GradeMax



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Mark Scheme (Results)

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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	
1a	What is meant by the term price inelastic? (Evidence A line 9)	**2 marks**
	Answer	Mark
	Knowledge up to 2: • The proportionate change in quantity is less **(1)** than the proportionate change in price **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. ***NB Any other suitable alternative.***	**1-2**

Question Number	Question	
1b	What is meant by the term economies of scale? (Evidence A line 13)	**2 marks**
	Answer	Mark
	Knowledge up to 2: • Reductions in average costs **(1)** brought about by an increase in the scale of production **(1)** 1 mark for partial or vague definition but a valid example lifts to 2 marks. ***NB Any other suitable alternative.***	**1-2**

Question Number	Question	
2	Explain **two** possible ways a multinational corporation (MNC), such as *Colgate,* might be affected by changes in exchange rates.	**6 marks**
	Answer	Mark
	Knowledge/understanding: up to 2 marks are available for identifying ways a MNC, such as *Colgate,* might be affected by changes in exchange rates. e.g. a fall in sales **(1)** a decrease in costs **(1)** **Application:** up to 2 marks are available for contextualised answers e.g. *Colgate* has seen sales fall outside the US **(1)** ingredients for *Colgate*'s range of products such as toothpaste may have to be imported **(1)**	**1-2** **1-2**

	Analysis: up to 2 marks are available for developing the ways a MNC, such as *Colgate,* might be affected by changes in exchange rates e.g. consumers in foreign countries have to give up more of their currency to buy products priced in dollars and so sales fall **(1)** A stronger dollar will buy more foreign currency, hence the cost of imported raw materials falls increasing profitability **(1)** ***NB if only one way cap at 3 marks***	**1-2**

Question Number	Question	
3	Analyse **one** possible advantage and **one** possible disadvantage of organic growth for a MNC, such as *Colgate.*	**8 marks**
	Answer	Mark
	Knowledge/understanding: up to 2 marks are available for identifying advantage and disadvantage e.g. usually less risky **(1)** can be limited by size of market **(1)**	**1-2**
	Application: up to 2 marks are available for contextualised answers e.g. Sales of over $15bn and/or steady single figure growth rates 2010 - 2016 **(1)** *Colgate* already has 86% of the oral care market and/or a presence in 223 countries **(1)**	**1-2**
	Analysis: up to 4 marks are available for developing the possible reasons e.g. many mergers and takeovers fail to deliver the anticipated benefits because of culture clashes or communication problems **(1)** organic growth is less risky as the organisation is the same with well-established systems and procedures that avoid this risk **(1)** It is much harder to move away from core markets that may be saturated making expansion difficult **(1)** Mergers and takeovers enable a business to gain market share by removing competition and acquiring their products and customers (**1)** ***NB if only one factor cap at 4 marks***	**1-4**

Question Number		Question	
4		Assess the extent of stakeholder conflict that may result from *Colgate*'s ethical initiatives.	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of basic Terms	e.g. stakeholder conflict arises when their aims differ, such as those of shareholders and management
Level 2	3-4	Application: basic points developed to show evidence of *Colgate*'s ethical initiatives.	e.g. "Bright Smiles, Bright Futures" provides free dental screening for millions of people e.g. water usage decreased by 33%
Level 3	5-7	Candidate analyses using reasons/causes/consequences/costs to show how stakeholder conflict can arise **NB if analysis is not in context limit to Level 2.**	e.g. providing such free programmes will incur costs and reduce profitability e.g. reducing water usage and energy consumption will require investment over and above previous levels e.g. these measures may reduce profitability, causing conflict between shareholders who seek to maximise returns and management who promote and support these policies
Level 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. these ethical initiatives will enhance *Colgate*'s reputation and brand image e.g. consumers are perhaps more likely to buy *Colgate* products if they have received free treatments e.g. consumers are ethically minded may be more likely to buy *Colgate* products after hearing of the initiatives

			e.g. this is likely to increase sales, market share and overall profits e.g. this may reduce or remove any stakeholder conflict between shareholders and management

Question Number		Question	
5		Assess the importance of geographic proximity to a business location.	
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-2	Knowledge/understanding of the nature of geographic proximity *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. this refers to how close the business operations/production are to the target market
Level 2	3-4	Application: the answer must be contextualised and applied to show evidence of geographic proximity *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. Greece is part of the EU trading bloc. The EU is the world's richest trading bloc e.g. 1 billion euros have been spent by two businesses to gain access
Level 3	5-7	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show the possible importance of geographic proximity **NB if analysis is not in context limit to Level 2.** *Material is presented in a generally*	e.g. by moving closer to major markets, transport costs are reduced and supply networks become more reliable e.g. by moving to Greece access is gained to the single market (EU) and external tariffs no longer apply, enabling a more competitive

		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.	price e.g. geographic proximity will enable a better understanding of the target market and speed up any adaptations needed if consumer demand changes
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 possible limitations on the importance of geographic proximity **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 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. other factors may be just as important, if not more so when determining location e.g. the extract also cites other reasons for choosing Greece over another EU country, geographic proximity may not be enough on its own e.g. these are the existence of productive capacity with competitive costs and the high quality of services e.g. other businesses may have other needs that outweigh any advantages of geographic proximity e.g. many western businesses choose to manufacture in low cost countries such as Vietnam or China which have a plentiful supply of labour despite the large geographical distances involved

Section B: Essay questions

Question Number	Question		
6	Evaluate the extent to which foreign direct investment (FDI) leads to the increased growth of international trade.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of key terms	e.g. FDI is investment by a business or government from one country into another country e.g. international trade is the exchanging of goods and services between countries
Level 2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of FDI/International trade **Low Level 2:** 3-4 marks Candidate uses a limited range of examples **High Level 3:** 5-6 marks Candidate uses a good range of examples	e.g. uses evidence or examples from own knowledge such as *Apple* investing in China e.g. uses evidence or examples from own knowledge such as impact of trade blocs including the EU, NAFTA or ASEAN e.g. use of evidence from Evidence D such as the correlation (or otherwise) between FDI and trade e.g. use of Evidence E trade growing three times faster than GDP
Level 3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the link between FDI and international trade **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 is not in context limit to Level 2.**	e.g. When a company such as *Apple* invests in China, the resulting output is then exported for sale all over the world, thus increasing international trade e.g. Chinese employees of *Apple* gain income which may be spent on goods not made in China thus increasing imports. e.g. Chinese employees are also more likely to go on holiday. Chinese tourism is rising rapidly and is an invisible export for many countries

			e.g. Evidence E does show some correlation between the amount of FDI and the increase in trade, such as just before and after the financial crisis of 2008 or a fall in both in 2016 e.g. FDI improves local skills and know-how enabling domestic businesses to expand and begin trading
Level 4	13-20	Evaluation must be present and in context showing the extent of the link between FDI and international trade **Low Level 4:** 13-14 marks Some basic evaluative points are made, about the extent to which the link is present. A conclusion is unlikely **Mid-Level 4:** 15-17 marks Candidate gives a range of arguments, qualifying the extent of the link. A judgement may be attempted **High Level 4:** 18-20 marks Candidate gives a wide range of arguments that discuss the importance of the link. 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 FDI alone does not explain the twenty-seven fold increase in international trade volume over the last 50 years e.g. there are several other factors that are equally if not more important e.g. the creation and expansion of trade blocs such as the EU, NAFTA and ASEAN remove trade barriers making trade cheaper and easier which leads to an increase in international trade e.g. developments in transport such as containerisation which has drastically reduced shipping costs e.g. developments in communication such as air travel and the spread of digital platforms making trade and doing business much easier e.g. political change, such as the collapse of the Soviet empire and the increasing liberalisation and openness of the Chinese economy which creates new markets and opportunities e.g. increasing specialisation by countries, creating the need to trade, such as Indonesia and palm oil, Brazil and commodities e.g. the role of GATT and subsequently the WTO in facilitating trade liberalisation and arbitrating on trade disputes has done to foster the growth of international trade

			e.g. nevertheless, FDI is responsible for a lot of the recent growth in international trade and it is a combination of a number of factors that has seen international trade grow by so much

Question Number	Question		
7	The potential positive impact of MNCs on countries outweighs the potential negative impact. Evaluate this argument.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of key terms	e.g. a MNC is a business that operates in more than one country
Level 2	3-6	Application must be present, i.e. the answer must be contextualised by using knowledge/examples of MNCs **Low Level 2:** 3-4 marks Candidate uses a limited range of examples **High Level 3:** 5-6 marks Candidate uses a good range of examples	e.g. uses evidence or examples from own knowledge such as *Honda/Volkswagen/Toyota* investing in Mexico e.g. uses evidence or examples from own knowledge such as *Lush/Colgate/Unilever* and ethical initiatives e.g. uses evidence or examples from own knowledge such as tax avoidance by *Google/Amazon/Starbucks* e.g. uses evidence or examples from own knowledge such as environmental damage by *BP/Chevron/Vedanta*
Level 3	7-12	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of the argument that the positive impacts of MNCs outweigh the negative impacts **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	e.g. investment in new car production plants by *Honda* in Mexico creates jobs and incomes for local inhabitants e.g. local businesses are involved in the construction and supply for the new plant, creating further employment and income e.g. technology transfer may take place improving the prospects for local businesses e.g. spending of the extra income

		NB if analysis is not in context limit to Level 2.	creates more demand and more employment that leads to a rise in both GDP and living standards e.g. the Mexican government will receive extra tax revenue which can be used to improve healthcare/education/infrastructure etc. e.g. CSR policies by MNCs such as *Unilever* bring many benefits to local people and improve the quality of life
Level 4	13-20	Evaluation must be present and in context showing the other side of the argument **Low Level 4:** 13-14 marks Some basic evaluative points are made, about the extent to which negative impacts exist. A conclusion is unlikely **Mid-Level 4:** 15-17 marks Candidate gives a range of arguments, qualifying the extent of the argument. A judgement may be attempted **High Level 4:** 18-20 marks Candidate gives a wide range of arguments that discuss the negative impact. 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. not all MNCs will pay fair wages and some may impose poor working conditions. Businesses such as *Nike* and *Apple* have been accused of this in the past. e.g. some businesses have been accused of using child labour and dangerous working conditions such as *Imperial Tobacco* in Malawi. The collapse of the Rana Plaza building in Bangladesh where a supplier of *Primark* operated. e.g. some large MNCs such as *Amazon* and *Google* have been accused of transfer pricing and tax avoidance e.g. technology transfer may not occur if MNC just uses cheap labour for basic processing e.g. damage to the environment or use of unsustainable resources may prove more costly in the long run than short term economic benefits e.g. in some cases the negative impact may well outweigh the positive impacts but it depends

			on the business involved and the governance of the host country. Chinese mining companies operating in some less developed African countries do not have a good reputation. e.g. growing awareness by both businesses and consumers and the use of social media means that more and more MNCs are perhaps having more of a positive impact than a negative one.

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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