GradeMax



Mark scheme Results

January 2022

Pearson Edexcel International
Advanced Level
In Business (WBS13/01)
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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- 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	Using Extract B, calculate, to two decimal places, the average rate of return (ARR) for *Bramwell Brown* from investing in new production machinery.	Mark
1(a)	**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 how to calculate average rate of return: ARR = $\frac{\text{average profit per year}}{\text{cost of initial investment}}$ x 100 **(1)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{£47\,925}{£150\,000}$ **(1)** **(1)** x 100 **OR** $\frac{(£287\,550/\ 6\ \text{years})}{£150\,000}$ **(1)** **(1)** x 100 **Analysis** 1 mark for showing correct answer: 31.95% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 31.95% award 4 marks • If the answer given is 31.95 award 3 marks	**(4)**

Question	Using Extract C, calculate, to two decimal places, the current ratio for *Bramwell Brown* in April 2020.	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS1:** calculate, use and understand ratios, averages and fractions. **Knowledge** 1 mark for knowledge and understanding of how to calculate current ratio: Current ratio = $\frac{\text{current assets}}{\text{current liabilities}}$ **(1)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{(£111\,446 + £4\,842 + £5\,895)}{£53\,330}$ **(1)** **(1)** **OR** $\frac{£122\,183}{£53\,330}$ **(1)** **(1)** **Analysis** 1 mark for showing correct answer: 2.29 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 2.29 award 4 marks	**(4)**

<table>
<tr><td>Question</td><td colspan="2">Discuss the possible benefits for Bramwell Brown of using job production to manufacture its weather clocks.</td></tr>
<tr><td>1(c)</td><td colspan="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

• Job production means producing one single item at a time
• It is particularly suitable for a luxury product such as the Bramwell Brown weather clocks and their different designs
• Employees are involved in the entire production process from start to finish, which could result in higher motivation and pride in their work
• The quality of work is consistent and likely to be high
• Each customer order is responded to individually and likely to create greater customer satisfaction as shown by the waiting list
• However, the cost of this method is high
• Economies of scale are less likely
• Manufacturing the weather clocks could take a long time from order in comparison to batch production
• Employees may want higher wages due to the skills they bring to the business</td></tr>
<tr><td>Level</td><td>Mark</td><td>Descriptor</td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–2</td><td>Isolated elements of knowledge and understanding – recall based.
Weak or no relevant application to business examples.
Generic assertions may be presented.</td></tr>
<tr><td>Level 2</td><td>3–5</td><td>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.</td></tr>
<tr><td>Level 3</td><td>6–8</td><td>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.</td></tr>
</table>

Question	Assess the potential difficulties for *Bramwell Brown* of protecting its intellectual property (IP) rights.
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** • IP refers to creative work which can be treated as an asset or physical property and covers four main areas; copyright, trademarks, design rights and patents • IP protection of the weather clocks will generate additional costs for *Bramwell Brown* • Completing paperwork for patents and copyright protection may require specialist legal help which cannot be done in-house by *Bramwell Brown* employees • Patents and other forms of IP have to be completed for different countries so this may add to the workload and administrative burden at *Bramwell Brown* • Policing the IP is also difficult and relies on breaches being reported to *Bramwell Brown* in the first instance before it can take action against the infringement • The increased use of the internet has also increased the chances of intellectual property theft making intellectual property protection more difficult • However, by protecting the design of its weather clocks *Bramwell Brown* may be able to gain a competitive advantage in the market as no other business would be allowed to copy its unique clock designs • By having IP protection, *Bramwell Brown* will be able to stop unauthorised exploitation of its designs and innovations by other rival businesses • Being able to protect its clock designs may enable *Bramwell Brown* greater access to finance as banks/investors might be more willing to lend money if the business has greater protection from rivals • The value of having IP will depend on how easy it is for *Bramwell Brown* to monitor and if it does have a positive impact in terms of creating a barrier to entry against other businesses in the same market

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	Assess the usefulness to *Bramwell Brown* of Porter's five forces model when analysing the market for weather clocks.
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** • Porter's five force model is a framework for analysing the nature of competition within an industry and can be used to identify the potential profitability of a particular strategic decision • It does so by looking at five main factors – threat of substitutes, threat of new entrants, bargaining power of buyers, bargaining power of suppliers and competitive rivalry • *Bramwell Brown* could use the model to quickly assess its position within the marketplace and how each of the 5 forces affects it • For example*,* it could analyse the threat of new entrants or new substitute products and the impact on its market share • *Bramwell Brown* can then look at what strategic changes are needed to protect itself against new entrants and potential substitute products by trying to increase barriers to entry and increase brand loyalty • *Bramwell Brown* could analyse the bargaining power of its suppliers for the 150 parts that go into the weather clock to see if there substitute suppliers in times of raw material shortages • By using the model *Bramwell Brown* could look to take advantage of its strong position and help it to avoid taking poor strategic decisions in the future • However, it is only a management tool and relies on the skills of the person being able to analyse the competitive environment • *Bramwell Brown* is a small business that may not have access to market data or be able to apply the model to such a unique product • It could be argued that due to its uniqueness, *Bramwell Brown* faces little competition as it is the only product on the market so does not need to use this model to analyse the rivalry amongst existing competitors • Porter's five force model is a management and decision-making tool which must be used in conjunction with other decision-making tools such as PESTLE or a SWOT analysis to increase its effectiveness

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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	Evaluate the likely impact on *Starbucks'* stakeholders from the strategic decision to expand its *Starbucks* Pickup service.
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. **QS: QS2, QS5, QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Stakeholders are groups or individuals that have an interest in the actions of a business such as employees, owners, customers, suppliers and the local community • There could be winners and losers from the new *Starbucks* Pickup concept • The shareholders of *Starbucks* could benefit from this new concept as it could provide customers with another channel by which they can purchase *Starbucks* products thus increasing sales • Extract G shows how the shareholders of *Starbucks* have been negatively affected with the operating margin falling to (14.4%) therefore this strategy could bring in much needed revenue into *Starbucks* • The shares in *Starbucks* did increase after the news of the expansion of the *Starbucks* Pickup service so shareholders may see the value of their investment increase in the long term • Employees could benefit from this new concept as it could provide job security at a time of falling sales if the new concept is successful • Customers might be positively affected by the new *Starbucks Pickup* service as it offers an alternative way to purchase *Starbucks* products and could save time by using the app • Suppliers to *Starbucks* might see an increase in the amount of inventory if *Starbucks* sees an increase in sales due to the success of the new concept • However, the new *Starbucks* Pickup concept may result in fewer employees being needed to work in the stores as more customers pre-order their drinks and fewer employees are needed overall • Some employees may need to be retrained to use the new app and the handheld point-of-sale devices adding to the cost of the service • Some customers do not like to use apps and prefer to use existing distribution channels with personal interaction with the barista so may lose customers • *Starbucks* will need to invest into further developing the technology for the app, adapt stores to be able to pick up pre-ordered drinks and provide training for existing employees at a time when it is currently facing a huge drop in revenue and profit • There may be an environmental impact of the new service if customers are unable to use their own cups for refills with the Pickup service • The overall impact on *Starbucks* stakeholders will depend on whether *Starbucks* can make this success and it benefits all of its stakeholder groups and not just some

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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 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	Evaluate whether organic growth is the best method for *Spotify* to use when planning for further expansion.
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: QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Organic growth is expansion of a single business by extending its own operations using retained profit, loan capital or funded by share capital • Organic growth can be a safer option than inorganic growth as it relies on a tried and trusted business model which is clearly working for *Spotify* • *Spotify* is estimated to be worth $50bn so has access to sources of finance to fund any further expansion • Organic growth avoids culture clashes with a takeover of a rival streaming business such as *Apple* which often happens when inorganic growth occurs • It can avoid the loss of jobs which often happens when there is a duplication of resources due to a merger or takeover • Organic growth can create a more sustainable growth which can build on *Spotify*'s existing strengths and be less risky in the long term • However, growth achieved may be dependent on the growth of the overall market • *Spotify* is the market leader with 30% market share, it might be hard to build further market share due to this • It is difficult to know how large the streaming market will grow and the actions of rivals such as *Apple* and *Amazon Music* might restrict the growth of *Spotify* if organic growth is used • Organic growth often is a very slow way to grow in comparison with inorganic growth and shareholders may prefer more rapid growth of revenues and profits • Inorganic growth can lead to greater economies of scale due to rationalisation of duplicate resources • Organic growth can also lead to a lack of new ideas from outside of the business which often happens with inorganic growth • *Spotify* made a loss of €167m in 2020 so does not have retained profit to reinvest back into the business and would have to rely on share capital for expansion • Figure 1 shows that the bulk of *Spotify*'s users are classed as monthly active users who do not pay to use the service, which could restrict growth if *Spotify* does not look to grow inorganically • The overall benefits of using organic growth will depend on the culture and objectives of growth within the business

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