the correct data from Extract A:</p> <p style="text-align: center;">Average total cost = \$420 000 000 (1)</p> <p style="text-align: center;">-----</p> <p style="text-align: center;">26 000 000 (1)</p> <p>Analysis 1 mark for calculating the average total cost:</p> <ul style="list-style-type: none"> Average total cost = \$16.15 (1) <p>NB: If no working is shown, award marks as follows:</p> <ul style="list-style-type: none"> If the answer given is \$16.15 award 4 marks If the answer given is 16.15 award 3 marks 	(4)

Question	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining just in time (JIT) e.g.</p> <ul style="list-style-type: none">• A manufacturing system where materials are delivered immediately before they are needed (1) in order to minimise costs (1) <p>OR</p> <p>For giving two problems, e.g.</p> <ul style="list-style-type: none">• Running out of inventory (1)• Reliance on suppliers (1) <p>Application Up to 2 marks for answers contextualised to <i>Lotus Garments Co.</i>, e.g.</p> <ul style="list-style-type: none">• The 11,800 employees need materials in order to make the 26,000,000 items of clothing annually (1)• <i>Lotus Garments Co.</i> works closely with local suppliers (1) <p>Analysis Up to 2 marks for reasons/causes/consequences for <i>Lotus Garments Co.</i>, e.g.</p> <ul style="list-style-type: none">• If the employees run out of materials they cannot work and would not be able to produce the garments needed to sell to customers (1)• If <i>Lotus Garments Co.</i> cannot rely on its local suppliers it may be unable to meet the needs of its customers (1)	(6)

Question	Indicative content
1(d)	<p data-bbox="463 313 980 356">Indicative content guidance</p> <p data-bbox="463 364 1817 559">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.</p> <p data-bbox="463 647 1661 690">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="528 729 1791 1671" style="list-style-type: none"><li data-bbox="528 729 1737 822">• Total quality management (TQM) is a management philosophy that insists quality is the responsibility of everyone in the business<li data-bbox="528 831 1787 972">• Instead of checking quality at the end of the production process, <i>Lotus Garments Co.</i> now use TQM meaning workers have the authority to stop the process if they are aware of a fault with the clothing items<li data-bbox="528 981 1721 1074">• This means less material, time and labour is wasted, keeping costs down and allowing more profit<li data-bbox="528 1083 1787 1125">• This is likely to be important as it produces 26 million items of clothing<li data-bbox="528 1134 1761 1227">• Keeping costs low is important if <i>Lotus Garments Co.</i> wants to remain competitive internationally, especially as it exports the majority of its<li data-bbox="528 1264 1771 1425">• clothing to the USA However, it is important <i>Lotus Garments Co.</i> is running efficiently in order for TQM to be effective, it cannot simply be implemented into a poor production process<li data-bbox="528 1433 1677 1527">• As there are 11,800 employees it may be difficult to successfully implement the use of TQM<li data-bbox="528 1535 1777 1671">• It may take time for TQM to be effective for <i>Lotus Garments Co.</i> and so it may be too early to know whether it has been successful as it was only recently implemented

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	Indicative content
1(e)	<p data-bbox="465 313 982 361">Indicative content guidance</p> <p data-bbox="465 364 1817 559">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.</p> <p data-bbox="465 647 1661 695">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="465 729 1801 2287" style="list-style-type: none"><li data-bbox="465 729 1677 822">• Interest rates are the amount of interest due per period of time as a proportion of the amount deposited, lent or borrowed<li data-bbox="465 825 1711 919">• The interest rate in Egypt rose from about 8% in 2010 to nearly 19% in 2018<li data-bbox="465 921 1598 970">• The Egyptian interest rate rose considerably from 2016 to 2018<li data-bbox="465 972 1781 1125">• A rise in the interest rate would make the cost of borrowing more expensive and reduces the disposable income of Egyptian customers who have a loan, encouraging saving not spending<li data-bbox="465 1128 1781 1221">• Although clothing is necessary, it is less likely to sell if Egyptian consumers have a reduced disposable income<li data-bbox="465 1224 1801 1377">• In order to increase sales domestically, <i>Lotus Garments Co.</i> may need to borrow money to finance an advertising campaign to promote its goods or to conduct market research<li data-bbox="465 1380 1771 1473">• Given the increasing interest rate, it is probably not a good time for <i>Lotus Garments Co.</i> to consider expanding sales domestically<li data-bbox="465 1476 1771 1569">• However, <i>Lotus Garments Co.</i> exports the majority of its denim to the USA and so the customers would not be affected by the Egyptian interest rate<li data-bbox="465 1572 1751 1665">• There is no information about how much or whether <i>Lotus Garments Co.</i> actually borrows money at the moment<li data-bbox="465 1668 1801 1821">• As it can produce 26,000,000 items of clothing a year, <i>Lotus Garments Co.</i> is likely to be a large business which may not be affected greatly by interest rates<li data-bbox="465 1824 1771 1917">• <i>Lotus Garments Co.</i> may have profits invested which could generate more income when the interest rate is high<li data-bbox="465 1920 1801 2129">• It may depend on other economic influences such as the exchange rate. A high interest rate may encourage foreign investment meaning the value of the Egyptian currency (Egyptian pound) may rise, possibly leading to a fall in exports due to the price of jeans becoming more expensive<li data-bbox="465 2132 1751 2287">• It depends whether the trend of rising/high interest rates continues and on other economic influences such as the rate of inflation or level of wages in Egypt

Level	Mark	Descriptor
	0	A completely inaccurate response.
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	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 2</p> <p>Up to 2 marks for defining the term 'break-even', e.g.</p> <ul style="list-style-type: none"> Where total cost (1) is equal to total revenue (1) 	(2)

Question	Answer	Mark
2(b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS1: Calculate, use and understand ratios, averages and fractions.</p> <p>Knowledge 1 mark for identifying the operating profit formula:</p> <ul style="list-style-type: none"> operating profit $\frac{\text{-----}}{\text{revenue}} \times 100 \quad \mathbf{(1)}$ <p>Application Up to 2 marks for selecting the correct data from Extract C:</p> <ul style="list-style-type: none"> $\frac{\text{NZ\\$32 175}}{\text{NZ\\$104 625}} \times 100 \quad \mathbf{(1)}$ <p>Analysis 1 mark for calculating the operating profit margin:</p> <ul style="list-style-type: none"> Operating profit margin = 30.75% (1) <p>NB: If no working is shown, award marks as follows:</p> <ul style="list-style-type: none"> If the answer given is 30.75% award 4 marks If the answer given is 30.75 award 3 marks 	(4)

Question	Answer	Mark
2(c)	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining a lifestyle business e.g.</p> <ul style="list-style-type: none">• A business set up with the aim of making no more than a set level of income (1) from which to enjoy a particular lifestyle (1) <p>OR</p> <p>For giving two reasons, e.g.</p> <ul style="list-style-type: none">• It is a small business which allows the founders to sustain their chosen lifestyle (1)• Founders have a shared personal interest (in nutritious food and healthy lifestyles) (1) <p>Application Up to 2 marks for answers contextualised to <i>Soul Boul</i>, e.g.</p> <ul style="list-style-type: none">• Stacey and Alexandra are able to spend the winters in Bali, Indonesia (1)• The owners sample ingredients for smoothie bowls during their time away (1) <p>Analysis Up to 2 marks for reasons/causes/consequences for <i>Soul Boul</i>, e.g.</p> <ul style="list-style-type: none">• By earning enough during summer months in New Zealand, Stacey and Alexandra can afford to travel at other times of the year (1)• As a result, Stacey and Alexandra are able to offer their customers new, interesting and healthy foods that they are passionate about and believe to be part of the healthy lifestyle (1)	(6)

Question	Indicative content
2(d)	<p data-bbox="465 322 982 370">Indicative content guidance</p> <p data-bbox="465 376 1817 568">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.</p> <p data-bbox="465 658 1661 707">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="479 738 1801 1628" style="list-style-type: none"><li data-bbox="479 738 1771 831">• Personal savings is finance that an individual, rather than a business, has accrued, which is often saved in a bank<li data-bbox="479 837 1761 930">• Stacey and Alexandra saved their wages whilst working in the hospitality industry for six years<li data-bbox="479 936 1751 1131">• Using personal savings is the easiest source of finance to use to set up a business and Stacey and Alexandra would not need to pay interest or worry about having finance lenders dictating terms on how to run <i>Soul Boul</i><li data-bbox="479 1136 1801 1230">• As they do not need to repay any profits made by <i>Soul Boul</i> to anyone else, Stacey and Alexandra can afford to spend winters in Bali, Indonesia.<li data-bbox="479 1264 1661 1329">• However, the money saved by Stacey and Alexandra is at risk if the business fails<li data-bbox="479 1334 1771 1484">• As Stacey and Alexandra have only worked in the hospitality industry and have not run a business before, they may be less likely to be successful and more likely to lose the savings they put into the business<li data-bbox="479 1490 1771 1628">• It depends how much of their savings were needed to set up <i>Soul Boul</i> as Stacey and Alexandra may still have savings in the bank after they set up their business

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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.

Question	Indicative content
2(e)	<p data-bbox="465 328 982 373">Indicative content guidance</p> <p data-bbox="465 378 1817 571">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.</p> <p data-bbox="465 661 1661 707">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="479 740 1801 2239" style="list-style-type: none"><li data-bbox="479 740 1781 831">• A business can fail due to internal causes which may be controllable and external causes which are not controllable<li data-bbox="479 842 1781 989">• Internal causes include poor cash flow management, overtrading and poor inventory control. External causes include exchange rates, interest rates and supplier problems<li data-bbox="479 1001 1801 1148">• The hotel mainly failed due to internal causes: poor quality, poor marketing (negative reviews on social media) and overestimation of sales (thinking there would always be other tourists)<li data-bbox="479 1159 1781 1249">• This means Stacey and Alexandra could aim to make sure they maintain high levels of quality (something they already do) as well as focus<li data-bbox="544 1272 1761 1340">attention on keeping customers happy so they receive positive reviews and benefit from new and returning customers<li data-bbox="479 1351 1761 1442">• Stacey and Alexandra review their ingredients annually. They also have positive attitudes and are prepared to work hard<li data-bbox="479 1453 1701 1544">• Therefore, <i>Soul Boul</i> can make sure it does not experience the same causes of business failure as the hotel<li data-bbox="479 1555 1741 1691">• However, one of the causes of failure for the hotel was external. There were three other hotels within 1 km, meaning competition was high in the area<li data-bbox="479 1702 1661 1792">• <i>Soul Boul</i> is clearly successful and profitable, this may cause other businesses to set up in competition<li data-bbox="479 1804 1761 1894">• Stacey may have been unaware of other causes of failure for the hotel, such as economic conditions at the time<li data-bbox="479 1906 1761 2041">• <i>Soul Boul</i> cannot control the external causes of business failure such as competition or economic and market conditions and so it may still face problems even if it successfully avoids internal causes<li data-bbox="479 2053 1781 2239">• Although <i>Soul Boul</i> cannot ensure it avoids all causes of business failure, it can do its best to avoid those it can control and prepare for those it cannot, therefore reducing the risk of becoming a failing business like the hotel

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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	Indicative content
3	<p data-bbox="463 333 982 376">Indicative content guidance</p> <p data-bbox="463 384 1817 576">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.</p> <p data-bbox="463 647 1661 690">Knowledge, Application, Analysis, Evaluation – indicative content</p> <p data-bbox="463 698 1049 740">Budget based on historical figures</p> <ul data-bbox="528 777 1797 1945" style="list-style-type: none"><li data-bbox="528 777 1797 921">• A budget is a target for costs which the business aims to meet over a period of time. A budget based on historical figures will set targets according to the amount spent in previous years<li data-bbox="528 930 1797 1020">• <i>Kenya Airways</i> would be able to work towards a maximum cost target in order not to overspend at a time when it is trying to reduce costs<li data-bbox="528 1029 1797 1119">• It would allow <i>Kenya Airways</i> to pursue its plans based on the improving financial situation experienced in 2017<li data-bbox="528 1128 1797 1272">• Rising fuel costs (by 22 per cent in June – November 2017) are likely to continue to contribute a great deal to <i>Kenya Airways</i>' costs and so this type of budget may be more realistic in planning for the year ahead<li data-bbox="528 1281 1797 1425">• However, <i>Kenya Airways</i> made a loss of Ks5.97bn in 2017 and Ks29.7bn in 2015 meaning basing the budget on historical figures may not be a good idea<li data-bbox="528 1433 1797 1623">• Each department within <i>Kenya Airways</i> is likely to want to maintain its budget and so targets based on historical figures are likely to creep up over time, not allowing the airline to control costs as is wanted by chief executive, Sebastian Mikosz<li data-bbox="528 1631 1797 1775">• Although improving, <i>Kenya Airways</i> still made a net loss in 2017 and may not be able to return to making a profit if it does not change its base for costs<li data-bbox="528 1784 1797 1945">• <i>Kenya Airways</i> has introduced a new route (Nairobi direct to the US) meaning additional costs may be required compared to historical figures <p data-bbox="463 1971 793 2013">Zero based budget</p> <ul data-bbox="528 2050 1797 2491" style="list-style-type: none"><li data-bbox="528 2050 1797 2194">• A zero based budget means the budget will be set to zero at the start of each year and the budget holder will need to justify all money that is allocated to it<li data-bbox="528 2203 1797 2293">• This would allow <i>Kenya Airways</i> greater control over its costs and therefore help it to become profitable again<li data-bbox="528 2301 1797 2491">• As the economic climate in Kenya was believed to be a factor in reducing domestic flights by 20% and fuel prices rose by 22% in the second half of 2017, <i>Kenya Airways</i> may find a zero based budget more reliable in keeping on top of fluctuating factors that are outside of its <p data-bbox="588 2528 1512 2570">control due to approval being needed for all spending</p>

	<ul style="list-style-type: none"> • However, it takes time and money to set up and maintain a zero based budget, meaning it may be more costly for <i>Kenya Airways</i> to use • <i>Kenya Airways</i> has an excellent reputation for employment but this could be damaged if employees feel uncomfortable about being challenged for all costs incurred • As the airline has introduced a new direct route from Nairobi to the US, the focus for costs may fall here, rather than on other more long-term plans. This could be disadvantageous if it needs investment under a zero based budget • It depends whether the reason for making a loss in recent years has been dependent on costs being too high or on revenues being too low • As several factors affecting the costs of <i>Kenya Airways</i> have been outside of its control, it may not make a great deal of difference which type of budget is used
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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.

