GradeMax



Mark Scheme (Results)

January 2018

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: Data response

Question Number	Question	
1 (a)	What is meant by the term labour-intensive? (Evidence A, line 2)	2 marks
	Answer	Mark
	Knowledge up to 2: • When a business uses large amounts of labour **(1)** and relatively little capital **(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 inflation? (Evidence B, line 10)	2 marks
	Answer	Mark
	Knowledge up to 2: • A rise in the general price level **(1)** over a sustained period of time **(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** indicators of growth that could be used to identify a growing economy such as Vietnam.	6 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge/understanding:** up to 2 marks are available for identifying the indicators e.g. GDP per capita **(1)** literacy rate **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. GDP per capita in Vietnam by 2020 is planned to be $3 500 **(1)** average literacy rate in India is around 75% **(1)** **Analysis:** up to 2 marks are available for showing how indicators could measure growth e.g. increases in GDP per capita would indicate more income per head and would show economic growth as living standards increase **(1)** Literacy is linked to skills, increases in the literacy rate indicate a more productive workforce which is likely to increase output and growth **(1)** ***NB if only one reason cap at 3 marks***	1-2 1-2 1-2

Question Number	Question	
3	Vietnam is about to join the Trans-Pacific Partnership (TPP), a trade bloc**.** Analyse **two** possible impacts of this for a business located in Vietnam**.**	8 marks
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge/understanding:** up to 2 marks are available for identifying two impacts this might have on a business located in Vietnam. e.g. opportunity for increased exports **(1)** local businesses will benefit **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. Samsung is increasing investment in Vietnam **(1)** GDP boosted by $36bn **(1)** **Analysis:** up to 4 marks are available for developing the reasons. e.g. the TPP includes developed nations such as the USA, Japan and Australia, cuts in tariffs make it easier to export to these countries **(1)** by locating in Vietnam Samsung can increase sales and profits as without tariffs its products become more competitive **(1)** The Vietnamese people will have more employment and disposable income to spend **(1)**, this increases demand for local businesses who will see a rise in sales as a result **(1)** ***NB if only one factor cap at 4 marks.***	1-2 1-2 1-4

Question Number	Question		
4	Assess the importance of low labour costs when businesses are deciding where to locate production.		
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of low labour costs	e.g. the wages paid for production of a good or service that are an important part of the costs of production
Level 2	3-4	Application: basic points developed to show awareness of labour costs	e.g. average wage in China is $305, minimum monthly wage in Vietnam is $145 e.g. *Samsung* increasing FDI in Vietnam, *Panasonic* leaving China
Level 3	5-7	Candidate analyses using reasons/ causes/consequences/ costs to show the importance of low labour costs when considering a production location. **NB if analysis but no context limit to Level 2**	e.g. lower labour costs will lower the costs of production. For many businesses labour costs are a substantial part of their total costs, reducing them can lead to lower prices and a competitive advantage with regard to price e.g. many markets are dynamic and fast moving such as the mobile phone/tablet/pc market e.g. leading players in this market such as *Apple* and *Samsung* are looking elsewhere (India and Vietnam) to minimise labour costs
Level 4	8-10	Evaluation must be present i.e. a candidate balances his/her answer **NB if evaluation but no context limit to Level 3**	e.g. balances possible cost savings against extra costs that might be incurred such as training the workforce e.g. the cost of labour might not be as important as the quality and skills of the labour force – *Dyson* in Malaysia e.g. considers the importance of other factors such as infrastructure, geographical location, land costs, ease of doing business, size and amount of government restrictions/incentives, IPR and location within a trade bloc – *Honda* in Mexico and NAFTA e.g. labour costs might only be a small proportion of total costs

Question Number	Question		
5	Assess the potential impact on Vietnam of increased investment from multinational corporations (MNCs) such as *Samsung*.		
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of the nature of investment *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 flow of money from a source such as MNCs to create or increase productive capacity
Level 2	3-4	Application: basic points developed to show awareness of the potential impact of increased investment from multinationals such as *Samsung* on Vietnam. *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 to show examples of FDI/Vietnam or uses examples from own knowledge e.g. Vietnam has expanding economy, government seems to welcome FDI, entry to TPP e.g. *Samsung* is investing an additional $3bn in Vietnam
Level 3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show the potential impact of increased investment from multinationals such as Samsung on Vietnam. **NB if analysis but no 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. *Samsung* will be increasing productive capacity, this means employment will be created in the initial building and then the operation of the new facilities e.g. Vietnamese people may find it easier to find employment and see an increase in incomes and standard of living e.g. local businesses may benefit as Samsung or other MNCs source supplies and services from the host country. This creates more jobs and helps regional multiplier effect e.g. Vietnamese government should benefit from increased tax revenues from the increased employment and profits of the MNCs, this can be crucial for a developing economy such as Vietnam. Resulting exports will improve the balance of payments

Level 4	8-12	**Low Level 4:** 8-10 marks Evaluation must be present i.e. a candidate balances his/her answer by showing the contrasting or negative impacts of increased investment **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 **NB if evaluation but no 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. MNCs have been known to take advantage of the local workforce with poor working conditions and low pay – *Foxconn* in China, *Primark*'s suppliers, Rhani Plaza building collapse e.g. local businesses may be in direct competition with the incoming MNC and be unable to compete e.g. profits may be repatriated and tax avoided by various schemes – *Amazon*, *Google* e.g. MNCs can be footloose and move when a more suitable location is found. Vietnam's growth will probably cause wages to rise in the future e.g. MNCs can cause environmental damage and may threaten Vietnam's thriving tourist industry

Section B: Essay questions

Question Number	Question		
6	Evaluate the merits of expanding by takeovers for a business such as *Revlon*.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of takeovers	e.g. when a business buys a controlling interest in another business and two businesses become a single business
Level 2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of takeovers **Low Level 2:** 3-4 marks Candidate uses a limited range of examples **High Level 2:** 5-6 marks Candidate uses a good range of examples	e.g. *Revlon* paid 50% more than the current share price of *Elizabeth Arden* e.g. refers to the products made by each company e.g. refers to rivals and competitive nature of the market e.g. $140m of cost savings from the takeover e.g. uses own knowledge of other examples – *Unilever, Tata, M&M, 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 for a business such as *Revlon* of expanding by takeovers. **Low Level 3:** 7-9 marks Analysis weak: only one or two points explained **High Level 3:** 10-12 marks Analysis is more developed: two or more points are explained and developed **NB if analysis but no context limit to Level 2**	e.g. by taking over another company the business immediately grows in size, no need to wait for sales to increase – faster than organic growth e.g. immediate acquisition and use of rival's supply chain and distribution network e.g. increases market share and market power which could ensure survival for *Revlon* in the cosmetics market. Increasing market power gives greater control over prices and market trends e.g. there appears to be a good fit between the product ranges of *Revlon* and *Elizabeth Arden.* Synergies may be gained by combining them. e.g. increasing in size can bring benefits from economies of scale which can reduce average costs and lead to a competitive advantage – *Revlon* expects to save $140m e.g. removes competition from the market which may reduce the need for costly promotion and competitive strategies

			e.g. can be a useful way of acquiring brand names, patents and technologies
Level 4	13-20	Evaluation must be present and in context showing the extent and limitations of the merits **Low Level 4:** 13-14marks Some basic evaluative points are made, about the extent to which merits are yielded. A conclusion is unlikely **Mid-Level 4:** 15-17 Candidate gives a range of arguments, qualifying the merits yielded. A judgement may be attempted **High Level 4:** 18-20 Candidate gives a wide range of arguments that discuss the merits. A balanced conclusion is drawn, the answer is clear and articulate leading to a convincing conclusion **NB if evaluation but no context limit to Level 3**	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. takeovers can be expensive, *Revlon* has paid 50% more than the share price 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 benefits of operating in a global niche market for a business such as *Evans Consoles*.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Knowledge/understanding of what is meant by 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 having a low PED
Level 2	3-6	Application must be present, i.e. the answer must be contextualised and show awareness of global niche markets **Low Level 2:** 3-4 marks Application to global niche markets is weak. **High Level 2:** 5-6 marks Application to global niche markets 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. *Evans Consoles* produces specialised products not available in the mass market e.g. *Evans Consoles* offers a completely personal service e.g. candidates may offer examples from their own studies or past papers such as *Gucci, Ferrari*
Level 3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the benefits of operating within a global niche market **Low Level 3:** 7-9 marks Analysis weak: only one or two benefits explained **High Level 3:** 10-12 marks Analysis is more developed: two or more potential benefits are explained and developed	e.g. products/services such as specialised control consoles are likely to have a high degree of added value and command a premium price increasing profitability e.g. consumer demand in a niche market can be more price inelastic, which may enable a higher price to be charged e.g. targeting very specific tastes and cultures is more likely to gain customer satisfaction and loyalty and gain a competitive advantage e.g. smaller markets allow you to get to know your customers better and develop more effective marketing and sales

		NB if analysis but no 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.*	strategies, thereby boosting sales and profitability e.g. because of its specialised nature *Evans Consoles* has been awarded a nationwide contract for air control towers. It is unlikely to face any competition in this field e.g. specialist knowledge such as *Evans Consoles* 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	13-20	Evaluation must be present and in context showing the extent of the benefits of operating in a global niche market **Low Level 4:** 13-14 marks Some evaluative points are made, based on analysis of the benefits. A conclusion is unlikely **Medium Level 4:** 15-17 marks A judgement is attempted with some effort to show extent of the benefits. **High Level 4:** 18-20 marks Convincing evaluation of the benefits. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion **NB if evaluation but no 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. businesses in niche markets can rely too much on one area/product/service which can be adversely affected by changes in tastes, some niche markets are based on fads or the latest trends e.g. some niche markets depend on developing leading technology such as *Evans Consoles*. An improvement by a rival can take away that advantage e.g. these businesses may constantly have to invest in R&D to avoid this, thus eating into profits. *Evans Consoles* spends over $500 000 annually e.g. global niche markets are limited in size and may not permit expansion or the ability to reap the full 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* e.g. over time, niche markets can expand and become mass markets and so a business can lose the advantages of being a niche producer

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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