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Examiners' Report
Principal Examiner Feedback

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Pearson Edexcel International A Level
In Business (WBS12 01)

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General

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

In general, candidates appeared to be well prepared for most of the topic areas on this paper. However, there were some topics where that did not appear to be the case. The ability of the most able candidates was shown through relating their knowledge and understanding to the evidence presented, whereas those struggling with such concepts typically answered questions with a more generic approach and/or inaccuracies. The levels of response questions required understanding to be developed and applied to the relevant evidence. Although this approach was adopted by some, there were instances where a more basic understanding was demonstrated, thus limiting the attainment of higher levels. There did not appear to be many issues with the length of time students needed to complete all questions set.

Report on individual questions

Section A

Question 1a

There were 2 parts to the question to define the term demand and examiners were looking for references to 'consumers willing/able to buy' and 'at a given price/time' or equivalent. Candidates had to provide both parts to gain 2 marks. Examples were occasionally used by candidates but, as in the previous series, no marks are available for these. Partial explanations were awarded 1 mark.

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

Question 1b

Many candidates were able to calculate the correct operating profit of \$118.2 million and so were awarded 4 marks. Marks could be awarded for showing workings but these were not necessary if the correct answer was shown. Examiners awarded a maximum of 3 marks if the \$ sign was missing. Some candidates were able to show knowledge of the formula and/or apply it with correct figures, but then failed to arrive at the correct answer.

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

Question 1c

Good responses were able to analyse two ways Etsy has reduced the threat of competition in the market. The ways could take the form of operating in a differentiated/niche market, charging lower prices/fees, or any other suitable response.

(6)

One way in which Etsy has reduced the threat of competition is that they have charge lower fees compared to the likes of Amazon and eBay which will then attract more customers to buy from Etsy rather than Amazon and eBay as the prices are much lower and more affordable, as a result of this Etsy's competitors will see a reduction in sales as customers are switching to Etsy reducing the threat of competition.

Another way in which Etsy has done this is by ^{selling} having

a unique product which can be personal to the customer, the individual touch of the product holds an authenticity which its competitors are unable to replicate due to the products coming from creative people worldwide rather than it being manufactured in a warehouse. The wide range of products which they're able to offer allows them to stand out amongst its competitors allowing Etsy to appeal to different customers in the market, as a result of this Etsy's sales will increase allowing them to reinvest into the business such possibly improving ^{their} ~~its~~ website.

The above exemplar was given the full 6 marks available. Two clear contextualised and developed ways. Firstly, charging lower fees than Amazon and eBay, therefore switching to Etsy as it is more affordable. Secondly, selling unique products that are personal to the customer (coming from creative people), leading to an appeal to different customers, increasing sales and possible reinvestment in the website.

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

Question 1d

This question was marked using the levels-based marking grid. For an 8 mark 'discuss' question there are three levels. Examiners read the whole response and decide which level is the best match. If a response is lacking certain characteristics, examiners move towards the bottom of the level. If it is a strong match they will move towards the top and this approach is used for all levels of response questions on the paper.

There was a varied range of discussions regarding whether it is likely Etsy would be affected by internal causes of business failure. Stronger responses based arguments on the evidence in the extracts such as the number of sellers and the products produced or some of the figures provided in the financial summary. These arguments could represent arguments on either side of the response. Some students showed a lack of understanding, instead discussing only external causes of business failure.

(d) Discuss whether Etsy is likely to be affected by internal causes of business failure.

(8)

Internal business failure occur by definition if it is the failing of the business due to internal or causes or in other words, causes which are able to ^{control} ~~handle~~ by the business.

~~Firstly, there is by looking at Etsy's current gross profit margin, it is evident that~~

Firstly an internal cause of business failure is being undercapitalised. In other words, not having enough funds to fund the business. Etsy could earn a revenue of \$451.5 million in September 2020 and has costs of around \$120.2 million. ~~The rest~~ is seen as the gross

profit, however ~~that~~ the profit does not indicate the potential cash problems. For instance, Etsy may have profits but could be low on liquid funds. And if liquid funds are insufficient, there is a tendency for Etsy to not be able to meet daily expenses, resulting in cash flow problems eventually leading to a business failure.

Secondly, Etsy takes decisions to allow original designs of crafts to be made by someone else so that the number of items produced could increase. This is true however, the 69,649 buyers may not like the idea of this decision as the products are now not originally handmade by the craftsman. And therefore, there is a tendency for Etsy to fail depending on wrong decisions

taken by the management.

However, the case does not hint major internal problems that may affect Etsy. For instance the limitation of the numbers of sellers compared to buyers may be seen as an opportunity for prices to be raised by sellers as there is more demand for their products, therefore internal business failure there is unlikely to occur by wrong decisions taken.

Furthermore, the internal cause of business failure such as worker demotivation and failure to upgrade the website may be reduced if the pay increases for the staff. As they make ample profits, the by increasing wages ~~or~~, the tendency for business failure through worker demotivation could be minimized.

Overall, ~~at time~~ in the future, there is a possibility for internal business failure to occur unless proper practices are put in place to motivate staff, train staff as well as focus on the costs and revenues as well as profits and be cautious on the ~~past~~ possibility to make incorrect or inefficient decisions.

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

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

Question 1e

This was a levels-based question with 4 levels. Although many candidates showed a good understanding of online businesses and usually were able to provide thoughts about the benefits of this business type to Etsy, some were unsuccessful in actually assessing them. To achieve a higher level, examiners were looking for a balanced assessment, which was contextualised to Etsy. Stronger responses successfully assessed the benefits using the evidence, while weaker responses often gave a generic view of an online business.

(e) Assess the benefits to Etsy of being an online business.

(10)

Etsy operates strictly online, having no physical shops. This allows the business to benefit from really low running costs, as the operating expenses of the business are ~~the business~~ really low. More specifically, the fact that Etsy does not own any warehouses and doesn't have any sort of stock means that costs can be decreased furthermore. This allowed them to gain a competitive advantage by charging lower ~~the~~ selling fees than its competitors while still retaining really high profit margins. ~~that in 2020~~ In addition, the fact that it is an online business allowed Etsy to reach a wide range of customers. This is really important to a business such as Etsy, as its production relies on the sellers of the website. The wide reach of the online business allows them to gain new high skilled sellers in the business, that can sell to a wide range of potential customers. In addition, this also allows Etsy's ~~the~~ sellers to sell internationally ~~and~~ from the get-go, ~~which~~ which is useful as there ~~is~~ is a higher chance of customers being interested in their products. However, being an online business also has a set of limitations. One of those is that it relies heavily on marketing, ~~or~~ especially on social-media marketing. ~~customers~~ ~~are~~ less likely to give if the company has a bad

brand or a poor social image, it could stop sellers from operating in the website, and customers could be set back from purchasing more easily. In addition, the online market is highly competitive, and though Etsy is currently charging lower fees than its competitors, sellers might be drawn to other businesses seeking to generate a higher profit by selling on bulk. Finally, Etsy is vulnerable to cyber attacks, as if their website fails all revenue will be stopped.

Level 4, 8 marks was achieved by the above response. It has a balanced argument which is in context. It follows a logical chain of reasoning and awareness of competing arguments. Although it achieved the top level, it failed to achieve a higher mark as the chains of reasoning are not fully developed.

Tip: The command word 'assess' will always require a more in-depth development and some evaluation of the arguments compared to the command word 'discuss'. Candidates are encouraged to use a range of relevant evidence throughout their response to highlight their chains of reasoning.

Section B

Question 2a

Again, there were 2 parts to the question to define the term social enterprise and examiners were looking for reference to objectives concerning well-being or the environment as well as not being to maximise profit. It was important candidates didn't simply assume these business types are charities or do not aim to make a profit at all.

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

Question 2b

Many candidates were able to calculate the correct fixed costs for DFS as a percentage of total cash outflow, 48.57% and so were awarded 4 marks. Marks could be awarded for showing workings but these were not necessary if the correct answer was shown. Some candidates were able to show knowledge of the formula but did not apply the correct figures.

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

Question 2c

More able candidates were able to analyse two problems for DFS from its cash flow forecast from April – July 2021. A good use of application was seen in the responses but the most frequent reason for not achieving full marks was due to lack of analysis. Some students did not answer the question, instead attempting to analyse generic problems of using a cash flow forecast.

(c) Using the data in Extract D, analyse **two** possible problems for Darwin Film Society (DFS) from its cash flow forecast from April–July 2021.

(6)

One problem Darwin Film Society is that over the months, we can see that the cash inflows are decreasing greatly. It went from a revenue of \$53,500 in April, to \$14,375 in July, and this could show that DFS is not doing as well, or making enough sales, and they have to change something in the way they are operating. The cash outflows too, are as a result increasing, it went from \$15,000 in April to \$16,500 in July, and so we can tell that they are having to pay more for variable costs such as the

special events and screenings. This will decrease their profit and decrease the chances of improving themselves.

Another problem is that the net cash flow decreased significantly over the course of the four months.

In April it was \$38500, and in July it became negative, (-2,125), so they are in debt. That means they are facing cash flow / cash management problems and they might not be able to continue running their businesses normally and donate to the local charities.

They will need to make a lot more sales to breakeven and not have a loss.

This response scored 6 marks – Decreasing cash inflows (K) \$38 500 in April to \$14 375 in July (Ap) not doing well or making enough sales....change something in the way they're operating (An). Net cash flow decreased significantly over the course of the four months (K) In April it was \$38 500 and in July it became negative (\$2 125) (Ap) meaning they are facing cash flow/cash management problems....charities (An).

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

Question 2d

Like 1d, this was marked using the levels-based marking grid and consisted of 3 levels. Candidates were generally able to provide a response which discussed whether a grant would be a suitable method of finance for DFS but some did not show understanding of a grant or talked solely about alternative methods of finance and therefore did not answer the question. Better answers were able to apply evidence from the extract such as discussion about the cash flow forecast.

Darwin Film Society (DFS) is considering applying for a grant to further increase its work in supporting charitable organisations.

(d) Discuss whether a grant would be a suitable method of finance for DFS.

(8)

A grant is a set amount of money given to a business to help ~~them~~ the business. It is usually given by ~~to~~ the government ~~or a bank~~. It does not need to be paid back.

On one hand, a grant would be a suitable method of finance for DFS. DFS operates to aid charitable organisations. This means it is in the benefit of the the community as it helps and supports ~~the~~ ~~en~~ people. Due to its position as a form of charity, a grant is

likely to be given to ~~B~~ DFS as it is seen as an ethical and good ~~or~~ enterprise that supports the community. A grant ~~is go~~ may aid DFS with their revenue. This may be because DFS will be able to ~~implet~~ implement beneficial changes to the businesses. For example DFS may be able to operate the Deckchair cinema longer through the months of December to March. This may result in an increase of revenue as the cinema is open for ~~more~~ ~~people~~ longer so more people will attend, especially during festive seasons like Christmas where people are looking for ~~fun~~ activities to do. This means that a grant would be more ~~a~~ suitable ~~for~~ method of finance for DFS as

it allows them to implement positive changes to the business. However, a grant is extremely difficult to get.

~~On~~

On the other hand, a grant may not be a suitable form of finance for DFS. A grant is a type of donation given to business, it is usually given to important businesses that benefit the community. Although DFS is a charity it may not be seen as important as other charities that focus on maybe orphaned children or homeless people. This means that a grant may be difficult for DFS to secure as it focuses on film, which is viewed as entertainment (not as important). DFS may consider other options such as bank loan or trade credit. However, unlike the rest, grants do not have to be paid back.

In conclusion, ~~DFS can~~ may benefit from a grant. A grant would be a good source of finance for DFS as it allows them to improve the company, however it can be difficult to secure, which is why DFS should also consider other options.

The above exemplar was given 8 marks out of 8, in the top level, level 3. It has a two-sided argument which uses the extracts and develops the chains of reasoning effectively to discuss grant being a suitable method of finance for DFS. It also evaluates the rationale as to why they may not be suitable as well as alternative options that may be more suitable.

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

Question 2e

As with 1e, this was a levels-based question with 4 levels. Candidates were able to provide a good understanding of cash-flow forecasts. However, not all were able to provide a developed assessment regarding the effects of environmental legislation on DFS.

(e) Assess the effect of environmental protection legislation on Darwin Film Society (DFS).

(10)

Environmental protection legislation ~~is~~ will positively affect DFS. Firstly, as a social enterprise, ^{update of} ~~besting~~ environmental protection legislation will improve its reputation and create "environmental" image to consumers of their business. This will also better meet their business objectives, DFS is aiming for ~~&~~ helping society, the environmental protection legislation will help them to promote "protecting environment" to the local community. In addition, they can attract more consumers who ~~are~~ want to help to protect environment, in this case DFS states that all drink bottles must be labelled to show Aus \$0.1 will be refunded when container is returned to an official collection. ~~This attracts~~ and they provide recycling bins. They donate the money raised to support the local charities. This will help them to gain good reputation and attract more environmental consumers, more money will be raised and they can ~~be~~ donate this to achieve their business objective. Moreover, they provide filtered water free ~~&~~ rather than bottle water which might attract more consumers to join the DFS.

However, the environmental protection legislation may affect DFS negatively. Firstly, they states that all drinks bottles must be labelled to show Aus \$0.1 will be refunded, ~~that~~ and they no longer sell bottles water. These might cause lose of consumers as they may ^{prefer} ~~buy~~ bottle water.

In addition, this create an increase in fixed cost, ~~as~~ they need to buy recycling bins and provide free filter water, which might cause a problem on their cash flows. Moreover, the new legislation need good management and more volunteers, lack of management may cause bad experience to consumers for example no markers at filter water ^{provided} place might cause some children to waste water or people don't know where to get water etc.

In conclusion, environmental protection legislation is beneficial for DFS, it will give them good reputation and help the community as a social enterprise, however the manager should carefully calculate the increasing costs to prevent break in cash flow and the volunteers should discuss a better management way ~~to~~

The response is a level 4 answer and was awarded 8 out of 10 marks. It has good knowledge and understanding, effectively uses the extracts and provided an appropriate two-sided argument. However, it fails to reach the top of the level and therefore full marks due to the lack of a supported judgement and limited assessment of some of the information, as required by the level descriptor for Level 4.

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

Section C

Question 3

This is the highest mark question on the paper, worth 20 marks and with 4 levels. However, although the understanding demonstrated by candidates was often reasonable, some candidates struggled to apply the extracts appropriately or provide balanced arguments. Some candidates lacked understanding of efficiency. A general discussion about RBS moving to the new location, rather than answering the question, did not enable the candidate to progress through the levels.

On the one hand, relocating to the headquarters outside Edinburgh will certainly help improving efficiency since costs are lowered, this is because of factors such as rent that was more expensive in Drummond, if costs are lowered the business will be more capable of investing more money on things like materials, machinery or ~~assets~~ real estate that ~~will~~ increase business profit & efficiency. Putting it into context, RBS will save about 18m£ a year, which is a lot of money that can be then reinvested. This will therefore allow the company to be more powerful due to its capability of increasing market share and purchasing assets.

However this doesn't always have to necessarily work ^{positively} & like this, even if RBS had decreased costs so much, moving will

also mean that lots of money will have to be invested onto the new location, this is due to the under-utilisation of the places. RBS will for example have to spend money on the restaurant and new facilities since the headquarters aren't used much due to that workers are seasonal and flexible, overall leading to the conclusion that moving will mean high short-term expenses.

On the other hand, moving does not assure that RBS will be more efficient since it might negatively affect the employees' motivation. This is because, by moving to a new site in which

not only they're not familiar with but also need to share facilities with others, work in not fully-developed spaces and also have to be flexible with where they work will certainly be worse for them in comparison to their old routine. One example of this is an employee that had his own office now has to share with three others, eating in a restaurant yet to be built, and etc...

This will overall make employees less enthusiastic to work, which will make RBS's sales decrease, making it less efficient.

However, this situation isn't always necessarily bad, this is because by sharing spaces, people might create bonds with each other, making them even happier in work, or when they have to work from home they might be able to be more comfortable without having to go out, which might overall make employees happier to work more and generate the business more money.

Overall I believe that changing location has been the best option, this is because the company will be able to use the money reduced (£88m) which is a lot

to operate more freely and efficiently, however it's obvious that in the first couple of years costs for development (restaurant, facilities) will be needed, but as far as they're met, the company RBS will be more efficient due to savings and future (and maybe some current) investments.

Mid level 4 was reached by this response, with 17/20 marks. Knowledge and understanding are shown with a good two-sided argument regarding the extent to which the relocation is likely to improve the efficiency of RBS. The response is well contextualised, with each of the extracts discussed appropriately. The top of the level is not reached as the response could make better use of quantitative and qualitative information and make more effective conclusions based on the arguments presented.

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

Summary

Candidates are offered the following advice and reminders:

- Questions 1a and 2a are worth two marks each and so will need two parts in the definition of the term to attain both marks. Examples are not rewarded.
- Be careful to read the whole of the question. Certain requirements are given which are not always acted upon by some candidates, e.g. only providing **one reason** in 'explain' questions.
- Candidates need to understand the requirements of the command words in the questions. This will allow them to access marks requiring each of the four assessment objectives.
- Quantitative Skills will be tested throughout the paper. These may be in the form of diagrams/graphs, calculations or using the data in the Extracts to provide the application in the questions.
- Application marks will not be awarded for simply repeating evidence in the extracts. The evidence needs to be **used** in the response.
- The command word 'Discuss' requires a two-sided argument in order to achieve full marks.
- There may be more answer space provided than you need to write your responses. This is also indicated on the front cover of the question paper.
- The specification for Unit 2 states that questions may require students to draw on their knowledge from Unit 1.
- The use of relevant evidence is required throughout and this can be from the Extracts provided or, often, from candidates' own knowledge. The Extracts are there for a reason – so please use them!

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