GradeMax



Mark Scheme (Results)

January 2017

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	
1 (a)	What is meant by the term **economic growth**? (Evidence A, line 5)	
	Answer	Mark
	Knowledge up to 2: • When an economy produces more goods and services **(1)** over a given time period/as measured by percentage increase in GDP **(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 **merger**? (Evidence B, line 11)	
	Answer	Mark
	Knowledge up to 2: • The process of combining two or more businesses into one new one **(1)** it takes place on a voluntary basis/as opposed to a takeover where no new company is formed **(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 **two** reasons why economic growth in overseas markets may be important for a business such as *Hyundai*.	
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for identifying reasons why economic growth in overseas markets may be important for a business like *Hyundai* e.g. to compensate for declining or saturated domestic markets **(1)** to increase market share **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. European and other western markets have seen little if any growth in some sectors **(1)** emerging economies are still growing such as India with a growth rate of 7.5% in 2015 **(1)** **Analysis:** up to 2 marks are available for developing the reasons why economic growth in overseas markets may be important for a business like *Hyundai* e.g. In a saturated market, all the customers that might buy a product have probably bought it, the only way to gain new sales is to seek new customers in international markets **(1)** increased market share gives a business more sales and hopefully more profit to invest in future growth **(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** possible reasons why *Fyffes* may have wanted to merge with *Chiquita Brands*.	
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge/understanding:** up to 2 marks are available for identifying the reasons e.g. to benefit from economies of scale **(1)** reducing the competition **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. banana growing faces many risks such as bad weather, currency fluctuations, political unrest and natural disasters **(1)** there are five major global brands/the merger would have created the biggest banana producer **(1)** **Analysis:** up to 4 marks are available for developing the possible reasons e.g. by having a greater number of banana plantations the damage caused by risks is spread over a greater output and has less negative impact **(1)** a single supply chain/distribution network means less duplication of resources and a reduction in AC leading to greater profitability **(1)** Reducing competition means that fewer resources need to be used to gain competitive advantage thus saving money and increasing profits **(1)** By removing competition greater market power is gained meaning the new and bigger company is less susceptible to pressure to reduce prices from the big retailers **(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 in *Hyundai*'s marketing mix.	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of role of price in marketing	e.g. many consumers base a purchasing decision on price, there is an inverse relationship between price and quantity demanded
Level 2	3-4	Application: basic points developed to show awareness of the importance of price for *Hyundai* when marketing its products.	e.g. *Hyundai's* initial success due to low prices compared to rivals e.g. China is an emerging economy and likely to be more sensitive to price than a developed one
Level 3	5-7	Candidate analyses using reasons/causes/consequences/costs to show the importance of price for *Hyundai* when marketing its products. **NB if analysis is not in context limit to Level 2.**	e.g. *Hyundai* faces competition from other firms such as *Hitachi, Komatsu* and *Caterpillar*, therefore a competitive price is important to gain sales e.g. A low price was key to *Hyundai*'s initial success, by undercutting its rivals it gained a joint share of the market of 40%. However, since then cheaper rivals have undercut their prices. e.g. *Hyundai* was not as well-known as established businesses such as *Caterpillar* or *Hitachi,* a low price or use of penetration pricing may have been crucial to gain entry into overseas markets
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. Other aspects of the marketing mix may be more important than price depending on the product, such as the product itself, levels of promotion, customer service, brand image and customer loyalty e.g. demand for *Hyundai*'s excavators is a derived demand so when demand for construction fell in China so too did the

			demand for excavators regardless of the price e.g. the manufacturers that did do well following the collapse of the construction industry in China such as *Komatsu, Hitachi* and *Caterpillar* relied on the quality of the product and not the price

Question Number		Question	
5		Assess the importance of changes in exchange rates for *Fyffes*.	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of the nature of exchange rates *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. The price of one currency expressed in terms of another.
Level 2	3-4	Application: basic points developed to show awareness of the importance of exchange rates *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. *Fyffes* is one of the largest fresh produce distributors in Europe e.g. the article mentions the weak euro
Level 3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show the importance of exchange rates **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. producing in one country and selling in another means that currencies probably need changing for trade to take place e.g. *Fyffes* is a global brand and that means trading between many different countries with different currencies and constantly varying exchange rates. This makes planning more difficult as costs and profit levels will change e.g. bananas and pineapples like many commodities are likely to be priced in US$. European retailers facing a weak euro and strong dollar are likely to increase prices in the shops which may cause a fall in demand

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 relative importance of exchange rates 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. the impact of currency fluctuations depends on by how much rates change and for how long e.g. the impact also depends on the PED for *Fyffe's* products e.g. evidence B suggests that demand for bananas and pineapples is relatively inelastic as price increases have had no effect on demand, in fact profits have increased e.g. other factors may be much more important, for example recent health trends have encouraged the consumption of more fruit, boosting demand and reducing PED e.g. Evidence B suggests that there are other problems associated with Fyffe's business such as political unrest, natural disasters and bad weather e.g. Evidence B also points out that the big retailers have some power in the market suggesting a connection to low margins e.g. these problems may be more important than those caused by exchange rate fluctuations

Section B

Question Number	Question		
6	Evaluate the extent to which outsourcing and offshoring have a positive impact on overseas countries.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of outsourcing and offshoring	e.g. outsourcing means getting some or all of the production process done by another business – offshoring means setting up production in another country
Level 2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of outsourcing and offshoring <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 or examples from own knowledge such as *JLR, Apple, Dyson* – uses evidence C,D and E e.g. increase in employment such as the move from rural to urban in China - growth of IT industry in India e.g. suicide nets at *Foxconn*, collapse of Rani Plaza factory, *Primark* supplier, pollution of Amazon by *Chevron*
Level 3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of outsourcing and offshoring <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. jobs are created which reduces unemployment and increases disposable income e.g. in turn, this creates a regional multiplier effect as increased income is spent in local businesses e.g. there may be increased demand for the products or services of local businesses e.g. tax revenues may increase from both local people and businesses as well as the MNC e.g. there may be technology and skills transfer e.g. many MNCs have strong CSR policies to improve health and education
Level 4	13-20	Evaluation must be present and in context showing the extent of the impact of outsourcing and offshoring <u>Low Level 4: 13-14 marks</u> Some basic evaluative points are made, about the extent to which	e.g. local labour may be exploited – sweatshops, long hours, child labour, lack of health and safety e.g. environmental damage, particularly from extractive industries – unsustainable resources exploited/destroyed,

		benefits are yielded. A conclusion is unlikely <u>Mid-Level 4: 15-17 marks</u> Candidate gives a range of arguments, qualifying the benefits yielded. A judgement may be attempted <u>High Level 4: 18-20 marks</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.**	such as rainforests, marine environments, river systems e.g. cultural imperialism damages local culture/way of life e.g. tax avoidance (evidence C) means economy does not benefit e.g. local businesses may be pushed out and close down e.g. any profits may be re-patriated and not put back into the local economy e.g. a race to the bottom may occur as countries fight to attract FDI

Question Number		Question	
7		Evaluate the importance of the labour force to a multinational company such as *Apple* or *JLR* when choosing a production location.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Knowledge/understanding of what is meant by labour force *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. the human element in production that may be seen in terms of cost or skill levels
Level 2	3-6	Application must be present, i.e. the answer must be contextualised and show awareness of different factors affecting location. <u>Low Level 2: 3-4 marks</u> Application to production location is weak. <u>High Level 3: 5-6 marks</u> Application to production location 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 the evidence of *JLR* setting up production in Slovakia to find cheaper labour e.g. awareness of businesses that have moved to a location to benefit from cheaper labour such as *Dyson* in Malaysia e.g. awareness of businesses that have moved to a location to benefit from skilled labour such as *Microsoft* and its R&D centre in Beijing China e.g. awareness of businesses that have moved to a location to benefit from other factors besides labour such as *Honda* moving to Mexico to benefit from its membership of NAFTA, oil companies such as *Shell* where location is dictated by oil reserves, *Cadbury* who moved to Poland for its central location, *JLR* also chose Slovakia for other reasons – supply chain and good logistics
Level 3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the importance of labour force <u>Low Level 3: 7-9 marks</u> Analysis weak: only one or two factors explained <u>High Level 3: 10-12 marks</u> Analysis is more developed: two or more factors are explained and developed	e.g. labour is often the most significant cost in production and many businesses will seek to minimise this cost. Outsourcing or offshoring to a low wage economy such as China e.g. This enables a price reduction which can be an important source of competitive advantage e.g. labour in overseas markets may be willing to accept working terms unacceptable to home

		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.*	markets such as the 60 hour working week before overtime for Apple e.g. Many businesses that outsourced production to China are now moving out to locations such as Vietnam as the cost of labour in China rises thus showing the importance of cheap labour e.g. skills may be just as important or more important than the cost of the labour, that is why Dyson chose Malaysia rather than somewhere with a slightly cheaper labour force e.g. the need for skilled and cheap labour combined has led many businesses to outsource their IT and software needs to India, or accountancy needs to Argentina despite the availability of qualified personnel in the home market
Level 4	13-20	Evaluation must be present and in context showing the relative importance of the labour force <u>Low Level 4: 13 – 14 marks</u> Some evaluative points are made, based on analysis of other factors. A conclusion is unlikely <u>Medium Level 4: 15-17marks</u> A judgement is attempted with some effort to show extent of the importance <u>High Level 4: 18 – 20 marks</u> Convincing evaluation of the importance of labour. 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. there are many other factors that influence production location besides labour e.g. Mexico is undergoing a large increase in FDI because it is within the free trade area of NAFTA which enables cheaper and easier access to the lucrative North American markets (also Nissan and EU) e.g. cheap labour is available in many African countries but political instability and corruption mean they are often avoided e.g. infrastructure can be important if the nature of the business requires it, one of the factors that influenced Nissan's choice of Sunderland was nearby access to deep water ports. FDI in India has been constrained by lack of a reliable power supply e.g. the ease of doing business and government attitudes may also play a part such as Poland and Dell computers

			e.g. the reality is that a business will not choose a location based solely on one factor. It will be based on a combination of factors the importance of which will depend upon the product or service. Whilst JLR were looking for cheaper labour they were also concerned over the supply chain and good logistics

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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