GradeMax



Mark Scheme (Results)

Summer 2016

Pearson Edexcel International Advanced Level in Business Studies (WBS04) Paper 01 Business in a Global Context

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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.

Section A

Question Number	Question	
1a	What is meant by the term growing economies? (Evidence A line 5)	
	Answer	Mark
	Knowledge up to 2: • Economies that are experiencing a higher growth rate than the developed economies **(1)** as measured by high % change in GDP **(1)** • Other valid responses may focus on rapidly expanding numbers of middle class consumers/expanding consumer goods markets/growth of personal disposal incomes/transition from primary to secondary based economies	**1-2**

Question Number	Question	
1b	What is meant by the term global market? (Evidence A line 5)	
	Answer	Mark
	Knowledge up to 2: • A global market is the total or potential demand for a particular product or service **(1)** across the world **(1)** **OR** • The activity of buying or selling goods and services in many or all the countries of the world **(1)** it can be measured by the value of the goods and services sold **(1)**	**1-2**

Question Number	Question	
2	Explain **two** reasons for the existence of trade barriers.	
	Answer	Mark
	Knowledge/understanding: up to 2 marks are available for identifying reasons why trade barriers might exist e.g. to protect infant industries **(1)** to raise tax revenue **(1).** **Application:** up to 2 marks are available for contextualised answers e.g. Infant industries in countries such as Chile and Paraguay are not big enough to compete with global MNCs **(1)** less developed economies such as India and Mexico have relatively underdeveloped health and education systems because of insufficient state funding **(1)** **Analysis:** up to 2 marks are available for developing the reasons why trade barriers might exist e.g. without protection infant industries will not be able to grow and achieve the ability (such as developing economies of scale/technology) to compete with otherwise cheaper foreign competitors **(1).** Public revenues may be insufficient or unreliable enough to speed development, revenues from tariffs can provide a welcome boost **(1).** ***NB if only one reason cap at 3 marks***	**1-2** **1-2** **1-2** **(6 marks)**

Question Number	Question	
3	Analyse **two** possible reasons why UK businesses might be planning to enter the international markets shown in evidence B.	
	Answer	Mark
	Knowledge/understanding: up to 2 marks are available for identifying the reasons as to why UK businesses might be planning to enter the international markets shown in evidence B. e.g. opportunity for increased sales and profits **(1)** disappointing market conditions in domestic/UK market **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. *Plastics Capital* and *Leeds Test Objects Limited* both sell niche products that have a high value added component/countries mentioned in evidence B have high economic growth rates **(1)** western markets such as the UK and EU are still experiencing low growth **(1)** **Analysis:** up to 4 marks are available for developing the possible reasons e.g. As these economies continue to develop, the demand for such products made by many UK businesses will increase **(1)** as they are likely to be income elastic and so sales and profitability may rise. **(1)** Part of the problem with a sluggish or static domestic market is the amount of competition, as each business struggles not just to increase sales but maintain them **(1).** By moving into international markets there may be little if any competition which reduces the expense of competing as well as offering the chance of increased sales. **(1)** ***NB if only one factor cap at 4 marks***	**1-2** **1-2** **1-4** **(8 marks)**

Question Number		Question	
4		Assess the importance of trade blocs such as the EU to the growth of international trade.	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of basic terms	e.g. a trade bloc is a grouping of countries that have some kind of beneficial or preferential trading agreement between themselves. e.g. a growth of international trade means exports and imports are increasing between countries.
Level 2	3-4	Application: basic points developed to show the importance of trade blocs such as the EU, to the growth of international trade	e.g. benefits to countries such as the UK as in evidence D. e.g. increasing number of deals within trade blocs such as EU/Mercosur e.g. growing numbers of countries wanting/waiting to join trade blocs such as Croatia, Turkey and Macedonia with the EU, Bolivia and Mercosur
Level 3	5-7	Candidate analyses using reasons/causes/consequences/ costs to show the importance of trade blocs such as the EU, to the growth of international trade **NB if analysis is not in context limit to Level 2.**	e.g. exports become more competitive as trade blocs mean fewer trade restrictions giving consumers access to more products and services e.g. production in exporting firms increases, creating employment and income e.g. consumers have more choice and increased competition lowers prices raising real disposable incomes leading to economic growth
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. reduced trade barriers in trade blocs also means extra competition for domestic producers from cheaper imports such as UK businesses facing competition from new entrants from eastern Europe into the EU e.g. this may lead to a decline in domestic output and an increase in unemployment e.g. More powerful economies such as China in ASEAN may grow at the expense of weaker less competitive members. e.g There are other factors that have promoted growth in international trade such as improved communication, technology and transport e.g May reduce international trade because of trade diversion

Question Number		Question	
5		Assess the effects of operating within a global niche market on businesses such as *Plastics Capital* and *Leeds Test Objects Limited.*	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of the nature of a global niche market *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. A global niche market is a smaller segment of a larger global market with special characteristics such as specialised products/services often commanding premium prices and a low PED
Level 2	3-4	Application: the answer must be contextualised and applied to show the effects of operating within a global niche market on businesses such as Plastics Capital and Leeds Test Objects Limited. *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. *Plastics Capital* produces unusual products including plastic ball bearings, industrial films and specialised plastic rods. e.g. *Leeds Test Objects Limited* makes specialised products for testing medical imaging equipment. This is a niche market within a niche market. e.g. candidates may offer examples from their own studies or past papers such as *Gucci/Ferrari*
Level 3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show the effects of operating within a global niche market on businesses such as *Plastics Capital* and *Leeds Test Objects Limited*. **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. products/services such as specialised medical equipment are likely to have a high degree of value added and command a premium price increasing profitability. e.g. Specialist knowledge or other attributes such as exclusive brand names (*Gucci/Ferrari*) are likely to be a barrier to entry and restrict potential competitors e.g. closer relationships with customers are possible increasing brand loyalty and enabling products/services to be more precisely targeted to customers
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 contrasting effects of operating within a global niche market on businesses such as Plastics Capital and Leeds Test Objects Limited.	e.g. businesses in niche markets can rely too much on one area/product/service which can be adversely affected by changes in tastes, some niche market are based on fads or the latest trends. e.g. some niche markets depend on developing leading technology such

		<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.*	as the firms in the case studies. An improvement by a rival can take away that advantage. These businesses may constantly have to invest in R&D to avoid this, thus eating into profits. e.g. global niche markets are limited in size and may not permit expansion or the ability to reap the benefits of economies of scale e.g. if a business becomes too successful then it may run the risk of being taken over by a larger company such as *Green & Blacks* and *Cadbury*

Section B

Question Number	Question		
6	Evaluate the benefits of inorganic growth for a multinational such as *Mahindra & Mahindra* (*M&M*).		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of inorganic 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. a business expands by means of takeovers and mergers rather than by using its own resources
Level 2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of inorganic growth <u>Low Level 2: 3-4 marks</u> Candidate uses a limited range of examples <u>High Level 2: 5-6 marks</u> Candidate uses a good range of examples *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 examples from own knowledge such as *Tata* taking over *JLR/Tetley's/British Salt* e.g uses evidence from the case study involving *M&M* e.g may refer to successful inorganic growth such as *Cadbury* by *Kraft* e.g. may refer to unsuccessful inorganic growth such as *AOL* and *Time Warner*
Level 3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the merits of inorganic growth <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. growth can be rapid and even instant, there is no need to wait for sales to increase over time or wait for investments to come to fruition. e.g. Increases market share and market power such as *M&M* gaining market influence in the north by taking over *PTL* e.g perhaps increasing ability to influence prices and market trends making *M&M* less susceptible to actions of competitors e.g. Turnover will increase and so may profits, leading to more investment and future growth

		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. Increasing size may bring benefits such as economies of scale, reducing average costs which can lead to a competitive advantage e.g. Inorganic growth removes competition and reduces the need for costly promotion and competitive action e.g. Can be a useful way of gaining brand names/patents/technologies/distribution networks such as *Bright Food* and *Weetabix/Tata a*nd *Jaguar Land Rover*/ *Nestle* and *Kit Kat*
Level 4	13-20	Evaluation must be present and in context showing the extent of the merits <u>Low Level 4: 13-14marks</u> Some basic evaluative points are made, about the extent to which merits are yielded. A conclusion is unlikely <u>Mid-Level 4: 15-17</u> Candidate gives a range of arguments, qualifying the merits yielded. A judgement may be attempted <u>High Level 4: 18-20</u> Candidate gives a wide range of arguments that discuss the merits and drawbacks of inorganic growth. 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** *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. Not all inorganic growth is successful, some 50% of mergers and takeovers fail to yield the anticipated benefits and may even cause serious problems and/or losses such as *AOL* and *Time Warner* e.g. inorganic growth may fail if corporate cultures are too different and fail to gel. It is important that management styles do not clash and prevent progress e.g. too rapid growth may lead to diseconomies of scale e.g. a business can move away from its core competences and get into trouble in areas that it does not have a true competitive advantage in such as *Kellogg's* in India e.g. A business that expands too rapidly or gets too big may attract the attention of government bodies such as the CMA or anti-trust laws and cause problems e.g. increased size and market power can attract the attention of pressure groups and negative public opinion

Question Number		Question	
7		Evaluate the importance of social and cultural differences when trading internationally.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Knowledge/understanding of what is meant by social and cultural differences *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. Differences between national markets that may be based on religion, cultural values and beliefs, political systems, gender roles and ethnicity.
Level 2	3-6	Application must be present, i.e. the answer must be contextualised and show awareness of different business models <u>Low Level 2: 3-4 marks</u> Application to business models is weak. <u>High Level 2: 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 *Kellogg's*/*Hindustan Unilever* e.g. awareness of other businesses from own knowledge that have had problems as a result of cultural and social differences such as *Whirlpool, Pepsi* e.g. awareness of other businesses from own knowledge that have adapted products/services as a result of cultural and social differences such as *McDonald's, Cadbury* e.g. awareness of other businesses from own knowledge that have not adapted products/services because cultural and social differences are not important such as *Apple, Ferrari*
Level 3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the importance of social and cultural differences when trading internationally. <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 potential benefits are explained and developed	e.g. without an awareness of cultural and social differences costly mistakes may be made in launching or promoting a product or service such as *Whirlpool* in India e.g. an awareness of cultural and social differences enables the product/service to be more precisely targeted at the consumers increasing sales and profits such as *McDonalds* in India and non beef products e.g. an awareness of cultural and social differences can be a useful source of competitive advantage over other competitors

		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. working with partners/agents/suppliers/distributors is easier if an awareness of cultural and social differences are allowed for e.g. Not adapting the business model saves time and money in researching and adapting to the demands of individual markets
Level 4	13-20	Evaluation must be present and in context showing the relative importance of social and cultural differences when trading internationally <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 Not considering the importance of social and cultural differences when trading internationally saves time and money in researching and adapting to the demands of individual markets e.g. some products and services are universal and therefore little or no adaptation to social and cultural differences is needed when trading internationally such as *Apple/Sony/Nikon* e.g. some products and services may be demanded precisely because they are different to the existing societal and cultural norms such as fast foods in China e.g. some cultural and social differences may be only slight and therefore there is no need to undertake potentially expensive adaptation such as between the UK and Australia e.g. whilst social and cultural differences might be an important consideration when trading internationally, other factors may be more important such as the level of disposable income or political stability

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