GradeMax



Mark scheme Results

October 2021

Pearson Edexcel International Advanced Level Subsidiary

In Business
Unit 3: Business decision and strategy

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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.

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- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:

  i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
  ii) select and use a form and style of writing appropriate to purpose and to complex subject matter
  iii) organise information clearly and coherently, using specialist vocabulary when appropriate.

Question	Answer	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS4:** Interpret index numbers **QS9:** Interpret, apply and analyse information in written, graphical and numerical forms **Knowledge** 1 mark for identifying a way, e.g. • Shareholders may see the value of their shares increase **(1)** **Application** Up to 2 marks for contextualised answers, e.g. • Since 2011, *IAG* total returns have increased by 100 index points **(1)** • *BA*'s operating profits have been increasing and were £2.3bn in 2018 **(1)** **Analysis** 1 mark for developing the reason, e.g. • As *IAG* becomes more successful, the value of the shares and dividends may increase as the rewards for owning shares also increases **(1)**	**(4)**

Question	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS6:** Calculate investment appraisal outcomes and interpret results. **Knowledge** 1 mark for knowledge and understanding of the simple payback formula: Simple payback = $\frac{\text{cost of initial investment}}{\text{average yearly net cash flow}}$ **(1)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{\$366m}{}$ **(1)** $30.5m **(1)** **Analysis** 1 mark for showing correct answer: 12 years **(1)**. **NB: If no working is shown, award marks as follows:** • If the answer given is 12 years award 4 marks • If the answer given is 12 award 3 marks	**(4)**

Question	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. **Knowledge, Application, Analysis, Evaluation – indicative content** • A takeover over is when one business buys a controlling share in another business • *IAG* has spent €1bn to take over *Air Europa* which could result in diseconomies of scale and internal communication problems • Diseconomies of scale occur when there is an increase in average/unit costs as a business grows • By taking over another airline, *IAG* may see communication between different parts of the organisation and along the chain of command more difficult due to the size of the organisation • Existing employees at *Air Europa* might become demotivated by being taken over by a much larger business • This could add to overall costs for *IAG* • However, *IAG* already owns two other Spanish airlines, *Iberia* and *Vueling*, so has experience of taking over other airlines in this market which could minimise communication issues • *Air Europa* is already a successful airline in its own right and *IAG* could gain valuable niche routes to South America which could offset any additional costs from the takeover	
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	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** • A contingency plan is a course of action designed to help a business respond successfully to a major future event that may or may not happen • By having a contingency plan in place when IT systems fail, *BA* would be ready to implement its plan to get its computer system back up and running as soon as possible • *BA* has seen several IT failures in recent years including data breaches which resulted in a fine of £183m • These IT failures will have cost *BA* in terms of having to reschedule flights, damage its reputation and may have lost business due to unhappy customers • By having a contingency plan in place it might enable *BA* to resume normal working operations quickly and reduce the cost of any IT failures, particularly as the airline is very dependent on IT to run its business • However, contingency planning has an opportunity cost in terms of the time and resources involved as plans need to be regularly tested and updated • *BA* regularly reviews its risk assessment for its IT systems but failures are still occurring • This demonstrates that contingency planning cannot cover every eventuality and failures can still occur • Contingency planning might be more useful for more common problems, such as political unrest in foreign markets, but cannot cover all eventualities • Perhaps investment in new IT systems may be more important than contingency plans • *BA* clearly needs to review its contingency plans for its failing IT systems if this type of risk is to be reduce or avoided in the future

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	3–4	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	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** • Consumers are becoming much more aware of the impact of business activities on the environment particularly industries which rely on fossil fuels • *IAG* is responsible for 3% of global CO_2 emissions and needs to show its stakeholders that it is committed to reducing its impact on the environment with a strong environmental strategy • By doing this *BA* may improve its branding and PR if they are seen to be aiming for net zero-emissions and recycling their waste compared to other airlines which may result in higher sales/profits in the long term • *BA* might be able to gain a competitive advantage over its rivals by being seen to be more environmentally friendly, thereby increasing market share • *BA* may gain first mover advantage by being the first major airline to announce it is aiming for net zero-emissions by 2050 • *BA* will be able to reduce costs in terms of the amount of fuel used on flights which may increase overall profits • However, offsetting, recycling and reduction of waste from flights will require management time to organise the recycling of waste from the flights which may impact on overall workload for cabin crew • There may be a trade-off between profitability and being ethical • Being ethical often costs more in terms of recycling waste and disposing ethically of waste from airline food packaging rather than letting local authorities be responsible for waste • *BA* admit that they can only offset rather than completely reduce their carbon footprint due to having to use fossil fuels for their aircraft • Some customers do not value being ethical and prefer to have flights at the lowest possible cost so this could make *BA* less competitive compared to other airlines that do not recycle

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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	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** • Labour productivity is a measure of how efficiently a business uses its employees to produce output and is expressed as output per employee per time period • By changing the working week to four days productivity did increase by 40% at *Microsoft Japan* • This could be because employees are given more responsibility and feel empowered to work harder during the four days compared to five days • By trialling a four-day week, employees have seen that *Microsoft Japan* cares about its employees and their well-being that resulted in higher productivity levels • By having a shorter working week, employees are less likely to take time off work due to work-related stress. In the trial, absenteeism rates declined by 25% • Other benefits of a four-day working week can be seen by the lower use of electricity and 59% less printing which are added benefits of a four-day week • All of these benefits indicate that *Microsoft Japan* should implement a four-day working week to improve labour productivity particularly as 92% of employees preferred it • However, the improvements in labour productivity could have been due to other factors such as the Hawthorn effect which was identified by Mayo • Employees may have increased their output because this was a trial and the challenge was only for one month so short term • Management at *Microsoft Japan* would have to ensure that output would be maintained and there could be a danger of employees rushing work and feeling under pressure to fit tasks within four days rather than five • There are other ways which *Microsoft Japan* could use to improve labour productivity such as the use of new technology to enable employees to increase output per hour • Other human resource strategies such as financial rewards may also be effective in increasing labour productivity or could be used in conjunction with empowerment strategies • *Microsoft Japan* has subsidised family holidays for employees which could also result in higher productivity as employees are more rested and feel valued • This was a trial and if it became permanent feature it may have less impact as it is normalised • Whether *Microsoft Japan* should fully implement a four-day week would depend upon whether output and quality can be maintained by all 2,300 employees

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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 cause 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	Indicative content
3	**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. **QS: QS1, QS2, QS5, QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Gross profit margin 2017: 16 966 /22 781 x 100 = 74.47% • Gross profit margin 2018: 16 942/22 806 x 100 = 74.29% • Operating profit margin 2017: 7 784/22 781 x 100 = 34.17 % • Operating profit margin 2018: 6 431/22 806 x 100 = 28.20% • Profit for the year margin 2017: 5 768/22 781 x 100 = 25.32% • Profit for the year margin 2018: 5 045/22 806 x 100 = 22.12% • These results indicate that the financial situation for *Pandora* is worse in 2018 when compared to 2017 for all ratios • The strategic decision to focus on bracelets and charms could help to improve these figures as over 70% of the revenue is generated by these jewellery products • *Pandora* could maintain or increase the market share of current products by a combination of advertising and sales promotion to improve the overall brand image in conjunction with the relaunch • Extract H shows that the revenue from the sale of bracelets has increased by 11% in 2018 indicating that this is a good jewellery product to focus on and is an example of market penetration • Market penetration is the least risky of the four strategies according to Ansoff and would be the most cost effective in the short-term • By focusing on its core strengths and focusing on what it is known for could help to improve sales and strengthen the brand overall • However, Extract H also shows that charms have declined by 6% and necklaces and pendants have seen the largest increase of 24% • This would seem to indicate that *Pandora* should not solely focus on bracelets and charms and needs to consider the other types of products it offers • It could be beneficial to develop its range of necklaces and pendants to complement its bracelet and charm ranges • Product development of new products such as the Harry Potter and *Disney* jewellery into existing markets could prove successful particularly the association with such big-name brands • Offering a wider range of jewellery to new and younger customers could help to appeal to new customers who are not interested in purchasing bracelets and charms • Product development and having a wider product portfolio might help to improve its financial position • Overall, *Pandora* needs to consider the long-term cost implications and the current external influences of just focusing on bracelets and charms as to whether this will increase sales revenue and profitability

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