GradeMax



Mark Scheme (Results)

October 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 labour productivity? (Evidence B, line 13)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • the amount of output per worker **(1)** over a given time period **(1)** **OR** • Labour productivity = Output per time period **(1)** / Number of employees **(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 redundancies? (Evidence D, line 7)	2 marks
	Answer	Mark
	Knowledge – up to 2 marks: • employees that lose their jobs **(1)** because the business no longer needs that job role **(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	*Wilkin & Sons* introduced a new, computer-based system to bring the management of its employee information up to date. (Evidence B) Explain how this could affect the competitiveness of the business.	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks for knowledge/understanding of how the introduction of a computer-based system for the management of its employee information could affect competitiveness e.g. an important aspect of being competitive is that a business is run efficiently **(1)** a new, computer-based system for managing employee information is likely to be more efficient/provide better information than a simple spreadsheet based system **(1)** **Application:** up to 2 marks are available for contextualised answers based on the introduction of the new computer-based system outlined in Evidence B e.g. the new computer-based system will enable management to track/measure/monitor absenteeism **(1)** reduce staff required from two to one **(1)** **Analysis:** up to 2 marks are available for developing reasons/causes/consequence of introducing the new computer-based system e.g. productivity should be improved as a result of having better/more accessible records of staff time/attendance data **(1)** improved productivity should help to make the business more competitive as it should increase output per worker and reduce unit production costs **(1)**	1-2 1-2 1-2

<table>
<tr><td>Question Number</td><td>Question</td><td></td></tr>
<tr><td>3</td><td>In 2016, after over 150 years of specialising in making jam and food products, Wilkin & Sons launched a range of scented candles and incense-like reed diffusers, which perfume a room with the scent of fruit grown on the Tiptree farm.

Using Ansoff's Matrix analyse the strategy behind this decision.</td><td>8 marks</td></tr>
<tr><td></td><td>Answer</td><td>Mark</td></tr>
<tr><td></td><td>(Knowledge 2, Application 2, Analysis 4)

Knowledge/understanding: up to 2 marks are available for showing understanding of the strategy

e.g. the strategy is identified as diversification (1) based on the business entering a new market with a new product (1)

Application: up to 2 marks are available for contextualised answers using Ansoff’s Matrix

e.g. Wilkin & Sons has history/heritage/expertise in making/marketing/selling jam and is moving away from this to develop scented candles/reed diffusers, a different product (1) non-food products like this will be sold/distributed in a different market as it is a totally different product, marketed, distributed and consumed in a different way to jam/food products (1)

Alternatively: Candidate may draw Ansoff's Matrix and label it, based on the stem of Question 3:

<table>
<tr><td></td><td>Existing Products</td><td>New Products</td></tr>
<tr><td>Existing Market</td><td>Market Penetration Strategy
Jam</td><td>Product Development Strategy</td></tr>
<tr><td>New Market</td><td>Market Development Strategy</td><td>Diversification Strategy
Scented candles and reed diffusers</td></tr>
</table>

Analysis: Candidate analyses using reasons/causes/ consequences/costs of the diversification strategy

e.g. by launching scented candles and reed diffusers Wilkin & Son is moving out of its area of expertise, based on 150 years trading (1) using Ansoff's Matrix the business will identify a strategy which will potentially grow the business (1) according to Ansoff this is the riskiest strategy and they could lose money and reputation if it fails (1) conversely, the market for scented candles and similar products is huge and the business could make a lot of money even if they only take a small share of the market (1)

N.B. reward a response where the candidate argues a product development strategy based on the extension of the Tiptree brand and fruit based ingredients and selling to existing customers.</td><td>1-2

1-2

1-4</td></tr>
</table>

Question Number	Question			
4	"Increasing market share through organic growth in UK and overseas markets is key to the continuing success of the business…" (Evidence E) Assess this claim.			10 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of basic terms. *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. market share is the percentage of all sales within a defined market that are held by one brand or organisation. e.g. organic growth is the expansion of a business through the use of its own resources.	
2	3-4	Application: basic points developed to show awareness of the practicalities of growing market share. *Material is presented in simple, logical, easy to follow way 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. a traditional business which has been selling a relatively narrow product range for over 100 years. e.g. they have developed tea rooms, a specialist bakery, fresh fruit sales and are now developing new products such as scented candles and reed-diffusers	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of increasing market share. **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. increasing market share could result in economies of scale as volume sales increase, leading to falling unit costs and increasing competitiveness. e.g. increasing market share by organic growth is likely to be cheaper than financing takeovers or other ways of growing a business. e.g. there is less risk in growing market share by using existing expertise than by using inorganic methods which may result in increased risk as they enter unfamiliar new markets.	

4	8-10	Evaluation must be present and in context, i.e. a candidate balances the benefits of organic growth against those of inorganic growth. **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. business could possibly have achieved as much if not greater growth through takeover of competitors rather than trying to grow existing business. e.g. a joint venture could possibly grow the business by a greater amount than attempting to increase sales. e.g. organic growth by increasing market share may be very difficult for a business that has been trading for 100 years, because its products/sales methods/distribution would be established and difficult to change without risk. e.g. organic growth may be difficult given the constraints of the factory and it may be easier to expand by taking over another production facility.

Question Number	Question			
5	Assess the impact on *Wilkin & Sons* of its strategic decision not to build a new factory. (Evidence C and D)			12 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of the strategies/changes in strategy that is shown in Evidence C and Evidence D *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. impact is the effect the change in strategy will have on its human, physical or financial resources. e.g. strategy is a plan which management has developed for the business to meet its objectives.	
2	3-4	Application must be present, i.e. the potential impact in terms of either the human, physical or financial resources *Material is presented in simple, logical, easy to follow way 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 suggests that human resources will not be affected by change in strategy as 'there will be no redundancies'. e.g. 'the existing factory operates 24 hours a day/7 days a week'. e.g. sales are increasing by 19% year-on-year and *Wilkin & Sons Ltd* are in the UK's top 50 fastest growing independent companies.	
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs /consequences of the change in 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. as there will be no new factory, and existing factory is working at capacity, management will need to develop plans to improve productivity to meet demand. e.g. physical resources will be severely affected as new factory was (presumably) to help relieve pressure on the old factory which is 'working 24 hours a day, 7 days a week'. e.g. change of strategy will reduce disruption of jobs/working conditions and workforce may feel relieved that their familiar jobs/workplace will not change. e.g. impact on physical resources would be that they will have to be maintained to keep running. e.g. impact on financial resources will be that up-front expenditure on capital i.e. buildings/new plant will be saved.	

4	8-12	Evaluation must be present, giving the downside of the change in strategy **Low Level 4:** 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by identifying the downside of the change in strategy **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. impact may be that customers/the market is unsettled as business does not fulfil its stated plan, resulting in lack of confidence in *Wilkin & Sons* as a supplier. e.g. impact on human resources may be that some employees leave due to uncertainty over jobs. e.g. impact on physical resources is that they will continue to be over worked/run at capacity, which could result in breakdown or inability to service orders. e.g. a financial impact will be that *Wilkin & Sons* will lose the income that they had hoped to get from building (and presumably selling) 250 new homes. e.g. this short term decision does not address the long term needs for a business growing at 19% year-on-year, or address Scott Goodfellow's comment on wanting to increase market share.

Section B: Essay questions

<table>
<tr><td>Question Number</td><td colspan="2">Question</td><td></td></tr>
<tr><td>6</td><td colspan="2">Evaluate the extent to which ratio analysis can be used to judge the performance of Wilkin & Sons in 2013 and 2014.</td><td>20 marks</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td><td>Possible content</td></tr>
<tr><td>1</td><td>1-2</td><td>Knowledge/understanding of what is meant by ratio analysis.

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.</td><td>e.g. candidate defines ratio analysis - involves using information from the financial statements and turning it into numbers which are easy to understand and can be used to compare the performance of a business over time or with similar businesses.

e.g. Gross Profit Margin, Operating Profit Margin, ROCE, Current Ratio, Acid Test Ratio are defined/ formulae given.</td></tr>
<tr><td>2</td><td>3-6</td><td>Application must be present, i.e. candidate must give a contextualised answer applied to the figures for Wilkin & Sons

Low Level 2: 3-4 marks
Candidate accurately calculates 1 or 2 ratios.

High Level 2: 5-6 marks
Candidate accurately calculates 3 or 4 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.</td><td><table><tr><td></td><td>2014</td><td>2013</td></tr><tr><td>GP margin</td><td>21.14%</td><td>20.75%</td></tr><tr><td>OP margin</td><td>4.0%</td><td>1.67%</td></tr><tr><td>ROCE</td><td>8.15%</td><td>3.61%</td></tr><tr><td>CURRENT</td><td>3.07</td><td>3.38</td></tr><tr><td>ACID TEST</td><td>1.64</td><td>1.67</td></tr></table></td></tr>
<tr><td>3</td><td>7 -12</td><td>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of ratio analysis to Wilkin & Sons

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</td><td>e.g. Wilkin & Sons profitability as measured by the GP margin/OP margin/ROCE has improved year on year.

e.g. this suggests that business is turning sales/capital into profits more effectively.

e.g. liquidity as measured by the current and acid test ratio has not improved year-on-year.</td></tr>
</table>

		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. a current/liquidity ratio of over 3 suggests that the business is cash-rich/has a lot of financial resources tied up in less than productive areas. e.g. liquidity, as measured by the acid test ratio in both years, was well above 1, which again suggests a lot of cash in the business.
4	13-20	Evaluation must be present and in context showing the extent to which ratio analysis is useful when judging the performance of *Wilkin & Sons.* **Low Level 4**: 13-14 marks Some basic evaluative points are made, about the usefulness or otherwise of ratio analysis without arriving at a conclusion/judgement. **Mid-Level 4**: 15-17 Candidate gives a range of arguments, identifying some of the issues surrounding the extent to which ratio analysis is useful when judging the performance of Wilkin & Sons. A conclusion/ judgement may be attempted. **High Level 4**: 18-20 Candidate gives a wide range of arguments discussing the extent to which ratio analysis is useful when judging the performance of *Wilkin & Sons.* 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. financial performance of the business is only one indicator used to judge the overall performance. e.g. further historical data from *Wilkin & Sons* would also be useful, as would comparable data from its competitors. e.g. the figures cover all markets/sectors in which *Wilkin & Sons* trade and the general figure may mask poor performance in one or other trading sector. e.g. information about the different market/sectors would be helpful to put basic financial data into context. e.g. financial information is only a 'snapshot' of performance and may be inaccurate; therefore judgements made on this should be kept in context. e.g. need to consider external influences such as the business cycle.

Question Number	Question			
7	Evaluate the corporate strategy as outlined in the chairman's statement. (Evidence G)			20 marks
Level	Mark	Descriptor	Possible content	
1	1-2	Knowledge/understanding of the corporate strategy identified in Evidence G. *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 corporate strategy outlines the long term aims of the business. e.g. the plan to maintain policy of diversification so that the business can operate different business sectors.	
2	3-6	Application must be present, i.e. candidate must give a contextualised answer relating to *Wilkin & Sons'* corporate strategy. **Low Level 2:** 3–4 marks. Candidate identifies 1 or 2 examples of how *Wilkin & Sons* is trading in different sectors. **High Level 2:** 5–6 marks. Candidate identifies stakeholders and makes detailed references to more than 2 examples of how *Wilkin & Sons* is trading in different sectors. *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. *Wilkin & Sons* operates in all three business sectors – primary, secondary and tertiary. e.g. fruit farm/primary sector/produces raw materials. e.g. manufacturing/ secondary sector/produces jam etc. e.g. tea rooms/tertiary sector/retail sales.	
3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/ causes/ costs/ consequences of *Wilkin & Sons* corporate strategy identified in Evidence G. **Low Level 3:** 7-9 marks. Candidate will attempt a very basic analysis, making general points about the usefulness of the corporate strategy outlines in evidence G. **High Level 3:** 10-12 marks. Candidate makes a more detailed analysis, making specific points	e.g. the business is not reliant on just one sector 'not having all our eggs in one basket' e.g. trading in different sectors will help to smooth out the ups and downs of particular sectors as they are affected by economic conditions. e.g. Political, Economic, Social, Technological, Legal and Environmental (PESTLE) external influences will affect different sectors of the business differently and	

		about the usefulness of the corporate strategy outlines in evidence G. **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.*	should be 'smoothed out'. e.g. by controlling all parts of the supply chain (vertical integration) the business can manage its profitability/is not totally reliant on external suppliers/customers.
4	13-20	Evaluation must be present and in context, based on the extent to which the corporate strategy as outlined in the Chairman's Statement (Evidence G) would succeed in maintaining the success of *Wilkin & Sons.* **Low Level 4:** 13-14 marks. Some basic evaluative points are made, referring to how there are some limitations to the corporate strategy. **Mid Level 4:** 15-17 marks. Candidate gives a range of comments on limitations to corporate strategy. **High Level 4:** 18-20 marks. Candidate gives a wide range of arguments, to highlight any weaknesses/limitations in the corporate strategy. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. **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. business may stretch itself across too many different sectors/ management may be spread across too many sectors. e.g. the skills for managing a business in three different sectors may not be available in all senior executives. e.g. each sector will expect to have its own budgets and this could lead to conflict when money is tight. e.g. conflict could arise if one sector is seen to be supporting the other two through its sales/ profitability. e.g. adverse conditions in the fruit production/primary sector will affect the ability of the other two sectors without bringing in outside supplies. e.g. limiting enterprises to those complementary to the main business may mean missing profitable opportunities elsewhere.

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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