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Mark Scheme (Results)

January 2016

Pearson Edexcel IAL in Business (WBS04) Paper 01

Business in a Global Context

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January 2016
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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 Number	Question	
1a	What is meant by the term GDP?	
	Answer	Mark
	Knowledge up to 2: • GDP stands for Gross Domestic Product **(1)** it measures the value of a country's output in monetary terms over a time period **(1)**	**1-2**

Question Number	Question	
1b	What is meant by the term trade liberalisation?	
	Answer	Mark
	Knowledge up to 2: • The process of making trade between countries easier (**1)** usually by the removal or partial removal of barriers to trade such as tariffs or regulations. **(1)** • 1 mark for partial or vague definition • Any other suitable alternative.	**1-2**

Question Number	Question	
2	Explain **two** possible reasons why Africa has experienced 'increased growth in international trade'.	
	Answer	Mark
	Knowledge / understanding: up to 2 marks are available for identifying reasons why Africa has experienced 'increased growth in international trade' e.g. increasing levels of FDI **(1)** increasing levels of imports **(1).** **Application**: up to 2 marks are available for contextualised answers e.g. evidence C shows increasing amounts of FDI over time **(1)** the growth of income of the middle classes eg. 3 mobile phones for every 4 people **(1)** **Analysis:** up to 2 marks are available for developing the reasons why Africa has experienced 'increased growth in international trade' e.g. FDI creates output of goods/raw materials which can be exported to other countries thus increasing trade **(1).** Increasing levels of disposable income leads to an increase demand for imports thus increasing trade. **(1).** ***NB if only one reason cap at 3 marks***	**1-2** **1-2** **1-2** **Total (6 marks)**

Question Number	Question	
3	Analyse two pull factors that may have caused businesses such as Kentucky Fried Chicken (KFC) and Domino's pizza to invest in African countries.	
	Answer	Mark
	Knowledge / understanding: up to 2 marks are available for identifying the pull factors e.g. increase in sales **(1),** gain economies of scale **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. African consumers are experiencing increases in real income of 30% and expectations are high **(1)** risk bearing economies of scale as Africa becomes more secure and prosperous **(1)** **Analysis:** up to 4 marks are available for developing the possible reasons e.g. many African consumers have levels of disposable income not experienced before and a desire for western style products **(1)** this means there are potentially millions of new customers to be gained which will increase their sales and profits over the coming years **(1)** By expanding the scale of their operations and entering a new market the businesses are gaining further security and safeguarding their future **(1).** By moving into new markets some elements of their existing marketing mix can be used reducing average costs from marketing economies of scale **(1)** ***NB if only one factor cap at 4 marks***	**1-2** **1-2** **1-4** **Total (8 marks)**

Question Number		Question	
4		Assess the importance of price for a fast food business when entering a new market such as Nigeria.	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of basic terms	e.g. Price is one of the 4 Ps and an important element of a marketing strategy e.g. A new market is one a business has not traded in before
Level 2	3-4	Application: basic points developed to show contextual awareness of the importance of price when entering a new market such as Nigeria	e.g. Nigeria is Africa's most populous country, it is one of the MINT countries with rapidly increasing incomes e.g Competitive prices seem to be important in Nigeria
Level 3	5-7	Candidate analyses using reasons/causes/consequences/costs to show importance of price when entering a new market such as Nigeria **NB if analysis is not in context limit to Level 2.**	e.g. Price is important when entering any new market, too high a price may deter prospective customers and too low may send a signal of poor quality. e.g. This is especially important in African countries such as Nigeria because although incomes are rising they are still below the levels in the markets that western fast food businesses are used to. e.g. Evidence A shows several fast food businesses expanding and competing, it is important that a business is not out of step with its pricing compared to its rivals.
Level 4	8-10	Evaluation must be present i.e. a candidate balances his/her answer **NB if evaluation is not in context limit to Level 3**	e.g. While price is important it is also important to get the other 3 Ps right as well. e.g. Product - adapting the menu is clearly important to win over new customers, the Chicken Jollof Pizza is an example of this. e.g. Promotion is also important, Africa has a range of different religions, cultures and languages, failure to take this into account may be damaging e.g. Place - many African countries are still developing and lack of infrastructure may be a problem

Question Number		Question	
5		Assess the implications of Africa's economic growth for western businesses	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of the nature of Africa's economic growth *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. This means the expansion in real terms of an economy, not just in terms of growth in real GDP but in terms of resources and influence
Level 2	3-4	Application: basic points developed to show awareness of the importance for western businesses of Africa's economic growth *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. Africa is the world's fastest growing continent in incomes and GDP e.g. Africa is growing culturally as well as materialistically e.g. uses figures/information from evidence B
Level 3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show the importance for western businesses of Africa's economic growth **NB if analysis is not in context limit to Level 2.** *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. There is a huge potential consumer market for many western businesses and this is likely to lead to increased sales and profitability e.g. As Africa develops it is likely to need not just consumer goods such as mobile phones and televisions but services such as healthcare is likely to provide opportunities for pharmaceutical companies. Infrastructure will need input from engineering and transport businesses and so on. e.g. An increasingly educated and healthy workforce may provide opportunities for outsourcing of production

Level 4	8-12	<u>Low Level 4: 8-10 marks</u> Evaluation must be present i.e. a candidate balances his/her answer by showing the possible downside/relative importance for western businesses of Africa's economic growth when compared to other considerations <u>High Level 4: 11-12 marks</u> Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion **NB if evaluation not in context limit to Level 3.** *Material is presented in a relevant* *and logical way. Some punctuation* *and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. Evidence D shows that some African companies are more than capable of innovation and competing with western businesses on a global level. e.g. As Africa grows more and more domestic businesses may start to compete with western businesses e.g. Africa in the past has been very unstable with war and political turmoil, some areas still suffer today and this may prove difficult for western businesses wanting to take advantage of Africa's economic growth. e.g. Corruption and red tape are still features of business life in many African countries and again, may prove to be a deterrent for western businesses.

Question Number	Question		
6	Evaluate the benefits of FDI flows to a country such as Zambia.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of FDI flows	e.g. The value of inward investment from other countries/businesses into a country over a period of time.
Level 2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of benefits of FDI flows <u>Low Level 2: 3-4 marks</u> Candidate uses a limited range of examples <u>High Level 3: 5-6 marks</u> Candidate uses a good range of examples	e.g. uses evidence such as expansion of fast food outlets and creation of jobs, *Zambian sugar* creating 5,000 jobs, CSR projects as shown in evidence G e.g identifies trends shown in evidence C and evidence F e.g. shows awareness of a country such as Zambia in terms of its economic development e.g. supports arguments with the *Debswana* case study or uses any relevant examples from own knowledge
Level 3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of FDI flows to a country such as Zambia <u>Low Level 3: 7-9 marks</u> Analysis weak: only one or two points explained <u>High Level 3: 10-12 marks</u> Analysis is more developed: two or more points are explained and developed **NB if analysis is not in context limit to Level 2.**	e.g. FDI flows have both direct and indirect benefits e.g. The initial investment for location in a host country creates employment. Buildings, equipment and infrastructure may be needed. Once operations commence a workforce will be needed. e.g. Local businesses may be involved in supplying or servicing the MNC and see an increase in business and take on more workers. e.g. Those with new employment will spend some of their income with local businesses. This increases demand and in turn creates more jobs. There is a positive local multiplier effect. e.g. MNCs may train up the local workforce who may acquire useful skills. MNCs often bring new technologies, techniques and methods. New work practices and technology help the host country to become more competitive and grow.

			e.g. Increased employment and wages should lead to an increased tax base and government revenue. Exports may increase improving the balance of payments. e.g. CSR policies can greatly benefit the local communities and environment
Level 4	13-20	Evaluation must be present and in context showing the extent of the benefits <u>Low Level 4: 13-14marks</u> Some basic evaluative points are made, about the extent to which benefits are yielded. A conclusion is unlikely <u>Mid-Level 4: 15-17</u> Candidate gives a range of arguments, qualifying the benefits yielded. A judgement may be attempted <u>High Level 4: 18-20</u> Candidate gives a wide range of arguments that discuss the benefits. A balanced conclusion is drawn, the answer is clear and articulate leading to a convincing conclusion **NB if evaluation is not in context limit to Level 3**	e.g. Wages can be low and working conditions poor. Child labour may be used and exploited. e.g. MNCs may not train local workers to a high level. R&D facilities may be kept in the home country with little opportunity for skills or technology transfer such as *Dyson*. e.g. Local businesses suffer at the hands of the MNCs who take away their market share. They act as an agent for cultural imperialism which replaces and even destroys the native culture with unwanted products and values. Both *Disney* and *McDonalds* have been accused of this. e.g. MNCs cause great damage to the environment by their processes and the transportation of their products. This damage can be short or long term and is usually unsustainable such as *Chevron* in the Amazon basin. e.g. Profits are repatriated to the home country. Taxation can be reduced or avoided by transfer pricing such as *Zambia Sugar* in Evidence E. MNCs are likely to flit from one country to the next taking whatever incentives are on offer, before moving on to the next and newest low cost location, leaving behind unemployed workers and a weakened economy.

Question Number		Question	
7		Businesses operating in the African continent might need to deal with a number of ethical considerations. Evaluate the potential stakeholder conflicts that this might create.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Knowledge/understanding of what is meant by stakeholder conflict and/or ethical considerations *Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.*	e.g. different stakeholders have different ideas about what they want from a business. These different views may not be compatible. e.g. Ethical considerations are concerned with the right or decent/honourable way to do things and act responsibly.
Level 2	3-6	Application must be present, i.e. the answer must be contextualised and show awareness of potential stakeholder conflict and/or ethical considerations <u>Low Level 2: 3-4 marks</u> Application to business models is weak. <u>High Level 3: 5-6 marks</u> Application to business models is clear *Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.*	e.g. uses evidence such as *Zambian Sugar* avoiding tax. e.g. Uses figures from evidence D to support arguments such as £70 bn tax avoidance by MNCs annually e.g. CSR is expensive, *Mopani* spends $15 m on various projects. e.g. uses examples from own knowledge of stakeholder conflicts or ethical considerations such as *Goldman Sachs*, *Ryanair* and the Fairtrade movement
Level 3	7 - 12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the potential stakeholder conflict arising from ethical considerations <u>Low Level 3: 7-9 marks</u> Analysis weak: only one or two benefits explained <u>High Level 3: 10-12 marks</u> Analysis is more developed: two or more potential benefits are explained and developed	e.g. ethical considerations are likely to be expensive and reduce profitability e.g. The owners of a business may prioritise profit and want to see large dividends and a rising share price. e.g. This may mean cutting costs which may mean lower wages, poor working conditions, pollution and environmental degradation. e.g. This conflicts with the interests of the employees and the local communities in which the business operates. They may want better wages and conditions and an unspoilt environment.

		NB if analysis is not in context limit to Level 2. *Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.*	e.g. Businesses that avoid tax bills in order to maximise profits deprive developing nations such as Zambia of much needed revenue and exacerbate the problem of hunger and food insecurity.
Level 4	13-20	Evaluation must be present and in context showing the extent to which potential stakeholder conflict might arise from ethical considerations. <u>Low Level 4: 13 – 14 marks</u> Some evaluative points are made, based on analysis of the benefits. A conclusion is unlikely <u>Medium Level 4: 15-17marks</u> A judgement is attempted with some effort to show extent of the benefits <u>High Level 4: 18 – 20 marks</u> Convincing evaluation of the benefits. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion **NB if evaluation not in context limit to Level 3.** *Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.*	e.g. ethical considerations need not provoke stakeholder conflict at all e.g. a business that follows ethical guidelines may incur higher costs and reduced profitability in the short run but reap larger profits in the long run. e.g. Looking after the workforce in Zambia with improved healthcare and education can improve morale, labour turnover and productivity leading to greater profitability. e.g. An improved public image can increase consumer awareness and consumer loyalty leading to higher sales e.g. ethically produced goods and services can carry a premium price without damaging sales such as Fairtrade products. e.g. it may be possible to reduce or even eradicate stakeholder conflict by pursuing ethical considerations e.g. this is more likely to happen with businesses that deal with the public than extractive industries where the potential for stakeholder conflict is greater.

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