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Mark Scheme (Results)

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Pearson Edexcel International Advanced Subsidiary
In Business Studies (WBS04)
Unit 4 Business in a Global Context

GradeMax

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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 capital intensive? (Evidence C, line 4)	
	Answer	Mark
	Knowledge up to 2: • When a business uses large amounts of capital such as machinery in the production process **(1)** and relatively little labour **(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 exchange rate? (Evidence C, line 21)	
	Answer	Mark
	Knowledge up to 2: • The price/value of one currency **(1)** expressed in terms of another **(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	Despite being a member of ASEAN, Indonesia still imposes tariffs on 'products coming from its fellow member countries'. (Evidence A, line 16) Explain **two** reasons possible why Indonesia might do this.	
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 2) **Knowledge / understanding:** up to 2 marks are available for identifying possible reasons e.g. to protect domestic industries **(1)** to raise tax revenue **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. Indonesia is still developing as an economy **(1)** to improve/replace infrastructure **(1)** **Analysis:** up to 2 marks are available for developing the possible reasons for tariffs e.g. without the protection of tariffs to increase the prices of imports, domestic businesses may not yet be able to compete and may close leading to increased unemployment **(1)** the Indonesian government will need large amounts of revenue to improve infrastructure in order to attract more investment/natural disasters need funds for humanitarian aid and re-building **(1)** **Two reasons must be covered for full marks (3+3). If only one reason covered, maximum mark of 3.**	1-2 1-2 1-2 **(6)**

Question Number	Question	
3	Analyse **two** possible reasons why many foreign companies form joint ventures to enter the Indonesian market.	
	Answer	Mark
	(Knowledge 2, Application 2, Analysis 4) **Knowledge / understanding:** up to 2 marks are available for identifying the reasons e.g. difficulty in foreign companies getting started **(1)** foreign companies able to use existing supply chains/facilities **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. Indonesia is rated as 109 for ease of doing business **(1)** Indonesia is the world's 7th largest country in terms of combined sea and land area **(1)** **Analysis:** up to 4 marks are available for developing the possible reasons e.g. failure to comply with regulations or understand them properly may mean costly delays and difficulties **(1)** a local business will have the knowledge and can help guide the foreign company through government bureaucracy increasing the chances of success **(1)** the cost of attempting to create a new supply chain or network of outlets could prove to be too much given the size of the country **(1)** by using their partner's existing facilities this would save not only costs but also time, maximising their chance of success in capturing market share in this rapidly expanding market **(1)** **Two reasons must be covered for full marks (4+4). If only one reason covered, maximum mark of 4.**	1-2 1-2 1-4 **(8)**

Question Number		Question	
4		Indonesia is a member of ASEAN, the world's largest trade bloc when measured by population. Assess the likely impact of this membership on Indonesian businesses.	
Level	Mark	Descriptor	Possible Content
1	1-2	Knowledge/understanding of the nature of a trade bloc	e.g. A trade bloc is a group of countries with a trading agreement between themselves e.g. members have free trade or preferential trading agreements between themselves
2	3-4	Application: the answer must be contextualised and applied to show the likely impacts of membership on Indonesian businesses.	e.g. Indonesia's main trading partners are ASEAN members – Singapore or members of the wider ASEAN grouping - Japan, China, and South Korea e.g. 50% of *Toyota*'s vehicles are exported mostly to ASEAN members and Africa
3	5-7	Candidate analyses using reasons/causes/consequences/ costs to show the likely impacts of membership on Indonesian businesses. **NB if analysis is not in context limit to Level 2.**	e.g. Indonesian businesses may be able to import raw materials/components/products and services more cheaply from other ASEAN members thus reducing costs which may give a competitive advantage e.g. Indonesian businesses should find it easier to access other ASEAN member's markets and face fewer trade restrictions thus increasing potential sales and revenues e.g. trade liberalisation should cause economic growth as prices fall (reflecting reduced costs), this increases disposable income and increases overall demand leading to increased real output i.e. economic growth e.g. FDI from businesses

			such as *Toyota* creates demand for supply industries and also creates jobs which leads to increased income and spending on Indonesian businesses
4	8-10	Evaluation must be present i.e. a candidate balances his/her answer **N.B. if there is evaluation but no context at all, then limit to level 3**	e.g. Indonesia's domestic industries will have lost some or all of their protective tariffs and barriers meaning they are now relatively more expensive and less competitive e.g. increased competition for domestic producers may mean a drop in sales causing a drop in profits e.g. low cost manufacturing bases such as fellow ASEAN member Vietnam, will find it easier to penetrate Indonesian markets and provide competition for domestic businesses e.g. if ASEAN imposes a common external tariff it may increase the cost of raw materials/components supplied from outside of the trade bloc. This could increase costs for some businesses

Question Number		Question	
5		Assess *Toyota*'s decision to increase its investment in Indonesia.	
Level	Mark	Descriptor	Possible Content
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. spending by *Toyota* to yield future profits
2	3-4	Application: the answer must be contextualised and applied to show the possible impact of *Toyota*'s decision to increase its investment in Indonesia *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. *Toyota* already has five manufacturing plants in Indonesia and is the market leader, sales increased by 19% in 2016 e.g. Indonesia's growth rate is 5.2% e.g. large low cost workforce available, 60% is between 20 and 65 years old e.g. use of Evidence C to illustrate potential risks such as poor infrastructure/natural disasters/currency fluctuations/corruption
3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show the possible impact of *Toyota*'s decision to increase its investment in Indonesia **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. this is likely to lead to increased sales and profitability for *Toyota* if it expands production because Indonesia has a large and growing consumer market for cars e.g. it will probably be easier and cheaper to use the existing supply and distribution networks in Indonesia than to go to another country and start from scratch e.g. *Toyota*'s existing factories appear to be successful, by adding to them economies of scale

			may be possible e.g. a plentiful supply of low cost labour and relative political stability are attractive features of Indonesia and reduce the costs and risks of the investment
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 possible drawbacks of *Toyota*'s decision to increase its investment in Indonesia <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 **N.B. if there is evaluation but no context at all, then 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. while labour costs are low at the moment, economic growth is strong and wages may rise as they have in manufacturing industries in China e.g. other ASEAN countries may have cheaper labour such as Vietnam and may be a better place to invest e.g. Africa is an important and growing export market. It may be better to start manufacturing there to reduce export costs and get established before rivals do e.g. there are some drawbacks to Indonesia, corruption and bureaucracy can slow investment and increase costs. Indonesia is ranked 118 and 109 for corruption and ease of doing business e.g. a repeat of the tsunami or other natural disaster could disrupt production, it may be safer to go elsewhere

Section B

Question Number		Question	
6		Evaluate the extent to which the activities of multinational corporations (MNCs) can be controlled.	
Level	Mark	Descriptor	Possible Content
1	1-2	Candidate shows knowledge of a multinational corporation	e.g. a business that operates in more than one country
2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of multinational corporations <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 examples from evidence such as *Vedanta Resources* e.g. uses evidence or examples from own knowledge such as campaign against palm-oil, Greenpeace and *Nestle* - Kit-Kat/Orang-Utan fingers e.g. consumer pressure on *Starbucks/Primark* resulting in tax paid/aid to Bangladesh e.g. legal cases such as *BP* and oil spill compensation or *Volkswagen* and emissions scandal
3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the extent to which the activities of multinational corporations (MNCs) can be controlled <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. direct governmental control such as legislation/legal action can control MNCs e.g. consumers can individually react by boycotting a company's products such as *Shell* that caused a 50% fall in sales of its fuel e.g. by representing public opinion pressure groups can create negative publicity for a business that can cause it to modify its behaviour e.g. the increasing use of social media to rapidly spread news of campaigns and transgressions by MNCs, which increases the pressure to modify behaviour e.g. MNCs respond by

			altering/modifying their actions for fear of loss of image/reputation/sales
4	13-20	Evaluation must be present and in context showing the extent to which the activities of multinational corporations (MNCs) can be controlled <u>Low Level 4: 13-14marks</u> Some basic evaluative points are made, about the extent to which control is possible. A conclusion is unlikely <u>Mid-Level 4: 15-17</u> Candidate gives a range of arguments, qualifying the extent. A judgement may be attempted <u>High Level 4: 18-20</u> Candidate gives a wide range of arguments that discuss the extent to which the activities of multinational corporations (MNCs) can be controlled. A balanced conclusion is drawn, the answer is clear and articulate leading to a convincing conclusion **N.B. if there is evaluation but no context at all, then limit to level 3**	e.g. the effectiveness of Government control/legal regulation is dependent on the size and influence of the country and on the size and resources of the MNC e.g. not all MNCs are likely to be influenced by pressure groups or public opinion, particularly those not reliant on consumer sales e.g. in some markets consumer pressure is unlikely to be strong, it tends to be more effective in affluent well-informed societies e.g. MNCs are also adept at countering campaigns either with legal challenges or charm offensives via marketing and social media platforms e.g. other factors such as government support/economic necessity can outweigh actions of pressure groups or force of public opinion

Question Number		Question	
7		Evaluate the importance of price for a business such as *Panasonic* when entering an emerging market.	
Level	Mark	Descriptor	Possible Content
1	1-2	Knowledge/understanding of what is meant by key 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. price is one of the 4 Ps and an important element of a marketing strategy e.g. an emerging market is one where there is rapid economic growth and an expanding secondary sector driving up incomes and standards of living
2	3-6	Application must be present, i.e. the answer must be contextualised and show awareness of emerging markets <u>Low Level 2: 3-4 marks</u> Application to emerging markets is weak. <u>High Level 3: 5-6 marks</u> Application to business models 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 evidence or examples from own knowledge such as CIVETS – China, Indonesia, Vietnam, Egypt, Turkey and South Africa e.g. Chinese smartphones dominate the market - *Lenovo, Huawei, Xiaomi* and *ZTE* e.g. emerging markets are not yet saturated e.g. use of psychological pricing - $99. e.g. average pay as low as $2 000 a year
3	7 -12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the importance of price for a business such as *Panasonic* when entering an emerging market. <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 potential points are explained and developed	e.g. price is important when entering any new market, too high a price may deter prospective customers and too low may send a signal of poor quality e.g. this is especially important in emerging economies such as Myanmar or Vietnam because although incomes are rising they are still below the levels in the

		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 that *Panasonic* is used to e.g. if average pay is only $2 000 then price becomes important, particularly if a company such as *Panasonic* is new to the market e.g. Evidence F shows several electronics businesses such as *Huawei* expanding and competing, it is important that a business is not out of step with its pricing compared to its rivals e.g. it may have to resort to penetration pricing to enter the market and take market share
4	13-20	Evaluation must be present and in context showing the relative the importance of price for a business such as *Panasonic* when entering an emerging market. <u>Low Level 4: 13 – 14 marks</u> Some evaluative points are made, based on analysis of the importance of price. A conclusion is unlikely <u>Medium Level 4: 15-17marks</u> A judgement is attempted with some effort to show extent of the importance of price <u>High Level 4: 18 – 20 marks</u> Convincing evaluation of the importance of price. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion **N.B. if there is evaluation but no context at all, then limit to level 3**	e.g. while price is important it is also important to get the other 3 Ps right as well e.g. Product – *Panasonic* is facing a lot of competition and if prices are similar it is likely to be important that their phones have some differentiation or feature to give them a competitive advantage e.g. Promotion is also important, if the brand is unknown then promotion is crucial to build a reputation and market share using appropriate techniques e.g. emerging markets vary widely and there may be social and cultural differences that need to be taken into account, failure to do so may be damaging e.g. Place - if the company has not previously entered

		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.	the market then establishing supply and distribution networks are important otherwise potential consumers will not be able to buy e.g. many emerging economies are still developing and lack of infrastructure may be a problem e.g. it is likely that although price will be key, *Panasonic* must not ignore other key areas of marketing

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