GradeMax



Mark Scheme (Results)

January 2017

Pearson Edexcel International
Advanced Level
in Business Studies (WBS03)
Paper 01 Strategic Business Decisions

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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: Data response

Question Number	Question	
1 (a)	What is meant by the term investment? (Evidence A, line 11)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • Spending by a business on for example plant and machinery or human resources **(1)** in order to generate returns in the future **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2

Question Number	Question	
1 (b)	What is meant by the term corporate social responsibility? (Evidence B)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • a policy that an organisation adopts for image/PR/ethical/competitive reasons or is forced to accept through legislation **(1)** attitude towards employees/customers/society/the environment **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2

Question Number	Question	
2	Explain how contingency planning could reduce **one** of the risks outlined in Evidence C.	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for knowledge/understanding of the nature and purpose of contingency planning e.g. plans prepared in advance for unwanted/unforeseen/unlikely possibilities **(1)** so that the business can implement the plan if things go wrong or problems arise **(1)** **Application:** up to 2 marks are available for contextualised answers based on **one** of the risks outlined in Evidence C, i.e. changes in socioeconomic conditions, political, financial, general regulatory and legislative changes e.g. politicians/governments could introduce a restriction on the use of plastic packaging **(1)** which could have a negative effect on sales of DS Smith plastic packaging **(1)** **Analysis:** up to 2 marks are available for developing reasons/causes/consequence of contingency planning e.g. a contingency plan to offset government restriction on the use of plastic packaging could be to develop alternatives **(1)** plans then held in abeyance until forced to make a change **(1)**	1-2 1-2 1-2

Question Number	Question	
3	Analyse the nature of company growth for *DS Smith* as described in Evidence D and E.	8 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge/understanding:** up to 2 marks are available for showing understanding of what is meant by company growth e.g. the development/expansion of *DS Smith* by inorganic growth **(1)** through mergers, takeovers and acquisitions **(1)** **Application:** up to 2 marks are available for contextualised answers, e.g. Evidence D and E list a number of takeovers/acquisitions made by *DS Smith* such as *Duropack* **(1)** Evidence D and E also list a number of geographical areas that *DS Smith* are expanding into such as South East Europe **(1)** **Analysis:** Candidate analyses using reasons/causes/ consequences/costs of the nature of company growth exhibited by *DS Smith*. e.g. Evidence D and E predominantly demonstrates inorganic growth, as evidenced by the number of takeovers **(1)** this allows *DS Smith* to grow rapidly **(1)** through immediately acquiring the sales revenue produced by the businesses it takes over **(1)** as well as entering new geographical markets leading to increased market share **(1)**	1-2 1-2 1-4

Question Number	Question			
4	Assess whether Evidence B shows characteristics of a strong corporate culture.			10 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of basic terms.	e.g. corporate culture is the set of important assumptions that are shared by people working in a particular business and influence the ways in which decisions are taken.	
2	3-4	Application: basic points developed to show awareness how *DS Smith* sets out to establish its corporate culture	e.g. *DS Smith* hold open days e.g. *DS Smith* joins the *Nestlé* scheme	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of a strong corporate culture. **N.B. if analysis is not in context, limit to Level 2.**	e.g. the business has a three point statement of 'corporate social responsibility' in its Annual Report demonstrating a commitment to a strong culture e.g. *DS Smith* is not just concerned with its PR profile, but takes practical measures to promote its environmental culture by sponsoring schemes local to its UK operations e.g. strong corporate culture demonstrated by holding open days spread across the globe at 91 locations so that stakeholders can experience its corporate culture first hand	
4	8-10	Evaluation must be present and in context, i.e. a candidate balances claims for a strong corporate culture by suggesting how it, despite the statement of 'corporate social responsibility' it may have a weak corporate culture **N.B. if evaluation is not in context, limit to Level 3.**	e.g. a strong corporate culture requires more than just three bullet points in an annual report document e.g. the points in Evidence B just focus on social issues and say nothing about other aspects of corporate culture such as promoting staff loyalty and motivation	

			e.g. there is no information about how employees or customers perceive the corporate culture, Evidence B is all based on claims made by the business e.g. weak corporate culture demonstrated by the fact that it joins the *Nestlé* scheme rather than originating its own scheme to support young people

Question Number	Question			
5	*DS Smith* has used takeovers as a strategy (Evidence D and E). Assess this corporate strategy for *DS Smith*.			12 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of corporate strategy *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. corporate strategy refers to the way in which the business seeks to achieve its long term aims	
2	3-4	Application must be present, i.e. the answer must be contextualised and applied to show evidence of *DS Smith's* corporate strategy *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. Evidence D and E show that DS Smith is buying/acquiring/taking over competitors, businesses which offer similar products e.g. these businesses that are being taken over are located across the world	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of *DS Smith's* corporate strategy **N.B. 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. takeovers outlined in Evidence D and E will take competitors out of the market increasing *DS Smith's* market share and market power e.g. takeovers outlined are across several countries in Europe, which shows that it is determined to compete in more markets than just its UK home market e.g. the increased sales and increased profits, suggest that *DS Smith's* corporate strategy is succeeding	

4	8-12	Evaluation must be present and in context relating *DS Smith's* corporate strategy **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by identifying how *DS Smith's* corporate strategy may not work **High Level 4:** 11-12 marks. 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. **N.B. 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. a fall in UK revenue could be blamed on too much focus on overseas takeovers and ignoring competitive pressures in the UK market e.g. there is a danger in expanding too quickly and stretching *DS Smith's* resources causing diseconomies of scale because *Duropack* is spread across nine countries e.g. takeovers are very expensive, such as £135m for *Grupo Lantero*, and must be financed which may have long term implications for cash flow and debt repayment e.g. there is a danger of expanding too far geographically as *DS Smith* is UK based and the businesses being taken over are in Austria and Spain e.g. communication problems and culture clashes may arise because *DS Smith* will have to communicate in Spanish and German

Section B: Essay questions

Question Number	Question			
6	In June 2012, *DS Smith* paid £1.3bn for the takeover of *SCA Packaging*. Using Evidence G, evaluate the extent to which this takeover was successful for *DS Smith.*			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of what is meant by takeover *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. takeovers are when a business buys another business outright/becomes its owner and acquires all its assets	
2	3-6	Application must be present, i.e. candidate must show that they can interpret financial statements/ interpret figures through calculation of ratios, changes, trends etc. from given data, Evidence G, related to the decision to take over *SCA Packaging* **Low Level 2:** 3–4 marks. Candidate accurately calculates 1 or 2 ratios/% **High Level 2:** 5–6 marks. Candidate accurately calculates 3, 4 or more ratios/% *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. calculations in table e.g. reference to trends in table in Evidence G, using figures and totals	

	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue £m	1 759	1 969	3 669	4 035	3 820
y/y change %	**-**	**+11.9**	**+86.3**	**+10.0**	**-5.3**
Operating profit £m	110	141	249	307	335
y/y change %	**-**	**+28.2**	**+76.6**	**+23.3**	**+9.1**
Operating Profit margin %	**6.3**	**7.2**	**6.8**	**7.6**	**8.8**
Profit before tax £m	74	19	82	167	200
y/y change %	**-**	**-74.3**	**+331.6**	**+103.6**	**+19.8**
Profit before tax margin %	**4.2**	**1.0**	**2.2**	**4.1**	**5.2**
Capital employed	964	986	2 040	2 361	2 294
ROCE %	**7.7**	**1.9**	**4.0**	**7.0**	**8.7**
Volume growth of corrugated product	3.0%	2.0%	0.6%	2.2%	3.1%
y/y % points change	**-**	**-1.0**	**-1.4**	**+1.6**	**+0.9**
Average number of employees	9,416	10,150	19,736	21,464	22,014
y/y change %	**-**	**+7.8**	**+94.4**	**+8.7**	**+2.5**

Level	Mark	Descriptor	Possible content
3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the decision to take over *SCA Packaging*, was a good decision, based on Evidence G **Low Level 3:** 7–9 marks. Analysis limited: only 1or 2 reasons/causes/costs or consequences are outlined. **High Level 3:** 10–12 marks. Analysis is more developed: 2 or more reasons/causes/costs and/or consequences are outlined and developed. **N.B. 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. figures support Mike Roberts' claim that business has doubled in size, in terms of revenue (actually grown by 86%) e.g. all financial data shows a step change between 2012 and 2013, which continued at an increased level suggesting that the takeover of *SCA Packaging* was a positive decision e.g. although ROCE took a dip immediately after the expense of the takeover, it has returned to and exceeded pre-takeover level e.g. profit margins have continued to increase, again suggesting this was a positive move
4	13-20	Evaluation must be present and in context, of the extent to which the decision to take over *SCA Packaging*, may or may not have been a good decision, based on Evidence G **Low Level 4:** 13–14 marks. Some evaluative points are made, based on analysis of the business situation without arriving at a conclusion/judgement. **Mid Level 4:** 15–17 marks. A judgement is attempted with some effort to show how well or not the takeover of *SCA Packaging* has affected the overall performance of the business **High Level 4:** 18–20 marks. Convincing evaluation on the extent to which the business has performed well, or not as a result of the takeover of *SCA Packaging*	e.g. the takeover tied up £1.3bn which could have been spent/invested in other projects which may have produced a better return e.g. having made the huge increase in revenue as a result of the takeover, subsequent years have not seen much growth, and in fact fell in 2014/15 e.g. despite the fall in revenue in 2014/15 both operating and profit before tax margins increased e.g. volume growth fell immediately after takeover and has taken 2 to 3 years to get back to pre-takeover levels e.g. the huge increase/doubling of the workforce may bring communication issues as well as a much higher wage bill and all the

		Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. **N.B. 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.*	other costs associated with a very large workforce e.g. the data indicates the usual short term problems that might be associated with a takeover, however based on Evidence G, these problems appear to have been overcome and profitability has been maintained and is increasing. This suggests that this has been a successful takeover.

Question Number	Question			
7	Assess the extent to which shareholder aims might conflict with those of the directors at *DS Smith.*			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of what is meant by shareholders and directors *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. shareholders are individuals or organisations which have invested capital in *DS Smith* e.g. directors are individuals elected to oversee the running of the company on behalf of the owners.	
2	3-6	Application must be present, i.e. the candidate's answer must identify the stakeholder conflict within Evidence H and I **Low Level 2:** 3–4 marks. Candidate identifies stakeholders and 1 or 2 areas of conflict **High Level 2:** 5–6 marks. Candidate identifies stakeholders and makes detailed references to more than 2 areas of stakeholder conflict *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. Evidence H and I give evidence of stakeholder conflicts between shareholders and directors Areas where stakeholder conflict is reported to occur include: e.g. company wants to implement the resolutions generated by its remuneration report e.g. company wants to implement its remuneration policy e.g. company wants to implement its performance share plan (PSP) e.g. company wants to pass all of its resolutions e.g. *DS Smith* wants to give Mike Roberts a large amount of money for relocating a relatively short distance e.g. shareholders want their views and opinions taken into account by the company directors	

3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the extent to which there is conflict between the shareholders and directors **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points, on 1 or 2 elements from Evidence H and I. **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points, on most of the elements from Evidence H and I. **N.B. 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. conflict exists because 40% of shareholders did not back the votes on pay e.g. shareholders would prefer higher dividends for themselves rather than more pay going to directors e.g. conflicts exists because directors would like the going rate for the job and to be brought into line with similar directors elsewhere. e.g. Evidence I suggests Mike Roberts is being paid 10% less than other Chief Executives. e.g. conflicts may arise as directors may be more concerned with the long term success and survival of the business rather than short term profit maximisation to please the shareholders.
4	13-20	Evaluation must be present and in context, based on the extent to which the aims of shareholders and directors are in conflict **Low Level 4:** 13–14 marks. Some evaluative points are made, based on the conflicting aims without arriving at a conclusion/judgement. **Mid Level 4:** 15–17 marks. A judgement is attempted with some effort to show the extent to which the aims of shareholders and directors conflict **High Level 4:** 18–20 marks. Convincing evaluation on the extent to which the aims of shareholders and directors conflict. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion.	e.g. 60% of shareholders backed the resolutions and objectives, so are presumably pleased with the result and therefore there is little conflict e.g. if directors pay is insufficient the business may suffer, as they may not attract the right quality of directors. e.g. therefore it is in the shareholders' interest that the directors are paid the market rate e.g. although there may be short term tactical conflicts over issues such as directors remuneration, there may be less conflicts over long term strategic issues such as continuing profitability

		N.B. 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. the AGM is a mechanism for resolving potential conflict, such as the decision to increase the minimum number of shares directors own

Question	knowledge	application	analysis	evaluation	TOTAL
1a	**2**	**-**	**-**	**-**	**2**
1b	**2**	**-**	**-**	**-**	**2**
2	**2**	**2**	**2**	**-**	**6**
3	**2**	**2**	**4**	**-**	**8**
4	**2**	**2**	**3**	**3**	**10**
5	**2**	**2**	**3**	**5**	**12**
6	**2**	**4**	**6**	**8**	**20**
7	**2**	**4**	**6**	**8**	**20**
TOTAL	**16**	**16**	**24**	**24**	**80**

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