GradeMax



Mark Scheme (Results)

January 2021

Pearson Edexcel International Advanced Level In Business (WBS14)
Unit 4: Global Business

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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.

Question Number	Answer	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed **QS9:** interpret, apply and analyse information in written, graphical and numerical forms **Knowledge** 1 mark for correctly explaining what is likely to have happened to the price of coffee, e.g.: • It is likely to have decreased **(1)**. **Application** Up to 2 marks for contextualised answers, e.g.: • Production of coffee has exceeded consumption between 2004 and 2019 **(1)** • In 2019 there was a surplus of 5 million 60kg bags **(1)**. **Analysis** 1 mark for developing the explanation, e.g.: When supply exceeds demand there will be a fall in price to clear the market **(1)**.	**(4)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for correctly explaining a characteristic of an emerging economy, e.g.: • Rapid economic growth **(1)**. **Application** Up to 2 marks for contextualised answers, e.g.: • Examples of emerging economies include Mexico, Vietnam and Nigeria **(1)** • Brazil is the largest producer of coffee and has increased investment in mechanised production **(1)**. **Analysis** 1 mark for developing the explanation, e.g.: • Output is increasing due to investment in capital equipment. This gives Brazil the ability to expand production and sales, rapidly increasing its GDP and economic growth **(1)**.	**(4)**

Question Number	Indicative content
1(c)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed **QS9:** interpret, apply and analyse information in written, graphical and numerical forms **Knowledge, Application, Analysis, Evaluation – indicative content** • The HDI is a composite index focusing on three basic measures of human development • Life expectancy at birth, mean years of schooling and expected years of schooling and standard of living, measured by gross national income per capita • The higher the index the more developed the economy is said to be • It takes a wider view of development than one based on purely economic criteria such as GDP, which has drawbacks • A high ranking such as Ireland's shows that the economy must have grown in order to provide high levels of health and education. • A low ranking such as Niger means the opposite • However, it is still not totally reliable, it does not indicate how wealth is distributed or that everyone has benefited, e.g. Saudi Arabia • It does not indicate regional disparities, e.g. China.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding, applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question Number	Indicative content
1(d)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Government incentives refers to anything a government is willing to do to attract FDI • This can include lower tax rates, grants and subsidies, training for the labour force and reduction of red-tape and regulation • Choosing a production location with a low tax rate such as Ireland's 12.5% would help businesses such as *Pepsico* and *Microsoft* to keep more of their profit from global operations • Government policy to increase the ease of doing business and reduce restrictions reduces the costs of setting up and running a business, which may be important • Government incentives are likely to be important to businesses such as *Intel, Microsoft* and *Infosys* that are global and have no need to confine their activities to one particular location, such as the need to be close to raw materials • However, other factors may be more important such as the cost and availability of labour, access to raw materials, infrastructure and political stability • Ireland is a member of the EU and gaining open access to this market may have been a deciding factor • Irish workers are likely to be well-educated and relatively skilled, which may be a stronger factor for high-tech businesses such as *Intel, Microsoft* and *Infosys* • Much depends on the nature of the business and its needs.

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	9 –12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question Number	Indicative content
1(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • FDI is the value of inward investment from other countries/businesses into a country over a period of time • Globalisation is the process by which an increasingly free flow of ideas, people, capital and trade connects economies, societies and increases integration between them • FDI enables MNCs to expand and locate in other economies • This often brings in new ideas and technologies such as *Volkswagen* in China • Output is then exported, increasing connections and trade links between economies • Employment caused by FDI creates income, which increases the demand for goods and services and more trade thus increasing globalisation • FDI from companies such as *Amazon* make it easier to obtain products • FDI enables MNCs to expand and benefit from economies of scale and lower input costs, enabling more people to buy/trade their products • However, FDI is not the sole driver of globalisation • Trade liberalisation, much of it driven by the WTO, has enabled FDI to increase • Expanding free trade areas such as the EU break down barriers • Political change such as the opening up of Eastern Europe and China have speeded up the process of globalisation • Transport and communication have improved immeasurably thus speeding up the process of globalisation • FDI is important but is just one of the factors responsible and is dependent on the others.

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	9 –12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question Number	Indicative content
2	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • An exchange rate is the price of one currency expressed in terms of another • Exchange rates are volatile and change constantly • Changes in exchange rates can be important for businesses that import or export because currencies need to be exchanged for trade to take place • Changes in exchange rates may create uncertainty and can be the difference between making a profit or a loss • MNCs that trade in many different countries need to exchange currencies constantly and are particularly prone to this uncertainty • Appreciation of a currency is usually seen as being bad for exporters and good for importers • Businesses that import raw materials are likely to see a fall in costs of production • Depreciation of a currency is usually seen as being good for exporters and bad for importers • Businesses that import raw materials are likely to see a rise in costs of production • In Brazil, depreciation of the real has had a negative impact on *Gol* and *Avianca Brasil* but a positive one on coffee and corn producers • However, the impact of exchange rates depends on by how much rates change and for how long • PED is important, oil is price inelastic and so when the real depreciated the Brazilian airlines had little choice but to accept the increase in costs • Other international businesses may have more price elastic inputs and switch to a cheaper substitute • Some businesses may not be too badly affected as they may be able to increase prices to cover increased costs in dollars • Businesses such as *Apple* have products that are likely to be price inelastic and many of its customers will continue to purchase • There are ways of reducing the risks of currency fluctuations such as hedging and forward markets • Other considerations may be more important than movements in exchange rates such as ease of doing business, infrastructure, political stability, supply chain constraints, level of competition

	• These problems may be more important than those caused by exchange rate fluctuations, depending on the nature of the product or business.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted but will be generic and fail to connect causes and/or consequences.
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of causes and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

Question Number	Indicative content
3	Quantitative skills assessed **QS9**: interpret, apply and analyse information in written, graphical and numerical forms **Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • Inorganic growth is when a business expands by merging or taking over another business rather than expanding by using its own resources • By taking over another company the business immediately grows in size with no need to wait for sales to increase • It is faster than organic growth • The business gets immediate use of a rival's supply chain, e.g. *Chanel,* or distribution networks such as *Disney* and *21st Century Fox* • Can enable access to a new market such as China • Increases market share and market power, which could ensure survival in a highly competitive market, e.g. *BA* and *Iberia* • Removes competition from the market, which may reduce the need for costly promotion and competitive strategies • Increasing in size can bring benefits from economies of scale, which can reduce average costs • Increasing market power gives greater control over prices and market trends such as the move towards electric cars • Developing new products such as new drugs or alternative fuels requires large amounts of investment ($300bn in 2019 for battery powered cars) - merging together can be the solution • This has been the case in the global pharmaceutical industry, e.g. *GSK* • However, organic growth is usually seen as less risky • Many mergers and takeovers fail to deliver the anticipated benefits because of culture clashes or communication problems such as *Daimler* and *Chrysler* or *TimeAOL* and *Warner* • Organic growth is less risky as the organisation is the same with well-established systems and procedures that avoid this risk • Despite this, some markets such as the car market are facing great changes and inorganic growth may be the only option despite the risks.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted but will be generic and fail to connect causes and/or consequences.
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of causes and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

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