GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | Candidate Number

Tuesday 22 January 2019

Afternoon (Time: 2 hours) | Paper Reference **WBS04/01**

Business Studies

International Advanced Level
Unit 4: Business in a Global Context

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 ▶

P55533A

©2019 Pearson Education Ltd.

1/1/1/1/1/1

P 5 5 5 3 3 A 0 1 2 0

Pearson

SECTION A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Colgate

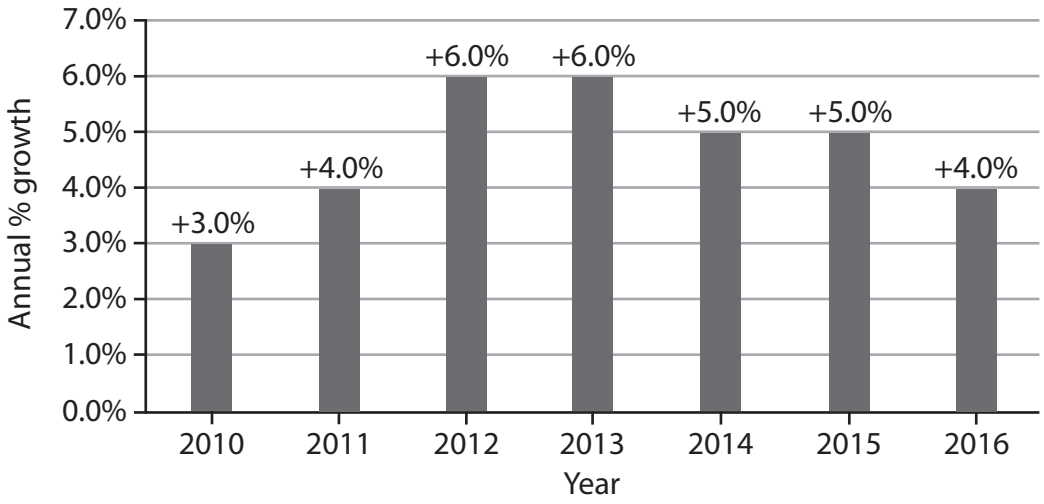
Colgate, an American business, was founded in 1806 by William Colgate as a starch, soap and candle business. It has grown into one of the world's largest consumer products conglomerates.

The business operates in 223 different countries. Its world-famous brands include Colgate, Palmolive, Protex, Speed Stick, Ajax, Irish Spring, Sanex, Hill's and Softsoap.

The consumer products industry is considered highly resistant to changes in economic growth because demand for toothpastes and skin care products generally grows over time (with population growth) and is relatively price inelastic.

However, sales of *Colgate*'s products have not been growing as steadily compared to previous years. The main reason for this is the strengthening US dollar, as 70% of *Colgate*'s products are sold outside America. Despite this, underlying profitability remains strong because of economies of scale that have reduced costs by $400m a year. *Colgate*'s organic growth has been stable and is one of the highest in the industry.

***Colgate*'s organic growth**



(Source: adapted from © 2017 Simply Safe Dividends LLC)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Evidence B

***Colgate*'s organic growth**

Colgate's recent success is due to its superior organic growth, a strong global presence and a wide range of ethical initiatives. It has sales of more than $15bn, which represents an 86% share of the dental care market.

- Celebrating its 25th anniversary this year, *Colgate*'s oral health education program, 'Bright Smiles, Bright Futures', reached more than 850 million children across 80 countries. It offers free dental screenings and oral health education in many languages. It is expected to reach 1.3 billion people in emerging markets by 2020.
- *Colgate* exceeded its 2015 energy and greenhouse gas reduction goals. There was a 21.7% reduction in energy use and a 26.2% reduction in greenhouse gas emissions between 2005 and 2015.
- *Colgate*'s water usage has decreased by more than 33% since 2005. It continues to make progress in all areas of its Water Stewardship Strategy, including reaching out to consumers in over 60 countries on World Water Day 2016.
- In India, 4.9 million consumers participated in *Colgate*'s Oral Health Care Month, which provided free dental check-ups.

(Source: adapted from © 2018 Interbrand)

Evidence C

Greek pharmaceutical businesses attracting international interest

Greek pharmaceutical businesses have repeatedly been targeted for takeover by major foreign-based pharmaceutical businesses or private investors. Businesses that make products for well-known brand names and those with outstanding research and development departments have proved the most attractive to international buyers. The two biggest deals so far were worth 1 billion euros.

In addition, foreign state-controlled businesses have been looking at the Greek market, either to buy out businesses or to make partnerships. This category includes state-owned businesses from Russia and China. There are several reasons why these businesses are interested in the Greek market. One reason is their ability to produce competitively priced products aimed at the domestic and European markets. Another reason is the high quality of services offered, and finally Greece's geographical proximity to major markets and commercial routes.

(Source: adapted from © 2015, Η ΚΑΘΗΜΕΡΙΝΗ)

1 (a) What is meant by the term price inelastic? (Evidence A, line 9)

(2)

(b) What is meant by the term economies of scale? (Evidence A, line 13)

(2)

(Total for Question 1 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

2 Explain **two** possible ways a multinational corporation (MNC), such as *Colgate,* might be affected by changes in exchange rates.

(Total for Question 2 = 6 marks)

3 Analyse **one** possible advantage and **one** possible disadvantage of organic growth for a MNC, such as *Colgate*.

(Total for Question 3 = 8 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

4 Assess the extent of stakeholder conflict that may result from *Colgate*'s ethical initiatives.

(10)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 4 = 10 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

5 Assess the importance of geographic proximity to a business location.

(12)

(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

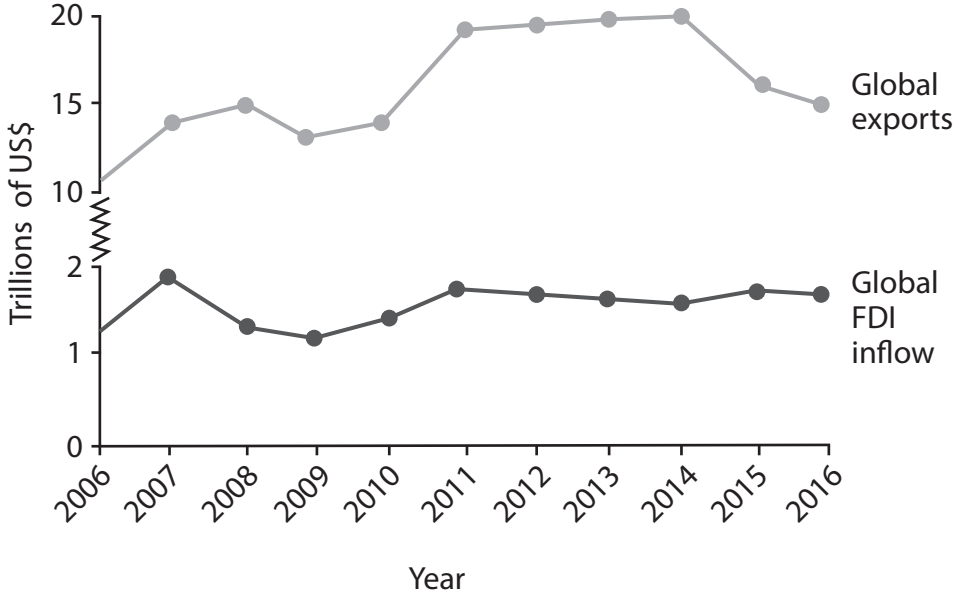
SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence D

Global exports and Global FDI inflow



(Source: © UNITED NATIONS)

Evidence E

Expansion of international trade

There has been an unprecedented expansion of international trade in the last 50 years. Today, the volume of world trade is 27 times larger than it was in 1950. In comparison, the level of world GDP is only 8 times larger for the same period.

(Source: adapted from © 2018, World Trade Organization)

Evidence F

Multinational corporations and local firms in emerging economies

One of the important issues within current economic debates relates to the role played by multinational corporations (MNCs) in economic development. It is claimed that MNCs may help some countries in the modernisation of their economies and industries. They can also provide goods and services that are better and/or cheaper than those offered by local producers.

However, MNCs may have a negative effect on economic development by only providing low value-added activities and by stifling local investments and jobs. Anti-competitive practices of MNCs may reduce the benefits to consumers and help build consumption patterns that are less suitable for host countries.

(Source: adapted from - Multinational Corporations and Local Firms in Emerging Economies - Eric Rugraff & Michael W. Hansen)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

6 Evaluate the extent to which foreign direct investment (FDI) leads to the increased growth of international trade.

(20)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 6 = 20 marks)

7 The potential positive impact of MNCs on countries outweighs the potential negative impact.

Evaluate this argument.

(20)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 7 = 20 marks)

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

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.