

INTERNATIONAL ADVANCED LEVEL

Business Studies

SAMPLE ASSESSMENT MATERIALS

Pearson Edexcel International Advanced Subsidiary in Business Studies (XBS01)

Pearson Edexcel International Advanced Level in Business Studies (YBS01)

For first teaching in September 2013

First examination January 2014

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Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Subsidiary
Unit 1: Business Enterprise

Sample Assessment Material
Time: 1 hour 30 minutes

Paper Reference

SAM

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 ►

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SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** (a) The UK Office for National Statistics (ONS) announced in July 2010 an 'unexpected jump in retail sales of 0.7% in June'.

For a retailer, the ONS is **best** described as a source of

(1)

- A** primary research data
- B** secondary research data
- C** qualitative data
- D** biased data

Answer

- (b) Explain why this answer is correct.

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(Total for Question 1 = 4 marks)

3 (a) The Aroma Italia Pizzeria is a well-known small business in Cheshire, UK, owned by partners Marcus Johnson and Karen Gilmour. The business has a number of fixed and variable costs.

Which of the following is an example of a **fixed cost** for Marcus and Karen?

(1)

- A Rent
- B Wages of waiting staff
- C Utility bills
- D Stock purchases

Answer

(b) Explain why this answer is correct.

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(Total for Question 3 = 4 marks)

4 (a) An online retailer sold a large batch of toys which were later found to be faulty. These had to be recalled.

Consumer protection legislation requires that goods/services sold must be (1)

- A** sold at the lowest reasonable price to consumers
- B** sold at the same price in different countries
- C** guaranteed indefinitely against any failure
- D** fit for the intended purpose

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 4 = 4 marks)

5 (a) The opportunity cost to a person of setting up a business, such as a florist, is the (1)

- A tax on profit
- B loss of earnings from employment
- C risk of business failure
- D cost of advertising to attract customers

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 5 = 4 marks)

- 6 (a) In November 2009, the BBC reported that the world population of 6.5 billion is expected grow to 9 billion by 2100. As a result, a shortage of world food supplies is expected.

Which of the following is a **direct** determinant of the supply of food?

(1)

- A Level of technology
- B Growth in consumer incomes
- C Advertising to consumers
- D Fashion, tastes and preferences

Answer

- (b) Explain why this answer is correct.

(3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS

SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A – Cebu Home

Maria Rogers has worked hard to establish her business, Cebu Home, 'to bring original, beautiful and unique furniture to homes in Islington, London'. Cebu Home is in Arlington Way with a number of luxury independent boutiques and, importantly, the Sadlers Wells Theatre. Visitors to the Theatre form a significant core of Maria's customers and help to explain the business' unusual opening times of 3pm to 7pm, Monday to Friday.



5

Cebu Home is named after a stunning island in the Philippines, renowned for its idyllic beaches and chilly mountains. Cebu is a place of impeccable craftsmanship and innovative design. The production of mahogany furniture is the focus of industry on the island, which exports worldwide. Maria imports this high quality designer furniture at affordable prices.

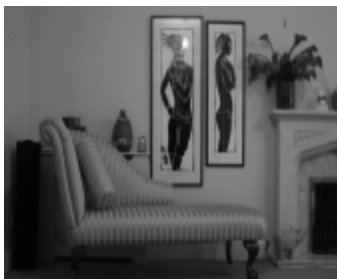
10

Cebu Home's furniture collection contains both classic and contemporary pieces made with local materials and fabrics from Philippine markets. The furniture and homewares are unlike those often found in the UK, due to both innovative design and the use of traditional materials such as walnut, mahogany and pearl.

15

Maria's business also has utmost respect for the environment, recycling where possible and only providing packaging by customer request. Furniture is hand-made with mahogany from sustainable forests in the Philippines. Cebu Home abides by the CITES (Convention on International Trade in Endangered Species) agreement which ensures that the survival of wild plants and animals is not threatened by trade.

20



Maria's business thrives because of her natural entrepreneurial characteristics and motivation to succeed. Family and social values are central to all design, manufacture and supply processes. Furthermore, Cebu Home ensures that its products are manufactured without child labour and that fair wages are paid to workers.

25

Evidence B – Exchange rate between £ sterling and Philippine Peso (PHP)

February 2008	£1 = 65 PHP
February 2009	£1 = 70 PHP

Evidence C – Extract from Statement of Comprehensive Income for Cebu Home for the year ending 31 December 2009

	£
Revenue	560 000
Cost of Sales	(140 000)
Gross Profit	420 000
Expenses	(252 000)
Profit for the year	168 000

(b) Analyse the impact of e-commerce on Cebu Home.

(6)

Area for handwritten answer with horizontal dotted lines.

(Total for Question 8 = 12 marks)

9 (a) Using Evidence C, calculate the profit for the year margin.

(4)

(b) Maria is a sole trader and is thinking of using retained profits to expand her business.

Assess the suitability of this method of financing for Maria and Cebu Home.

(8)

A series of horizontal dotted lines for writing the answer.

(Total for Question 9 = 12 marks)

10 Maria uses a cost-plus pricing strategy. Her average mark-up on products is 300%.

Evaluate the possible consequences of Maria using this approach when pricing her products.

(12)

A series of horizontal dotted lines for writing the answer.

(Total for Question 10 = 12 marks)

11 Assess the likely impact of economic influences on Cebu Home.

(14)

A series of horizontal dotted lines for writing the answer.

(Total for Question 11 = 14 marks)

**TOTAL FOR SECTION B = 56 MARKS
TOTAL FOR PAPER = 80 MARKS**

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Pearson Edexcel International Advanced Subsidiary

Business Studies

Mark Scheme (SAM)

Unit 1: Business Enterprise

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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: Supported multiple choice

N.B. If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b).

Question Number	Question	Marks
1 (a)	Answer: B secondary research data	1
1 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines secondary research as data which is collated from that which has been collected by others for general use/described as desk research (1) • In this case by the ONS on behalf of the UK Government (1) • The retailer can easily access the data (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because primary research data is collected first hand by the retailer, in this case it has been collected by someone else, i.e. the ONS (1) • C is wrong because the data quoted is quantitative not qualitative (1) • D is wrong because the ONS is an independent and non-biased organisation is more likely to produce data the retailer can trust (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3
		(Total 4)

Question Number	Question	Marks
2 (a)	Answer: C support applications for start-up capital	1
2 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Business plans are drawn up by owners of a business to give a business direction and help secure finance (1) • This is because it can include a cash-flow forecast which indicates liquidity (1) • And therefore the ability of the borrower to pay back any start-up capital borrowed (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because a business plan cannot guarantee a business will make a profit as the business may fail within the first year (1) • B is wrong because the business plan will identify the target market but will do nothing to attract customers (1) • D is wrong because improved cash flow is not guaranteed by a business plan (though it may be assisted) because improved cash flow depends on actual receipts improving compared to expenditures (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3 (Total 4)

Question Number	Question	Marks
3 (a)	Answer: A Rent	1
3 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of fixed costs, e.g. fixed costs do not vary with output (1) • Fixed costs can vary over time, e.g. if the restaurant rented more premises (1) • Rent will have to be paid even if the restaurant is closed (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • B is wrong because the wages of waiting staff may vary with how many hours they work in the restaurant (1) • C is wrong because utility bills, such as energy used to run the ovens, may change according to how many meals are cooked (1) • D is wrong because the amount of stock purchases will vary with the number of meals bought in the restaurant (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3 (Total 4)

Question Number	Question	Marks
4 (a)	Answer: D fit for the intended purpose	1
4 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • These laws are designed to give consumers rights if goods purchased do not meet certain requirements (1) • Goods must be fit for purpose, such as toys must be safe for children, and they are protected by legislation, e.g. the UK Sale of Goods Act (1) • As consumers could not have known about the fault, as soon as the retailer does they must offer a refund (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because the price at which goods are sold is a matter for the retailer and is not covered by legislation (1) • B is wrong because prices for goods and services can be different around the world and are not covered by legislation (1) • C is wrong because no product or service can be guaranteed against failure indefinitely and as such goods/services do wear out and are not covered by consumer law (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3</p> <p>(Total 4)</p>

Question Number	Question	Marks
5 (a)	Answer: B the loss of earnings from employment	1
5 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Opportunity cost is the cost of the next best alternative (1) • A person setting up a business has to choose between being self-employed or the income from paid employment (1) • Sacrifice security of a regular income (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because paying tax on operating profits is compulsory for businesses and not an alternative option (1) • C is wrong because the risk of business failure is a characteristic of being your own boss (1) • D is wrong because a florist could advertise in many different types of media such as <i>Yellow Pages</i> rather than having to choose (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3
		(Total 4)

Question Number	Question	Marks
6 (a)	Answer: A Level of technology	1
6 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Supply is the amount a producer is willing to produce or provide at a given price (1) • Use of technology usually increases the quantity or quality of a product by the producer (1) • An example of technology would be GM foods which may increase the amount of food produced (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • B is wrong because growth in consumer incomes directly affects consumer behaviour and is a demand factor (1) • C is wrong because advertising to consumers may increase demand and does not directly affect supply (1) • D is wrong because fashion, tastes and preferences directly affect demand and not supply (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3
		(Total 4)

Section B: Data response

Question Number	Question	
7	Evidence A states 'Maria's business thrives because of her natural entrepreneurial characteristics and motivation' (lines 23 to 24). Using the case study, describe the difference between entrepreneurial characteristics and entrepreneurial motives.	(6 marks)
	Answer	Mark
	<p>(Knowledge 4, Application 2)</p> <p>Knowledge/understanding: up to 2 marks for defining or showing understanding of what is meant by entrepreneurial characteristics and motives, e.g. personal skills/qualities (1); what drives or inspires a person (1)</p> <p>Knowledge/understanding: up to 2 marks for giving an example for each aspect: e.g. characteristics – resilience/hardworking/creative/risk-taker, initiative, self-confidence, effective communication (1) e.g. motives – profit, ethical stance, social enterprise (1)</p> <p>Application: up to 2 marks for contextual answers to Maria, taken from Evidence A, e.g. she is hard working (1) and has the utmost respect for the environment (1)</p> <p>Both characteristics and motives must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
8 (a)	Explain the business advantages of locating Cebu Home near the Sadlers Wells Theatre.	(6 marks)
	Answer	Mark
	<p>(Knowledge 2, Application 1, Analysis 3)</p> <p>Knowledge/understanding: up to 2 marks for defining or using appropriate business concepts, e.g. advantage of location is where she is likely to maximise sales (1) these areas have high levels of disposable income (1)</p> <p>Application: up to 1 mark for contextual answers demonstrating that Cebu Home is a provider of niche mahogany furniture/Cebu Homes is a boutique near Sadlers Wells Theatre which is a wealthy area of London/opening hours correlate to theatre times (1)</p> <p>Analysis: up to 3 marks are available for giving a reason/cause/consequence, e.g. to ensure that Maria attracts the 'right' target customers (1) who want to purchase unique mahogany furniture (1) she has located close to a theatre because of the appropriate level of disposable income/tastes which 'theatre goers' might have for products (1)</p>	<p>1-2</p> <p>1</p> <p>1-3</p>

Question Number	Question	
8 (b)	Analyse the impact of e-commerce on Cebu Home.	(6 marks)
	Answer	Mark
	<p>(Knowledge 1, Application 2, Analysis 3)</p> <p>Knowledge/understanding: up to 1 mark is available for defining what is meant by e-commerce, e.g. trading online/using the internet (1)</p> <p>Application: up to 2 marks are available for applying e-commerce to Cebu Home, e.g. currently Cebu Home trades only from a retail outlet in London and does not sell online (1), Cebu Home may purchase their mahogany furniture from the Philippines by using the internet (1)</p> <p>Analysis: up to 3 marks are available for giving a reason/cause/consequence of an increase in e-commerce, e.g. Cebu Home may develop a website for customers to use (1) which may lead to an increase in the sale of furniture from around the UK and not just from customers in London (1), an increase in e-commerce may lead to a reduction in sales for Cebu Home (1) as customers can use the internet to purchase mahogany furniture from other online furniture retailers (1)</p>	<p>1</p> <p>1-2</p> <p>1-3</p>

Question Number	Question	
9 (a)	Using Evidence C, calculate the profit for the year margin.	(4 marks)
	Answer	Mark
	<p>(Knowledge 1, Application 3)</p> <p>Knowledge: (profit for the year/revenue) x 100 (1)</p> <p>Application: (168 000 (1) /560 000 (1)) x 100 = 30% (1)</p> <p>Candidates who give correct answer without formula shown gain full marks.</p> <p>N.B. answer must be expressed as a percentage, if not maximum 3 marks.</p>	<p>1</p> <p>1-3</p>

Question Number	Question		
9 (b)	Maria is a sole trader and is thinking of using retained profits to expand her business. Assess the suitability of this method of financing for Maria and Cebu Home.		(8 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of retained profits must be present.	For example, retained profit is profit which is kept by the business after all costs and taxes are paid. For example, methods of financing include bank loans, mortgages, venture capital.
2	3-4	Application must be present, i.e. the answer must be contextualised to Maria/Cebu Home.	For example, retained profits could be used to expand the shop premises or buy more furniture from the Philippines.
3	5-6	Analysis in context must be present, i.e. in this case the candidate must identify and explain the reasons/causes/costs/consequences of Maria using retained profit to finance expansion. N.B. if analysis is not in context, limit to Level 2.	For example, retained profits will avoid the need to pay interest on a loan. For example, Maria will not have to pay loan interest on the capital needed to expand her shop premises.
4	7-8	Evaluation must be present and in context, showing arguments for and against the use of retained profits to finance expansion. Award 7 marks if one side only is in context. Award 8 marks if BOTH sides are in context.	For example, interest payments are avoided on loans for shop expansion but interest might also be lost if the retained profits had been deposited in a bank. For example, profits from the sale of the furnishings may have earned interest in a bank account which would help cash flow; if these bank deposits are reduced by withdrawal to finance the shop's expansion, for example, the interest will be lost (opportunity cost).

Question Number	Question		
10	Maria uses a cost-plus pricing strategy. Her average mark-up on products is 300%. Evaluate the possible consequences of Maria using this approach when pricing her products.		(12 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of cost-plus pricing/mark-up must be present.	For example, cost-plus pricing is a method of pricing in which a mark-up (a predetermined percentage) is added to the cost of the product to give the selling price.
2	3-4	Application must be present, i.e. the answer must be contextualised to Maria/Cebu Home.	For example, a table selling at £2000 actually cost Maria £500 from the Philippines.
3	5-6	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of Maria using cost-plus pricing strategy. N.B. if analysis is not in context, limit to Level 2.	For example, to ensure that total costs are covered to enable Maria to remain in business. For example, if Maria prices her furniture at four times cost this may not be sensitive to rivals in the market.

Level	Mark	Descriptor	Possible content
4	7-12	<p>Low Level 4: 7-8 marks. Evaluation must be present and in context on one side, i.e. the candidate must present an argument for or against Maria using cost-plus pricing.</p> <p>Mid Level 4: 9-10 marks. Evaluation must be present and in context on both sides to illustrate the impact on Cebu Home and Maria of using cost-plus pricing.</p> <p>High Level 4: 11-12 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion.</p> <p>N.B. if evaluation not in context, limit to Level 3.</p>	<p>For example, it will not show sensitivity to what competitors charge in which case Maria may be pricing her products out of the market.</p> <p>For example, if Maria does not charge prices similar to a competitor such as Habitat, then it might lose customers, particularly during periods of recession when price competitiveness may be more significant as people may be suffering a reduction in disposable incomes so unwilling to pay premium prices for home furnishing.</p> <p>For example, there are alternative pricing strategies such as skimming which may be more appropriate to the type of customer who buys unique furniture or who is willing to pay a premium price because Cebu Home is part of the CITES agreement and ensures that its products are manufactured without child labour.</p>

Question Number	Question		
11	Assess the likely impact of economic influences on Cebu Home.		(14 marks)
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of any economic influence must be present.</p> <p><i>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.</i></p>	<p>For example, the exchange rate is the price of one currency in terms of another.</p> <p>For example, unemployment is when workers are out of work but are actively seeking employment.</p> <p>For example, inflation when the general price level rises.</p>
2	3-4	<p>Application must be present, i.e. the answer must be contextualised and applied to the impact on Cebu Home/Maria.</p> <p><i>Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.</i></p>	<p>For example, Cebu Home imports its furniture from the Philippines which uses the Philippine Peso (PHP).</p> <p>For example, UK energy price inflation may impact on Maria's costs.</p>
3	5-8	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of economic influences for Cebu Home.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, exchange rates may affect the cost of importing the furniture; a fall in costs if the pound strengthens against the PHP leading to an increase in profit for Cebu Home.</p> <p>For example, increases in unemployment may lead to a reduction in disposable incomes for some of Cebu Home's customers which will mean spending on luxuries, such as home furnishings, might fall.</p>

Level	Mark	Descriptor	Possible content
4	9-14	<p>Low Level 4: 9-10 marks. Evaluation must be present and in context on one side, i.e. the candidate must present an argument for how Cebu Home will be positively or negatively affected by economic influences.</p> <p>Mid Level 4: 11-12 marks. Evaluation must be present and in context on both sides, to show the impact of economic influences on Cebu Home</p> <p>High Level 4: 13-14 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion.</p> <p>N.B. if evaluation not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, Cebu Home imports its stock from the Philippines so the cost of stock is likely to be affected by fluctuations in the exchange rate. Evidence B shows the £ has become stronger against the PHP so this should lead to an increase in profits. However, quality may also be a more important factor than the price of the furniture, in which case the exchange rate is not a major factor affecting demand.</p> <p>For example, if unemployment falls then this may lead to an increase in consumer spending and therefore increase demand for Cebu Home furniture. However, it does depend on how much unemployment has fallen as to the extent of the impact. An increase in unemployment may help Maria when she is recruiting new staff as there will be a larger pool of workers to recruit from.</p>

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Subsidiary

Unit 2: Business Structures and Processes

Sample Assessment Material

Time: 1 hour 30 minutes

Paper Reference

SAM

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
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Advice

- Read each question carefully before you start to answer it.
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Turn over ►

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SECTION A

Answer ALL the questions in this section.

Write the letter of your chosen answer in the box and then explain your choice in the space provided.

You should spend 30 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 (a) McFarland’s Engineers Ltd is adopting a Just In Time (JIT) inventory system.

Which **one** of the following is **most likely** to result from this?

(1)

- A** Supplies will always arrive just before use
- B** The cost of delivery is likely to fall
- C** It should reduce the level of buffer inventory
- D** Re-order quantities will increase

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 1 = 4 marks)

3 (a) If an increase in a consumer's income causes the consumer to decrease the quantity demanded of rice, then rice is **most likely** to be described as (1)

- A a complementary good
- B an inferior good
- C a normal good
- D a substitute good

Answer

(b) Explain why this answer is correct. (3)

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(Total for Question 3 = 4 marks)

5 (a) Increased capacity utilisation is important for a business, such as the car manufacturer Toyota, to

(1)

- A minimise total costs
- B minimise average costs
- C increase sales
- D minimise waste of materials

Answer

(b) Explain why this answer is correct.

(3)

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(Total for Question 5 = 4 marks)

- 6 (a) Mick Jordan has been advised by his bank manager to set budgets and use variance analysis. The table below shows data from a recent building job.

	Budgeted (£)	Actual (£)
Labour	1m	0.8m
Materials	1.2m	0.9m
Overheads	0.3m	0.3m

The total cost variance for this building job is

(1)

- A £0.5 m adverse
- B £0.5 m favourable
- C £0.8 m adverse
- D £1.8 m favourable

Answer

- (b) Explain why this answer is correct.

(3)

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(Total for Question 6 = 4 marks)

TOTAL FOR SECTION A = 24 MARKS

SECTION B

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

The John Lewis Partnership – ‘Never knowingly undersold’

The John Lewis Partnership (JLP) operates John Lewis department stores and Waitrose supermarkets across the UK. JLP is run on behalf of its employees, each of whom has a say in its running and a share in its profits.

It is profit sharing day at John Lewis department stores and Waitrose supermarkets. Each employee will see an envelope being opened and hear a number read out. This is the percentage of salary – 15% in 2010 – that each employee, from the executive chairman to a cleaner, will take home.

JLP is the UK’s largest example of worker co-ownership. Its purpose is “the happiness of all its employees, through their worthwhile and satisfying employment in a successful business”. John Lewis also offers its employees the chance to stay at one of five holiday centres it runs for their benefit at a low price. There is also a generous pension scheme. All employees get 25% off John Lewis products and 15% off Waitrose food. John Lewis employees stay with the company for twice as long as the industry average.

Employees are asked to take an active role as owners. The Chairman and Board run JLP’s commercial activities, but an 82-member council – chosen by employees – elects nearly half the Board. Individual stores have some control over product range and choice of suppliers. Research indicates that employee-owned firms are stronger in an economic downturn, deliver far better customer satisfaction and create jobs faster than large public limited companies.

Operating its business this way is not easy as JLP has to make sufficient profit to sustain and develop its stores as well as sharing profits with its employees. In a business which is paying out more to its employees than a typical plc pays out in dividends, achieving this balance is difficult and sometimes a source of conflict. A member of JLP’s Board says: “In many ways it’s simpler to have one boss who says: we’re doing this”.

JLP’s culture of looking after employees and employees looking after customers has been built up over 85 years and has become a successful way of working. ‘Never knowingly undersold’ is part of JLP’s marketing strategy. This means that for many years JLP customers have been confident that if they found their purchase for a lower price elsewhere, then JLP would refund the difference!

(Source: adapted from <http://www.johnlewispartnership.co.uk/>)



Evidence B – Extracts from the John Lewis Partnership website

John Lewis

[Sign In](#) or [Register](#) [My John Lewis](#) [My Wish List](#)

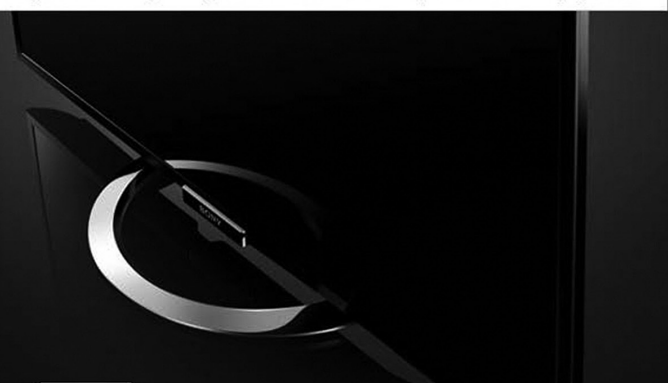
[John Lewis Insurance](#) | [Gift List](#) | [Inspiration & advice](#) | [Our shops](#) | [Customer services](#)

Your basket 0 items - £0.00 [Checkout](#)

Home & Garden Electricals Women Men Beauty Baby & Child Toys Sport & Leisure Gifts Special offers Shop by brand

BEAUTIFUL ON OR OFF


Sleek Sony TVs designed to enhance your viewing pleasure >




ENJOY THE
COLOUR OF
SUMMER
ENTER OUR PRIZE DRAW
YOUR CHANCE TO WIN ONE OF EIGHT FANTASTIC
SUMMER PRIZES, WORTH UP TO £1100

Enter our Colour of Summer competition online


Top products




John Lewis Egyptian Cotton Towels
★★★★★
405 Reviews



John Lewis Easycare Egyptian Cotton Pillowcases
★★★★★
42 Reviews




Apple iPad mini, Apple A5, 1GHz, iOS 6, 7.9", Wi-Fi, 16GB, Black
6 months FREE John Lewis Broadband
£269.00
Buy a 3 year John Lewis Plan £75.00
2 year guarantee included
★★★★★
104 Reviews



Apple iPad mini, Apple A5, 1GHz, iOS 6, 7.9", Wi-Fi, 16GB, White
6 months FREE John Lewis Broadband
£269.00
Buy a 3 year John Lewis Plan £75.00
2 year guarantee included
★★★★★
43 Reviews

[More suggestions](#)

SHOPPING WITH US



Never Knowingly Undersold on quality | on price | on service

Free standard delivery

on all online orders £50 and over

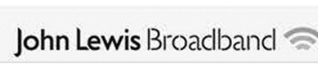
Click & collect from John Lewis

and selected branches of Waitrose

International delivery

to over 30 countries

MORE FROM US



(Source: adapted from www.johnlewis.com)

(b) Evaluate the likely importance of low labour turnover to JLP.

(8)

A series of horizontal dotted lines for writing the answer.

(Total for Question 9 = 12 marks)

11 Evaluate the effectiveness of using financial incentives **and** non-financial techniques as a means of motivating the employees of the John Lewis Partnership (JLP).

A series of horizontal dotted lines for writing the answer.

(Total for Question 11 = 14 marks)

TOTAL FOR SECTION B = 56 MARKS
TOTAL FOR PAPER = 80 MARKS

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Business Studies

Mark Scheme (SAM)

Unit 2: Business Structures and Processes

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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: Supported multiple choice

N.B. If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b).

Question Number	Question	Marks
1 (a)	Answer: C It should reduce the level of buffer inventory	1
1 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Defines Just in Time inventory control, e.g. is when supplies are delivered just when they are needed for production/buffer inventory is held 'just in case' (1) • The need for buffer inventory is reduced because supplies are delivered for specific production runs (1) • Meaning that less warehouse space is needed (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because logistical problems can sometimes hamper the best-run supplier because of traffic delay due to weather issues (1) • B is wrong because JIT normally requires smaller delivery quantities more often and this will cost more (1) • D is wrong because as quantities ordered are usually specific to a particular job this will lead to a smaller quantity ordered (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3</p> <p>(Total 4)</p>

Question Number	Question	Marks
2 (a)	Answer: A Democratic	1
2 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none">• Democratic leaders are prepared to share decision making by talking with employees (1)• This is what Andy is clearly doing by involving his staff at VA through these monthly meetings (1)• Which may be a way for Andy to motivate staff (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none">• B is wrong because a Theory X manager would instruct workers as they believe that workers are lazy (1)• C is wrong because a paternalistic leader might organise a monthly meeting but would still make the final decision (1)• D is wrong because an autocratic leader would not relinquish any power but dictate (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3 (Total 4)

Question Number	Question	Marks
3 (a)	Answer: B an inferior good	1
3 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none">• Inferior goods have a negative income elasticity of demand, i.e. demand falls as income rises (1)• Sales of inferior goods such as rice are likely to decrease when incomes rise as consumers change to 'better' or more attractive alternatives (1), e.g. meat/vegetables (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none">• A is wrong because a complementary good is one which is linked with the purchase of another good (1), e.g. Blu-ray discs and Blu-ray players and rice is not linked to any other product (1)• C is wrong because a normal good is a good for which demand increases as incomes rise (1), therefore rice cannot be classed as a normal good if the quantity demanded decreases as incomes rise (1)• D is wrong because a substitute good is an alternative to a product (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3 (Total 4)

Question Number	Question	Marks
4 (a)	Answer: C Competition from supermarkets	1
4 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Competition from supermarkets means consumers have more choice (1) • Competition from supermarkets usually means lower prices (1) • Supermarket prices will be lower than Skeltons, therefore Skeltons may lose customers (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because a well-managed cash flow should help Skeltons to remain in business as they are managing their liquidity well (1) • B is wrong because effective inventory control will help Skeltons to remain in business due to a reduction in bakery waste (1) • D is wrong because longer credit terms would improve cash flow for Skeltons and therefore make closure less likely (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3
		(Total 4)

Question Number	Question	Marks
5 (a)	Answer: B minimise average costs	1
5 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Accurate definition of capacity utilisation, e.g. capacity utilisation measures the extent to which a business is using its production potential/(current output/maximum possible output) x100 (1) • Increased capacity utilisation divides fixed costs by more units, therefore average costs fall (1) • This enables Toyota to reduce prices or take an increased profit (1) <p>Alternatively, up to two of the marks above can be achieved by explaining (not defining) distracters, for example:</p> <ul style="list-style-type: none"> • A is wrong because total costs are likely to rise as more variable costs are needed to produce the cars (1) • C is wrong because there may be no direct impact on sales as capacity utilisation is about how much of the factory Toyota is using (1) • D is wrong because there is no direct impact on waste as this still remain the same under the current production methods (1) <p>Any acceptable answer that shows selective knowledge/understanding/application and/or development.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3</p> <p>(Total 4)</p>

Question Number	Question	Marks
6 (a)	Answer: B £0.5m favourable	1
6 (b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Variance analysis involves trying to find reasons for the differences between budgeted figures and actual figures (1) • Total budgeted costs £2.5m (1) • Total actual costs £2m (1) • Actual costs are lower than budgeted costs hence the favourable variance of £0.5m (1) <p>Any acceptable calculation method that shows selective knowledge/understanding.</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3</p> <p>(Total 4)</p>

Section B: Data response

Question Number	Question	
7	Businesses such as the John Lewis Partnership (JLP), with its many stores and supermarkets and 84,700 employees, are labour intensive. Explain the difference between a labour intensive business and a capital intensive business.	(6 marks)
	Answer	Mark
	<p>(Knowledge 4, Application 2)</p> <p>Labour intensive business Knowledge/understanding/application: up to 3 marks for defining and giving an example of labour intensive business, e.g. labour-intensive processes are those that require a relatively high level of labour compared to capital investment (1), JLP, for example, has to employ a large amount of staff (1) because it has many retail outlets which are labour intensive because they need many employees to serve customers (1)</p> <p>Capital intensive business Knowledge/understanding/application: up to 3 marks for defining and giving an example of capital intensive business, e.g. capital-intensive processes are those that require a relatively high level of capital equipment compared to the amount of labour (1), Toyota, for example, uses a large amount of complex machinery (1) because car assembly lines are now fully automated using expensive robots (1)</p> <p>Both labour intensive and capital intensive businesses must be covered for full marks (3+3). If only one aspect covered, maximum mark of 3.</p>	<p>1-3</p> <p>1-3</p>

Question Number	Question	
8 (a)	Explain why 'sufficient profit' (see Evidence A, Line 24) is important to the John Lewis Partnership (JLP) in the long term.	(6 marks)
	Answer	Mark
	<p>(Knowledge 1, Application 3, Analysis 2)</p> <p>Knowledge/understanding: up to 1 mark is available for what is meant by profit, e.g. the excess of total revenue less total costs/indicating that long term implies expansion or business growth for a sustainable future (1)</p> <p>Application: up to 3 marks are available for contextualised answers, e.g. to sustain and develop JLP stores (1), provide profit-sharing funds for the employees (1), to pay for non-financial incentives at JLP (1)</p> <p>Analysis: up to 2 marks are available for developing the above, e.g. because expansion and profit sharing require a significant amount of finance (1), to maintain employee benefits/motivation (1)</p>	<p>1</p> <p>1-3</p> <p>1-2</p>

Question Number	Question	
8 (b)	The John Lewis Partnership (JLP) states that it is: 'Never knowingly undersold' (see Evidence A, Lines 30 to 31). Analyse two reasons why JLP might benefit from this marketing strategy.	(6 marks)
	Answer	Mark
	<p>(Knowledge 2, Application 2, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks are available for identifying reasons, e.g. to increase sales (1) to encourage customer loyalty (1)</p> <p>Application: up to 2 marks are available for contextual answers demonstrating that 'Never knowingly undersold' is a key part of their marketing strategy, e.g. over 85 years; it is a way of looking after their customers (1); customers know that they will be refunded if goods are cheaper elsewhere (1)</p> <p>Analysis: up to 2 marks are available for explaining consequences of this marketing aim for JLP, e.g. enhanced image reputation because of increased consumer confidence which should lead to more sales (1); increased brand loyalty which will lead to repeat purchases (1)</p> <p>N.B. If only one reason covered, maximum mark of 3.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
9 (a)	Some decision making within the John Lewis Partnership (JLP) is decentralised. Explain one possible disadvantage to JLP of decentralisation.	(4 marks)
	Answer	Mark
	<p>(Knowledge 1, Application 2, Analysis 1)</p> <p>Knowledge/understanding: up to 1 mark for defining or showing implied understanding of what is meant by decentralisation, e.g. decisions being made at a local level away from head office (1)</p> <p>Application: up to 2 marks are available for contextual answers demonstrating that John Lewis operate such a structure as they devolve some control down to branches (1), e.g. choice product range/choice of suppliers (1)</p> <p>Analysis: up to 1 mark is available for giving a reason/cause/consequence, e.g. the process may be time consuming and/or costly to operate/decisions may be made by those not best qualified to make them (1)</p>	<p>1</p> <p>1-2</p> <p>1</p>

Question Number	Question		
9(b)	Evaluate the likely importance of low labour turnover to JLP.		(8 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of low labour turnover must be present.	For example, how often employees come and go on average each year.
2	3-4	Application must be present, i.e. the answer must be contextualised to JLP.	For example, employees stay twice as long as the industry average.
3	5-6	Analysis in context must be present, i.e. in this case the candidate must identify and explain the reasons/causes/costs/consequences of low labour turnover to JLP. N.B. if analysis is not in context, limit to Level 2.	For example, lower costs of recruitment because employees stay for a longer period of time than in other retail businesses. For example, loyal employees will become increasingly more skilled which should give better customer service which is rewarded every year by a significant bonus.
4	7-8	Evaluation must be present and in context, showing likely importance of low labour turnover to JLP. Award 7 marks if one side only is in context. Award 8 marks if BOTH sides are in context.	For example, some employees may get set in their ways and resist change which could result in new ideas not being developed. For example, lack of new employees may result in lack of new ideas for JLP. For example, low labour turnover may not be the most important priority to JLP.

Question Number	Question		
10	In 2011 Chairman Charlie Mayfield stated that: "A 36% rise in online retailing was at the heart of JLP's performance". Assess the likely impact on JLP's marketing mix from the increased use of online retailing.		(12 marks)
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding marketing mix/online retailing must be present.	For example, price, product, place, promotion. For example, selling through the use of the internet/websites.
2	3-4	Application must be present, i.e. the answer must be contextualised to JLP's marketing mix/online retailing.	For example, online retailing gives JLP another place/market to target. For example, JLP website gives different ways of purchasing goods. For example, increased ownership of mobile devices, such as tablets.
3	5-6	Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of online retailing for marketing mix for JLP. N.B. if analysis is not in context, limit to Level 2.	For example, more people have mobile devices so companies are responding by providing user-friendly apps and websites encouraging an increase in online sales. For example, this might lead to lower prices because overheads may fall. For example, 36% increase may relate to a fall in the number of times people visit Waitrose supermarket stores.

Level	Mark	Descriptor	Possible content
4	7-12	<p>Low Level 4: 7-8 marks. Limited evaluation must be present and in context.</p> <p>Mid Level 4: 9-10 marks. More evaluation will be present and in context.</p> <p>High Level 4: 11-12 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion.</p> <p>N.B. if evaluation not in context, limit to Level 3.</p>	<p>For example, promotional material may need to be developed to match international customers if JLP sell online.</p> <p>For example, the impact on JLP of price may be significant as customers can access comparative prices from other retailers easily online.</p> <p>For example, impact on product for JLP will be positive, as they will not be limited to floor space and can stock more products online.</p> <p>For example, more communication channels available for JLP to interact with social media, so promotions have a wider audience.</p> <p>For example, JLP need more distribution channels and systems to cater for different ways of ordering products such as click and collect and home delivery.</p>

Question Number	Question		
11	Evaluate the effectiveness of using financial incentives and non-financial techniques as a means of motivating the employees of the John Lewis Partnership (JLP).		(14 marks)
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by financial incentives and non-financial techniques.</p> <p><i>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.</i></p>	<p>For example, financial incentives including commission, bonus, profit share, performance and related pay are awarded to employees/shareholders.</p> <p>For example, non-financial techniques including delegation, consultation, empowerment, flexible working.</p>
2	3-4	<p>Application must be present, i.e. the answer must be contextualised and applied to JLP.</p> <p><i>Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present that affect clarity and coherence.</i></p>	<p>For example, 15% is awarded back to employees from JLP.</p> <p>For example, holiday homes, pensions, discounts are given out by JLP.</p>
3	5-8	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of financial incentives/non-financial techniques as a means of motivating JLP's employees.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, Taylor would emphasise financial incentives as a way of motivating employees which JLP does through its bonus scheme for all employees.</p> <p>For example, Herzberg stresses the importance of non-financial techniques, such as the JLP consultation and empowerment with employees in order to motivate them.</p>

Level	Mark	Descriptor	Possible content
4	9-14	<p>Low Level 4: 9-10 marks. Evaluation must be present and in context on one side, e.g. showing possible advantages and disadvantages of financial incentives or non-financial techniques of motivating staff at JLP.</p> <p>Mid Level 4: 11-12 marks. Evaluation must be present and in context on both sides, to show the impact of financial incentives and non-financial techniques.</p> <p>High Level 4: 13-14 marks. Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion.</p> <p>N.B. if evaluation not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, different impact on different types employees (full-time, part-time, working at different levels, age-relative) of JLP.</p> <p>For example, comparison of the effectiveness of financial incentives against non-financial techniques.</p> <p>For example, theorists would disagree on the relative importance of financial incentives and non-financial techniques.</p> <p>For example, other things affect motivation, such as flexible working and leadership styles.</p> <p>For example, difficult to evaluate the effectiveness without seeking the views of employees.</p>

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Level

Unit 3: Strategic Business Decisions

Sample Assessment Materials

Time: 2 hours

Paper Reference

SAM

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 ►

S45102A

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PEARSON

Section A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Toyota, the Japanese car manufacturer, has achieved a competitive advantage with a reputation for reliability and high build quality.

However, the company has experienced a number of problems with some of its models which have affected over 4 million vehicles worldwide. In the United States of America (USA) a fatal accident involving a policeman in San Diego, is being linked to a faulty accelerator pedal - although the link has not been established beyond doubt.



5

By February 2010, the National Highway Traffic Safety Administration (NHTSA) in the USA had received complaints that 34 deaths and 22 injuries could possibly be associated with this problem.

10

(Source: adapted from Biz/ed 'In the News')

Evidence B

Toyota's woes deepen amid Prius recall reports

Toyota's troubles looked to have worsened today after reports that it was preparing to recall 270,000 of its hybrid Prius cars in the USA and Japan over a braking problem.

Japan's top business newspaper said Toyota would be notifying Japan's transport ministry and the USA Department of Transportation of the recall.

The Prius issue comes after the firm started recalling seven other models that could be affected by a faulty accelerator pedal. A fault that has caused it to stick in seven different models - the iQ, Aygo, Yaris, Auris, Corolla, Avensis and Verso. The problem has been linked to 26 accidents in Europe.

5

(Source: adapted from an article by Matt Dickinson, Press Association, published in *The Independent* Friday, 5 February 2010)

Evidence C

Toyota to build electric cars with Tesla

Toyota has announced a joint venture with Tesla Motors to design and build electric cars.

The deal marks a potentially massive shift in Toyota's corporate strategy, signalling that it may focus more actively on the "green" auto market as hybrid vehicles, like the Prius, lose their appeal.

The deal with Toyota could dramatically improve the prospects of Tesla, an American company that is considered to be a pioneer in electric vehicles. Potential economies of scale are likely to enable the price of electric cars to be reduced.

5

(Source: adapted from an article by Leo Lewis, Asia Business Correspondent May 21, 2010 Times Online)

Evidence D

Toyota's mission statement

"Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people. Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile. We will meet our challenging goals by engaging the talent and passion of people, who believe there is always a better way."

5

(Source: reproduced with permission from Toyota (GB) PLC)

1 (a) What is meant by 'corporate strategy'? (Evidence C, line 2)

(2)

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(b) What is meant by 'economies of scale'? (Evidence C, line 6)

(2)

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(Total for Question 1 = 4 marks)

4 Assess the likely importance of Toyota's mission statement to the company.

A series of horizontal dotted lines for writing an answer to the question above.

(Total for Question 4 = 10 marks)

Section B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

Toyota Sales Data (units by destination)

Business segment		FY2009 (April 1, 2008 through March 31, 2009)	FY2010 (April 1, 2009 through March 31, 2010)	Increase (Decrease)
Automotive	Japan	1 944 823	2 162 418	217 595
	North America	2 212 254	2 097 374	(114 880)
	Europe	1 061 954	858 390	(203 564)
	Asia	904 892	979 651	74 759
	Other	1 443 433	1 139 329	(304 104)
	Total	7 567 356	7 237 162	(330 194)

Note: 1 Sales in "Automotive" indicates sales units of vehicles (new).

2 "Other" consists of Central and South America, Oceania, Africa and the Middle East, etc

Please note: FY in the table above refers to Financial Year

(Source: adapted from Toyota Corporation accounts 2010)

Evidence F

More problems for Toyota

In the UK, some 180,865 Toyota vehicles are being called back in, but new parts needed to rectify the problems are currently being shipped from Japan; it will take days for them to arrive, delaying the start of the repair programme. Not all customers were contactable and Toyota has made a request to the DVLA (the UK vehicle licensing authority) to obtain the names and addresses of owners.

5

Toyota yesterday put a video message from UK commercial director Jon Williams on YouTube in a bid to reassure customers. He said: "I drive a Toyota. My family and friends drive a Toyota. I wouldn't allow my loved ones to drive our cars if I didn't think they were safe." Mr Williams added: "We are truly sorry for letting our customers down."

(Source: adapted from an article by Matt Dickinson, Press Association, published in *The Independent* Friday, 5 February 2010)

Evidence G



(Source: adapted from Motorintelligence.com, Tobey, *The Washington Post*, 3 February 2010)

Evidence H

Simplified Financial Information – Toyota Corporation

All figures are in Yen millions.

Extracts from statement of financial position

Extracts from statement of comprehensive income

	Mar-10	Mar-09		Mar-10	Mar-09
Current Assets (of which inventory)	13 073 604	11 298 929	Revenue	18 950 973	20 529 570
	1 422 373	1 459 394			
Current Liabilities	10 686 214	10 589 293	Cost of Sales	16 683 797	18 455 800
Non-Current Assets	17 275 683	17 763 108	Gross Profit	2 267 176	2 073 770
Non-Current Liabilities	8 732 630	7 872 007	Expenses	2 119 660	2 534 781
Capital Employed	19 633 073	18 472 744	Profit for the Year (Loss)	147 516	(461 011)

(Source: adapted from Toyota Corporation reports and accounts 2010)

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(Total for Question 6 = 20 marks)

7 Evaluate the usefulness of business contingency planning to Toyota.

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A large rectangular area with rounded corners, containing numerous horizontal dotted lines for writing.

(Total for Question 7 = 20 marks)

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

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Pearson Edexcel International
Advanced Level

Business Studies

Mark Scheme (SAM)

Unit 3: Strategic Business Decisions

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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	
1 (a)	What is meant by 'corporate strategy'? (Evidence C, line 2)	2 marks
	Answer	Mark
	<p>Knowledge – up to 2 marks:</p> <ul style="list-style-type: none"> The means by which a business hopes to achieve its overall aims (1), for example expanding online sales in order to maximise growth (1) 1 mark for partial or vague definition but a valid example lifts to 2 marks Any other suitable alternative 	1-2

Question Number	Question	
1 (b)	What is meant by 'economies of scale'? (Evidence C, line 6)	2 marks
	Answer	Mark
	<p>Knowledge – up to 2 marks:</p> <ul style="list-style-type: none"> The reduction in average costs (1), brought about by increasing the scale of production (1) 1 mark for partial or vague definition but a valid example lifts to 2 marks Any other suitable alternative 	1-2

Question Number	Question	
2	Explain how one stakeholder group might be affected by Toyota's decision to recall some of its cars.	6 marks
	Answer	Mark
	<p>(Knowledge 2, Application 2, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks are available for what is meant by stakeholders, e.g. individuals or groups that affect or are affected by the actions of a business (1), examples of stakeholders: suppliers/customers (1)</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. Toyota's dealers have to deal with the recall (1) and liaise with unhappy customers (1)</p> <p>Analysis: up to 2 marks are available for developing the above, e.g. this involves dealers in additional time and costs (1), dealers will also lose sales because customers may lose confidence in the brand (1)</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
3	Using Ansoff's matrix, analyse Toyota's decision to enter into a joint venture with Tesla Motors (Evidence C).	8 marks
	Answer	Mark
	<p>(Knowledge 2, Application 2, Analysis 4)</p> <p>Knowledge/understanding: up to 2 marks are available for what is meant by Ansoff's matrix, e.g. Ansoff's matrix is a decision-making model that can be used to help businesses analyse strategic options (1) and assess the degree of risk involved (1)</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. the new project could be seen as product development/market development (1) as it is selling new types of cars (electric) to existing customers/existing cars (Tesla) to new customers (1)</p> <p>Analysis: up to 2 marks are available for examining the consequences of the joint venture using Ansoff, e.g. product development carries more risk than market penetration (1) but customers are familiar with the Toyota brand name which should help encourage sales and spread risk (1), market development is not as risky as diversification as Toyota are still selling cars (1), Tesla is an established business in this market and therefore has experience and understanding of the market, minimising risk (1)</p> <p>N.B. if generic Ansoff's matrix diagram included, award knowledge mark.</p>	<p>1-2</p> <p>1-2</p> <p>1-4</p>

Question Number	Question		
4	Assess the likely importance of Toyota's mission statement to the company.		10 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of basic terms.	For example, a mission statement is an inspirational and motivating statement. It should convey to everyone the value of the brand or business and why it exists.
2	3-4	Application: basic points developed to show awareness of mission statement in terms of Toyota.	For example, Toyota's mission statement emphasises its commitment to quality and safety, ethical and environmental concerns, to accept challenge and to engage its workforce.
3	5-7	<p>Analysis in context must be present, i.e. candidate analyses using reasons/causes/consequences/costs to show the likely importance of a mission statement to Toyota.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p>	<p>For example, all Toyota stakeholders will know the central aim of the business and understand its purpose and culture, such as they believe there is always a better way.</p> <p>For example, can give Toyota staff a sense of common purpose and direction which can encourage innovation and commitment to the quality of Toyota cars.</p> <p>For example, can increase workforce motivation which can improve efficiency, leading to a competitive advantage over their closest rival VW.</p> <p>For example, informs the consumer and can create brand loyalty.</p>

Level	Mark	Descriptor	Possible content
4	8-10	<p>Evaluation must be present and in context, i.e. a candidate balances their answer.</p> <p>N.B. if evaluation is not in context, limit to Level 3.</p>	<p>For example, can just be a PR exercise to create a good public image and have little, if any, relevance to the stakeholders, recent recall problems may indicate it has not done its job.</p> <p>For example, mission statement is only one way stakeholders gain impression of a company, other news stories may be more influential, e.g. Evidence A and B.</p> <p>For example, wording is so general that it is too vague to be meaningful and impossible to prove or disprove its importance and/or value to stakeholders.</p> <p>For example, impossible to sum up what a business is all about in one or two sentences but there is an expectation from investors that a large company such as Toyota would have one.</p> <p>For example, the reality of the workplace is too far removed from such idealised concepts as to render it meaningless.</p>

Question Number	Question		
5	Some car dealerships in the USA are considering selling one of their Toyota models at a price below total cost in response to recent product recall problems. The lower price will still provide a positive contribution to the dealership's fixed costs. Assess whether the dealership should go ahead with this decision.		12 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by contribution.</p> <p><i>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.</i></p>	<p>For example, contribution is price per unit minus variable cost per unit.</p> <p>For example, contribution goes towards paying the business' fixed costs and then goes towards profit of the business.</p>
2	3-4	<p>Application must be present, i.e. the answer must be contextualised and applied to show awareness of contribution in terms of a Toyota car dealer.</p> <p><i>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.</i></p>	<p>For example, positive contribution means price is above variable cost per car.</p> <p>For example, variable costs may include the cost of the car, wages, commission on sales, demonstrator fuel, pre-delivery inspection.</p> <p>For example, fixed costs may include overheads such as costs of showroom premises, administrative costs, equipment.</p>
3	5-7	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show how this decision affects the dealerships.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, positive contribution still means some, but not all, fixed costs will be met. Some contribution to fixed costs is better than none at all.</p> <p>For example, may help to sell cars whose reputation has been damaged by the recall problems.</p> <p>For example, keeps sales revenue/cash flow going in difficult times, sales in the USA have been hit by the recalls (Evidence A and B).</p>

Level	Mark	Descriptor	Possible content
4	8-12	<p>Low Level 4: 8-10 marks. Evaluation must be present i.e. a candidate balances their answer by showing possible advantages and disadvantages of this decision.</p> <p>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.</p> <p>N.B. if evaluation not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, price reduction may be seen as desperate and damaging to the brand's image in the long term as it reinforces negative image of Toyota's quality/problems.</p> <p>For example, when the crisis passes, customers may always expect discounts to be available and it may be difficult to restore brand image and normal pricing strategy.</p> <p>For example, may provoke retaliatory price cuts from competitors which may be more damaging in the long run.</p>

Section B: Essay questions

Question Number	Question																							
6	Assess the extent to which ratio analysis can be used to evaluate Toyota's financial performance in 2009 and 2010.		20 marks																					
Level	Mark	Descriptor	Possible content																					
1	1-2	<p>Knowledge/understanding of what is meant by ratio analysis.</p> <p><i>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.</i></p>	<p>For example, candidate defines ratio analysis – involves using information from the financial statements and turning it into numbers which are easy to understand and can be used to compare the performance of a business over time or with similar businesses.</p> <p>For example, Gross Profit Margin (GPM), Profit for the Year Margin (PYM), Return on Capital Employed (ROCE), Current Ratio, Acid Test Ratio are defined/formulae given.</p>																					
2	3-6	<p>Application must be present, i.e. the answer must be contextualised and applied to the Toyota example.</p> <p>Low Level 2: 3–4 marks. Candidate accurately calculates 1 or 2 ratios.</p> <p>High Level 2: 5–6 marks. Candidate accurately calculates 3 or 4 ratios.</p> <p><i>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.</i></p>	<table border="1"> <thead> <tr> <th></th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>GPM</td> <td>15%</td> <td>16%</td> </tr> <tr> <td>PYM</td> <td>-2%</td> <td>0.1%</td> </tr> <tr> <td>ROCE</td> <td>-1.6%</td> <td>0.49%</td> </tr> <tr> <td>CURRENT</td> <td>1.07</td> <td>1.22</td> </tr> <tr> <td>ACID TEST</td> <td>0.93</td> <td>1.09</td> </tr> <tr> <td>GEARING</td> <td>42.6%</td> <td>44.4%</td> </tr> </tbody> </table>		2009	2010	GPM	15%	16%	PYM	-2%	0.1%	ROCE	-1.6%	0.49%	CURRENT	1.07	1.22	ACID TEST	0.93	1.09	GEARING	42.6%	44.4%
	2009	2010																						
GPM	15%	16%																						
PYM	-2%	0.1%																						
ROCE	-1.6%	0.49%																						
CURRENT	1.07	1.22																						
ACID TEST	0.93	1.09																						
GEARING	42.6%	44.4%																						

Level	Mark	Descriptor	Possible content
3	7-12	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of ratio analysis to Toyota.</p> <p>Low Level 3: 7-9 marks. Candidate will attempt very basic analysis of the results of ratio calculations. Either profitability or liquidity.</p> <p>High Level 3: 10-12 marks. Candidate looks at both profitability and liquidity ratios and makes accurate analytical points.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, Toyota's profitability as measured by the GPM and PYM and ROCE has improved.</p> <p>For example, this means that Toyota is turning sales/capital into profits more effectively.</p> <p>For example, liquidity as measured by the current and acid test ratio has also improved.</p> <p>For example, liquidity was below 1 as measured by the acid test ratio in 2009 which suggested Toyota was unable to meet its current liabilities.</p> <p>For example, small difference between acid test and current ratios reflects lean operations at Toyota.</p> <p>For example, Gross Profit Margin has not changed a huge amount.</p>

Level	Mark	Descriptor	Possible content
4	13-20	<p>Evaluation must be present and in context, showing the extent to which ratio analysis can be useful.</p> <p>Low Level 4: 13-14 marks. Some basic evaluative points are made, about the success or otherwise, of Toyota between 2009 and 2010.</p> <p>Mid Level 4: 15-17 marks. Candidate gives a range of arguments, identifying some of the problems with using/relying on ratio analysis.</p> <p>High Level 4: 18-20 marks. Candidate gives a wide range of arguments outlining profitability and liquidity issues for the business, as well as some of the limitations of ratio analysis. A balanced conclusion is drawn and the answer is clear and articulate leading to a convincing conclusion.</p> <p>N.B. if evaluation is not in context, limit to Level 3</p> <p><i>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.</i></p>	<p>For example, financial performance of the business is only one aspect.</p> <p>For example, the car industry has been affected by difficult external economic factors (recession) and it would be useful to compare Toyota's information to a range of competitors.</p> <p>For example, historical data from Toyota would also be useful.</p> <p>For example, Toyota more concerned with the long-term profitability of the business and will be less worried about short-term decreases as long as long-term trends are resumed.</p> <p>For example, the short-term expense of the recall will be worth it if the reputation and safety of the business and its customers is safeguarded.</p> <p>For example, information about other factors, such as staff morale, would be useful to help judge the wider performance of the business.</p> <p>For example, financial information is only a 'snapshot' of performance and may be inaccurate; therefore judgements made on this should be kept in context.</p> <p>For example, ratio analysis suggests they have had a very difficult period between 2009 and 2010, however this has occurred during a period of world recession.</p>

Question Number	Question		
7	Evaluate the usefulness of business contingency planning to Toyota.		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by contingency planning.</p> <p><i>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.</i></p>	For example, defines or identifies what is meant by contingency planning – preparing in advance for situations that are unlikely but possible.
2	3-6	<p>Application must be present, i.e. the answer must be contextualised and applied to the Toyota example.</p> <p>Low Level 2: 3–4 marks. Application is weak.</p> <p>High Level 2: 5–6 marks. Application to Toyota and/or product recall is clear.</p> <p><i>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.</i></p>	<p>For example, have a plan ready for any car safety problems.</p> <p>For example, product recall could be part of Toyota contingency for safety problems. Toyota has a reputation for product safety.</p>

Level	Mark	Descriptor	Possible content
3	7 -12	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of contingency planning to Toyota.</p> <p>Low Level 3: 7–9 marks. Analysis limited: only one or two reasons/causes/costs or consequences are outlined.</p> <p>High Level 3: 10–12 marks. Analysis is more developed: two or more reasons/causes/costs and/or consequences are outlined and developed.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, contingency planning would allow Toyota to react quickly to potentially damaging events without wasting time and help to minimise potential losses/costs (evidence mentions time taken for parts to arrive).</p> <p>For example, contingency planning would help Toyota to defend their reputation for safety and customer care, thus safe-guarding sales and maintaining relationships with stakeholders (evidence mentions difficulty tracking down all customers).</p> <p>For example, contingency planning can give a competitive advantage over rivals if Toyota is better prepared than they were in this instance.</p>

Level	Mark	Descriptor	Possible content
4	13-20	<p>Evaluation must be present and in context, showing the extent to which contingency planning is useful.</p> <p>Low Level 4: 13–14 marks. Some evaluative points are made, based on analysis of the business situation without arriving at a conclusion/judgement.</p> <p>Mid Level 4: 15–17 marks. A judgement is attempted with some effort to show how useful contingency planning is/is not to Toyota.</p> <p>High Level 4: 18–20 marks. Convincing evaluation on the usefulness of contingency planning, Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion (candidates may use MOPS).</p> <p>N.B. if evaluation not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, contingency planning has an opportunity cost in terms of the time and resources involved and may never be needed.</p> <p>For example, if too much time is spent on contingency planning the present costs may outweigh future benefits.</p> <p>For example, contingency planning may be in place for more common problems, such as political unrest in foreign markets, but cannot cover all eventualities.</p> <p>For example, the scale, scope and unusual nature of Toyota’s problems is such that contingency planning may have been of little use or could not possibly have anticipated or coped with such an eventuality.</p> <p>For example, may be more difficult to put together a contingency plan for new technology which is not mass tested, as not as much historical data is available.</p>

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Level

Unit 4: Business in a Global Context

Sample Assessment Material

Time: 2 hours

Paper Reference

SAM

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 ►

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PEARSON

Section A

Answer ALL the questions in this section.

You should spend 60 minutes on this section.

Evidence A

Mothercare and Shoppers Stop team up for India

Mothercare now has a presence in 36 countries and is in the middle of implementing its big push into India in an exclusive partnership with Shoppers Stop.

India is also a large global manufacturing base for Mothercare. An astounding 90% of the brand's outsourcing for the company comes from India and China. India has been manufacturing Mothercare products for the last 8 years from the company's base in Delhi. 5

Mothercare is an international brand that "travels well", says Ben Gordon, global CEO of Mothercare "The advantage in India is that the brand is well-known because customers have been exposed to it in markets like Dubai, Hong Kong and the Middle East, the products are also being adapted for Indian needs". 10

(Source: adapted from http://articles.economictimes.indiatimes.com/2006-10-31/news/27443440_1_mothercare-india-foray-india-and-china)

Evidence B

Mothercare and Responsible Sourcing

Our responsible sourcing programme is about people and the environment. Our Responsible Sourcing Code is based on the ETI (Ethical Trading Initiative) Base Code and covers 10 key areas.



- No forced labour
- Workers can choose to join a trade union 5
- Safe and hygienic working conditions
- No child labour
- Wages are reasonable and fair
- Reasonable working hours
- No discrimination 10
- Regular employment
- No physical or verbal abuse
- Environmental protection

(Source: adapted from <http://www.mothercareplc.com/responsible-sourcing>)

Evidence C

Overseas focus by Mothercare pays off

Mothercare's focus on overseas expansion appears to be working, with international retail sales overtaking domestic sales for the first time at the baby care retail group.

Ben Gordon, chief executive, said that Mothercare had made the move to overseas markets with ease and that there was huge potential in emerging markets with expanding middle classes and rising populations.

5

Mothercare is to accelerate international expansion to offset the downsizing of its UK portfolio. It plans to open 200 stores worldwide each year and is particularly excited about entering the markets in Brazil and Mexico. China, Russia, Turkey and India have been its fastest growing markets so far.

Many of Mothercare's 860 international stores are run as joint ventures. The company operates joint ventures in China through Mothercare-Goodbaby China Retail and in India with DLF Brands and Shoppers Stop which will add to its existing presence there.

10

Mothercare has made a series of mergers and takeovers in recent years including the purchase of the baby toys chain Early Learning Centre for £85m, which has 80 outlets in 19 other countries. Its newest purchase is the fashionable maternity clothing brand, Blooming Marvellous.

15

(Source: adapted from <http://www.ft.com/cms/s/0/3f08e0aa-d7b5-11df-b478-00144feabdc0.html#axzz1EPygZ3as>)

1 (a) What is meant by 'outsourcing'? (Evidence A, line 4)

(2)

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(b) What is meant by an 'international brand'? (Evidence A, line 7)

(2)

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(Total for Question 1 = 4 marks)

2 Explain why Mothercare might be 'particularly excited about entering the markets in Brazil and Mexico' (Evidence C, lines 7 to 8).

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(Total for Question 2 = 6 marks)

3 Analyse the likely benefits to Mothercare of expansion through joint ventures.

A series of horizontal dotted lines for writing the answer to Question 3.

(Total for Question 3 = 8 marks)

4 Assess the likely impact of Mothercare’s responsible sourcing policy.

A series of horizontal dotted lines provided for writing the answer to the question above.

(Total for Question 4 = 10 marks)

5 Assess the likely benefits for Mothercare of adapting its products for “Indian needs”.
(Evidence A, line 10)

A series of horizontal dotted lines for writing the answer.

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS

Section B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence D

BAT hopes to strike lucky in Indonesia

British American Tobacco (BAT), the world's second-biggest cigarette maker, whose top brands include Lucky Strike, Dunhill and Pall Mall, is buying a controlling stake in Bentoel, Indonesia's fourth-biggest tobacco firm, for \$494 million. Bentoel employs over 7,000 people in the manufacturing, marketing and distribution of cigarettes.

The deal gives BAT its first taste of kretek, a cigarette made with tobacco and cloves. 5

Indonesia, where 93 per cent of all cigarettes smoked are kretek, is seen as one of the most promising emerging markets for tobacco. About a third of the country's 248 million people smoke, making it the fifth-biggest tobacco market by volume and among the ten most profitable.

In the past decade BAT has entered a number of emerging markets, including Turkey, Egypt, Vietnam, South Korea and Nigeria. 10

(Source: adapted from *The Times*, 18 June 2009, Ian King, Deputy Business Editor)

Evidence E

BAT's big wheeze – the alternative ASH report

(ASH: Action on Smoking and Health – an anti-smoking pressure group)

BAT says it has a 'unique relationship' with a quarter of a million tobacco growers worldwide. Our report shows how BAT charges Nigerian producers high prices for the specialist equipment needed and pays low prices for the tobacco they grow.

BAT says it is opposed to attempts to addict children to nicotine, and hence to cigarettes. Our report shows how BAT has flooded Pakistan with advertising and sponsorship that appeal directly to teenagers, and how it has designed its promotions in Russia to appeal to young women. 5

BAT says that 'environmental issues and health and safety' are high priorities for the company. Our report shows how small-scale Brazilian and Kenyan tobacco farmers are given pesticides by BAT, which they then use without proper protection. Meanwhile, in Uganda, tobacco growing results in forest destruction – it takes between ten and forty tonnes of dry wood to cure one tonne of processed tobacco. 10

(Source: adapted from <http://old.ash.org.uk/html/conduct/pdfs/batbigwheeze.pdf>)

Evidence F

Tribe files lawsuit against Freeport in Indonesia

Lawyers representing an Indonesian tribe have filed a lawsuit against U.S. mining company Freeport, demanding \$30 billion in damages for environmental and human rights violations.

The Freeport mine has frequently been targeted by rights groups and environmental campaigners who claim it is stealing the region's wealth, evicting local people from ancestral lands and polluting the environment. 5

(Source: <http://www.businessweek.com/ap/financialnews/D99TV25O2.htm>, 7 August 2009)

Evidence G

The effects of multinational production on wages and working conditions in developing countries

Multinationals can have many positive and negative impacts on host-country workers. The popular press is full of stories about foreign workers who work for multinationals for long hours and low wages, under horrific conditions, in low-income countries, to produce goods for Western consumers.

However, there is virtually no consistent evidence that this is true. 5

In fact, there is a very large body of evidence indicating that the opposite is the case. Foreign ownership raises wages both by raising labour productivity and expanding the scale of production, and, in the process, improving the conditions of work.

(Source: adapted from Drusilla K. Brown, Tufts University, Alan V. Deardorff and Robert M. Stern, University of Michigan, <http://www.spp.umich.edu/rsie/workingpapers/wp.html> by IRWAN FIRDAUS, JAKARTA, Indonesia)

Evidence H

BAT and Corporate Social Responsibility (CSR)

The Company recognises the role of business as a corporate citizen and group companies have long supported local community and charitable projects.

Group companies are encouraged to focus their CSR activities around three themes.

- **Sustainable agriculture and the environment:** improving biodiversity and access to water, afforestation, programmes to prevent child labour, grants for agricultural research and training for farmers. 5
- **Civic life:** including supporting the arts and educational institutions, conserving indigenous cultures and restoring public spaces.
- **Empowerment:** providing people with educational opportunities through scholarships and information technology training, supporting small businesses and promoting entrepreneurship. Supporting relief efforts after natural disasters or programmes focused on HIV/AIDS relief. 10

(Source: adapted from <http://www.bat.com/>)

6 Evaluate the extent to which the activities of multinationals such as BAT or Freeport can be controlled.

A series of horizontal dotted lines for writing the answer to question 6.

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7 Evaluate the impact of multinationals on host countries such as Indonesia.

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(Total for Question 7 = 20 marks)

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

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Mark Scheme (SAM)

Pearson Edexcel International Advanced Level in Business Studies

Unit 4: 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	
1 (a)	What is meant by 'outsourcing'? (Evidence A, line 4)	2 marks
	Answer	Mark
	<p>Knowledge – up to 2 marks:</p> <ul style="list-style-type: none"> • Outsourcing is obtaining some or all parts of production/services from another business (1), rather than doing it themselves, usually to reduce costs (1) • 1 mark for partial or vague definition but a valid example lifts to 2 marks • Any other suitable alternative 	1-2

Question Number	Question	
1 (b)	What is meant by an 'international brand'? (Evidence A, line 7)	2 marks
	Answer	Mark
	<p>Knowledge – up to 2 marks:</p> <ul style="list-style-type: none"> • A symbol or name that represents the business in the eyes of the consumer (1) and is recognised by consumers in more than one country (1) • 1 mark for partial or vague definition but a valid example lifts to 2 marks • Any other suitable alternative 	1-2

Question Number	Question	
2	Explain why Mothercare might be 'particularly excited about entering the markets in Brazil and Mexico' (Evidence C, lines 7 to 8).	6 marks
	Answer	Mark
	<p>(Knowledge 2, Application 2, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks are available for explaining the reasons for Mothercare wanting to enter these markets, e.g. Mothercare wants to increase sales and profitability (1), entering new markets spreads risk and aids stability (1)</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. Brazil and Mexico are both countries with strong growth rates and rising incomes (1), growing populations and rising number of babies being born (1)</p> <p>Analysis: up to 2 marks are available for developing the above, e.g. given such markets, Mothercare's products are likely to be in high demand which may lead to increased sales and higher profits (1), competition is unlikely to be established and Mothercare may get first mover advantage (1)</p> <p>N.B. credit push and/or pull factors.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
3	Analyse the likely benefits to Mothercare of expansion through joint ventures.	8 marks
	Answer	Mark
	<p>(Knowledge 2, Application 2, Analysis 4)</p> <p>Knowledge/understanding: up to 2 marks are available for understanding of likely benefits, e.g. sharing of knowledge about culture and language (1) to get round government restrictions on foreign firms having sole access (1)</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. Mothercare is a western business; India, China, Brazil and Mexico are all different in terms of culture and language to Mothercare's traditional markets (1), some countries, such as India and China, insist on some foreign MNCs having a domestic partner (1)</p> <p>Analysis: up to 4 marks are available for examining the reasons/causes/consequences/costs, e.g. sharing of knowledge about culture and language could avoid potential costly mistakes such as offensive or inappropriate products/marketing/branding/naming (1), domestic partners can also help with communicating with suppliers and/or customers (1), having to take on a joint venture partner can mean gaining access to lucrative markets (1), domestic partners can already have existing supply chains and distribution networks, saving time and costly investment (1)</p>	<p>1-2</p> <p>1-2</p> <p>1-4</p>

Question Number	Question		
4	Assess the likely impact of Mothercare's responsible sourcing policy.		10 marks
Level	Mark	Descriptor	Possible content
1	1-2	Knowledge/understanding of basic terms.	For example, a responsible sourcing policy is a voluntary code that governs how Mothercare should conduct its business and its relationships with its stakeholders.
2	3-4	Application: basic points developed to show awareness of impact of Mothercare's responsible sourcing policy.	For example, Mothercare's responsible sourcing policy emphasises its commitment to good and safe working conditions, fair pay and reasonable working conditions, no child or forced labour and environmental protection.
3	5-7	Candidate analyses using reasons/causes/consequences/costs to show the impact of Mothercare's responsible sourcing policy. N.B. if analysis is not in context, limit to Level 2.	For example, workforce will be treated in a responsible manner which can encourage motivation and therefore increase quality and productivity. For example, informs and reassures the consumer which can create brand loyalty and willingness to buy Mothercare's products, this will increase sales and can enable premium prices to be charged, increasing profitability.
4	8-10	Evaluation must be present, i.e. a candidate balances their answer. N.B. if evaluation is not in context, limit to Level 3.	For example, potential benefits may be offset by increasing costs. Introducing and maintaining these standards of conduct may be costly, this may mean that Mothercare has to increase prices and lose some competitive advantage. For example, the economic downturn in traditional markets and lower disposable incomes in emerging markets may make consumers more price sensitive. For example, consideration of whether policy is implemented.

Question Number	Question		
5	Assess the likely benefits for Mothercare of adapting its products for "Indian needs". (Evidence A line 10).		12 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by 'adapting its products'.</p> <p><i>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.</i></p>	For example, adapting products means changing or altering its products developed for the western markets to suit the differing demands of its new Indian customers.
2	3-4	<p>Application: basic points developed to show awareness of impact on Mothercare of adapting its products for Indian needs.</p> <p><i>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.</i></p>	<p>For example, sizes of baby and child clothing may have to be adapted to suit Indian babies and children.</p> <p>For example, packaging and labelling may need to be changed, such as changing pictures of Caucasian babies to Indian babies.</p>
3	5-7	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show impact on Mothercare of adapting its products for Indian needs.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, tastes and fashions may be different in India, what sells well in the West may not sell well in India. By changing the product it will match the needs of the Indian consumer and so increase potential sales and profits.</p> <p>For example, glocalisation or polycentric marketing increases customer loyalty and repeat purchases, as well as increasing competitive advantage. Premium prices could be charged.</p>

Level	Mark	Descriptor	Possible content
4	8-12	<p>Low Level 4: 8-10 marks. Evaluation must be present, i.e. a candidate balances their answer by showing possible drawbacks for Mothercare of adapting its products for Indian needs.</p> <p>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.</p> <p>N.B. if evaluation not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, adaptation will require research into the Indian market which is time consuming and costly.</p> <p>For example, marketing campaigns will have to be tailored to the Indian market, products and packaging will have to be changed, adding to costs.</p> <p>For example, if products are specially made for each market, it may not be possible to take advantage of economies of scale. In which case, costs will be higher and any resulting higher prices may dissuade potential customers from buying.</p>

Section B: Essay questions

Question Number	Question		
6	Evaluate the extent to which the activities of multinationals such as BAT or Freeport can be controlled.		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of multinationals.</p> <p><i>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.</i></p>	<p>For example, multinationals are businesses that operate in or have assets in more than one country.</p>
2	3-6	<p>Application must be present, i.e. the answer must be contextualised by using knowledge/examples of multinationals to show how they can be controlled.</p> <p>Low Level 2: 3-4 marks. Candidate uses a limited range of examples.</p> <p>High Level 2: 5-6 marks. Candidate uses a good range of examples.</p> <p><i>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.</i></p>	<p>For example, pressure group campaigns such as ASH against BAT.</p> <p>For example, legal proceedings such as the lawsuit against Freeport.</p> <p>Other examples, e.g. media campaigns such as the BBC and Primark; public pressure on Starbucks to pay tax.</p>

Level	Mark	Descriptor	Possible content
3	7-12	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of controlling MNCs.</p> <p>Low Level 3: 7-9 marks. Analysis weak: methods by which MNCs can be controlled is limited.</p> <p>High Level 3: 10-12 marks. Analysis is developed: methods by which MNCs can be controlled are developed.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, public awareness/disapproval of issues can result in lower sales for MNCs thus causing a change in policy.</p> <p>For example, pressure groups can mobilise public opinion, therefore having a negative impact on sales and image of an MNC.</p> <p>For example, campaigns aimed at affecting the behaviour of MNCs make use of the internet and social networking sites such as Facebook and Twitter. These speed up the flow of information and can make the actions of groups and individuals much more effective.</p> <p>For example, governments can set up regulatory bodies to monitor the behaviour of businesses or industries. They can have advisory or legally enforceable powers.</p> <p>For example, governments can insist that MNCs form joint ventures, thus protecting domestic businesses.</p>

Level	Mark	Descriptor	Possible content
4	13-20	<p>Evaluation must be present and in context, showing the extent to which MNCs can be controlled.</p> <p>Low Level 4: 13-14 marks. Some evaluative points are made, about the extent to which MNCs can be controlled, may be without a conclusion/judgement.</p> <p>Mid Level 4: 15-17 marks. Candidate gives a range of arguments, qualifying the extent to which MNCs can be controlled, and a judgement is attempted.</p> <p>High Level 4: 18-20 marks. Candidate gives a wide range of arguments that discusses several strands on the extent to which MNCs can be controlled. A balanced conclusion is drawn, the answer is clear and articulate leading to a convincing conclusion.</p> <p>N.B. if evaluation is not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, a company that relies on consumers for its sales is more likely to be influenced by tactics such as protests and boycotts than one that supplies other businesses.</p> <p>For example, larger companies can be less susceptible to outside pressure. They can afford better publicists, PR agents and legal teams.</p> <p>For example, some pressure groups are more effective than others in their campaigns. Greenpeace is renowned for its direct action.</p> <p>For example, businesses can also use social media to neutralise public opinion, promote their products and boost their image.</p> <p>For example, smaller or emerging countries may be reluctant to confront a company that may be important to it economically and in terms of employment.</p> <p>For example, national objectives may override concern for local communities/law/ability to enforce.</p>

Question Number	Question		
7	Evaluate the impact of multinationals on host countries such as Indonesia.		20 marks
Level	Mark	Descriptor	Possible content
1	1-2	<p>Knowledge/understanding of what is meant by multinationals.</p> <p><i>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.</i></p>	<p>For example, multinationals are businesses that operate in or have assets in more than one country.</p> <p>For example, a host country is one in which a multinational operates.</p>
2	3-6	<p>Application must be present, i.e. the answer must be contextualised and show examples of impact of multinational on host country.</p> <p>Low Level 2: 3-4 marks. Candidate uses a limited range of examples.</p> <p>High Level 2: 5-6 marks. Candidate uses a good range of examples.</p> <p><i>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.</i></p>	<p>For example, Foxconn and Chinese workers.</p> <p>For example, Primark and allegations of sweatshops and child labour.</p> <p>For example, CSR programme of companies such as Mothercare.</p> <p>For example, jobs created by Freeport.</p>

Level	Mark	Descriptor	Possible content
3	7 -12	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of multinationals (MNCs) on host countries.</p> <p>Low Level 3: 7-9 marks. Analysis weak: explanation of impacts of MNCs is limited.</p> <p>High Level 3: 10-12 marks. Analysis is developed: explanation of impacts of MNCs is developed.</p> <p>N.B. if analysis is not in context, limit to Level 2.</p> <p><i>Material is presented in a generally 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.</i></p>	<p>For example, MNCs create employment. A workforce will be needed. Local businesses may be involved in supplying or servicing the MNC, taking on more workers. Incomes are created.</p> <p>For example, skills and technology transfer may take place, benefiting the local economy.</p> <p>For example, increased employment and wages should enlarge the tax base and increase government revenue.</p> <p>For example, exports may increase, improving the balance of payments.</p> <p>For example, CSR policies can help local communities.</p>

Level	Mark	Descriptor	Possible content
4	13-20	<p>Evaluation must be present and in context, balancing the impact of MNCs on host countries.</p> <p>Low Level 4: 13-14 marks. Some evaluative points are made, based on analysis of the impact of MNCs without arriving at a conclusion/judgement.</p> <p>Mid Level 4: 15-17 marks. Candidate gives a range of arguments to show the contrasting impacts that an MNC can have, and a judgement is attempted.</p> <p>High Level 4: 18-20 marks. Convincing evaluation on the impact of MNCs. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion.</p> <p>N.B. if evaluation is not in context, limit to Level 3.</p> <p><i>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.</i></p>	<p>For example, exploitation of labour – low wages, poor working conditions, lack of health and safety conditions, child labour.</p> <p>For example, MNCs may not train local workers to a high level.</p> <p>For example, MNCs can cause great damage to the environment by their processes and the transportation of their products.</p> <p>For example, MNCs can bring cultural imperialism which replaces, and even destroys, the native culture with unwanted products and values.</p> <p>For example, taxes can be avoided by practices such as transfer pricing, profits can be repatriated to the home country.</p> <p>For example, can initiate a race to the bottom.</p>

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