GradeMax

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Surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

Monday 11 June 2018 – Afternoon
Time: 2 hours

Paper Reference
WBS04/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Unlike the West, India and China embrace globalisation

In contrast with the developed West, globalisation and economic integration remain popular in the world's two largest developing countries – India and China. These findings are part of the Pew Research Center's 2016 Global Attitudes Survey. The International Monetary Fund (IMF) expects India's economy to grow by 7.6% in 2016 and China's by 6.6%, both more than double the expected global economic growth of 3.1%.

China's economic growth rate may be slowing, but the majority of Chinese expect continued economic progress in the coming year: 22% say the economy will improve a lot, while 54% think it will improve a little over the next 12 months. The Chinese are also optimistic about economic prospects for the next generation: 82% suggest that when children in the country today grow up they will be better off financially than their parents.

Indian views on the economy have improved and 35% of Indians say the economy is very good. They also see the economy as improving the prospects of their children: 70% of Indians assume that when today's children grow up they will be better off financially than their parents.

(Source: adapted from http://qz.com/813154/unlike-the-west-india-and-china-embrace-globalisation/)

Evidence B

Improved Ghana cocoa production leads to world surplus

The global cocoa market is likely to record a surplus in the 2015/2016 crop season following improved production in Ghana, meaning that more is produced than is demanded. The projected surplus could also be due to weak growth in global demand for cocoa next year.

Ghana is one of the major producers of cocoa in the world. Cocoa is Ghana's most important export crop, accounting for 8.2% of the country's Gross Domestic Product (GDP) and 30% of total export earnings. It is estimated that the livelihood of about six million people (25–30% of the population) depends on the cocoa sector.

However, surplus cocoa could hurt revenue prospects for Ghana, which is struggling to improve its infrastructure base and stabilise the economy amid falling prices of Ghana's other two main exports, oil and gold.

Cocoa prices are expected to peak in 2015 before falling at the beginning of 2016 to the end of the forecast period in 2019.

(Source: adapted from http://www.theafricareport.com/West-Africa/improved-ghana-cocoa-production-leads-to-world-surplus.html)

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Evidence C

National Democratic Council (NDC): Mahama lifting Ghana high

The World Bank, in its latest report, rated Ghana as the easiest place to do business in West Africa. According to the government, this means "greater foreign direct investment (FDI), more new businesses are established and it is easier for existing ones to grow. This results in more jobs for the people of Ghana and consequently a growing economy."

The ruling party, the NDC, said none of this would have been possible without the investment in infrastructure that the government has made in the last four years. "Resolving the energy crisis and creating energy security is a critical component of this recognition by the World Bank. President John Mahama and the NDC government have made the issue a priority and resolved it not only for the short term, but for generations to come," it added.

"Infrastructure development facilitates business which creates jobs and grows the economy. It is a long-term strategy but critical to the long-term prosperity of Ghana. The World Bank projects a growth rate of between 7% and 8% in 2017 for Ghana. That is due entirely to the initiatives President John Mahama and this government have put in place."

The NDC also pointed out that the Ghanaian currency, the Cedi, is currently the best performing in Africa, reflecting the success of their policies and the confidence the international community has in the country.

(Source: adapted from http://www.peacefmonline.com/pages/politics/politics/201611/297019.php)

Evidence D

Initial FDI transfers soar

The Ghana Investment Promotion Centre (GIPC) recorded a total of 51 projects valued at $1.45bn in the second quarter of 2016. Of these, 40 were wholly foreign-owned enterprises; the remaining 11 were joint venture projects.

One of the main benefits and principles of attracting FDI is job creation and with the projects registered for the quarter, a total of 4,112 jobs are expected to be created.

China leads the ranking of countries with the highest number of investments with 13 projects. However, in terms of the projects' values, Singapore topped the list of countries with the largest value of investments worth $1.06bn, for the quarter.

(Source: adapted from http://www.graphic.com.gh/business/business-news/initial-fdi-transfers-soar.html)

1 (a) What is meant by the term Gross Domestic Product? (Evidence B, line 7)

(2)

(b) What is meant by the term joint venture? (Evidence D, line 4)

(2)

(Total for Question 1 = 4 marks)

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2 Explain **two** factors that have contributed to increased globalisation.

(Total for Question 2 = 6 marks)

3 Analyse **two** reasons why a business might want to expand into a developing country such as Ghana.

(Total for Question 3 = 8 marks)

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4 Assess the benefits to Ghana of specialising in the production of a commodity such as cocoa.

(10)

(Total for Question 4 = 10 marks)

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5 Assess the possible impacts on European businesses of China and India's projected growth rates.

(12)

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

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SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

How global brands are thinking local

In 2016, *Uniqlo* the Japanese clothing chain, unveiled its newly refurbished main store on London's Oxford Street, which has many global retailers whose stores look and feel much the same the world over. *Uniqlo* is different, the top two floors (and roof) of the six-storey megastore are devoted to local culture. Dubbed the *Uniqlo* WearHouse, the space features a selection of products made by local British businesses, like vintage bicycle specialists *Pedal Pedlar*, and it also presents local cultural events.

Tadashi Yanai, chairman, president and chief executive of *Uniqlo*, said "In order to do business anywhere, we need to have a clear idea of what it means to be global and what it means to be local."

It is a significant shift away from the single-minded strategies long favoured by large global retailers. They traditionally focused on standardising their store formats before opening identical stores across the world.

(Source: adapted from https://www.businessoffashion.com/articles/intelligence/glocalization-localization-retail-lululemon-uniqlo-nike)

Evidence F

Business and Sustainability: Doing Well By Doing Good

Businesses are now expected to create value for their shareholders, consumers, employees and communities in the areas they operate, as well as for the society as a whole. This is what a major multinational corporation (MNC), such as *Nestlé*, calls creating shared value. Another major multinational, *Unilever*, has stated that creating sustainability and sustainable living is the best long-term way to grow its businesses.

The latest figures show that *Unilever*'s return on assets is 9.88%, return on equity 33.16% and return on investments 16.62%. This is a very good performance.

Nestlé returns are also good: 6.59% on assets, 14.68% on equity and 9.41% on investments.

This shows that companies that are well-run and have a social conscience can create both value for their shareholders as well as for society as a whole.

This, of course, does not mean that every MNC has embraced this philosophy. For example, most companies still pay their senior executives on the basis of profit returned to shareholders.

(Source: adapted from http://www.brinknews.com/business-and-sustainability-doing-well-by-doing-good/)

6 ". . . we need to have a clear idea of what it means to be global and what it means to be local." (Evidence E, lines 9 and 10)

Evaluate the extent to which a global brand should follow *Uniqlo*'s strategy.

(20)

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(Total for Question 6 = 20 marks)

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7 Evaluate the impact on a multinational business of operating ethical and sustainable policies.

(20)

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(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS

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