

INTERNATIONAL ADVANCED LEVEL

BUSINESS

SAMPLE ASSESSMENT MATERIALS

Pearson Edexcel International Advanced Subsidiary in Business (XBS11)

Pearson Edexcel International Advanced Level in Business (YBS11)

First teaching September 2018

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First certification from August 2019 (International Advanced Subsidiary)
and August 2020 (International Advanced Level)



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Introduction

The Pearson Edexcel International Advanced Subsidiary in Business and the Pearson Edexcel International Advanced Level in Business are part of a suite of International Advanced Level qualifications offered by Pearson.

These sample assessment materials have been developed to support these qualifications and will be used as the benchmark to develop the assessment students will take.

General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive. However different examples of responses will be provided at standardisation.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked **unless** the candidate has replaced it with an alternative response.

Marking guidance for levels based mark schemes

How to award marks

The indicative content provides examples of how students will meet each skill assessed in the question. The levels descriptors and indicative content reflect the relative weighting of each skill within each mark band.

Finding the right level

The first stage is to decide which level the answer should be placed in. To do this, use a 'best-fit' approach, deciding which level most closely describes the quality of the answer. Answers can display characteristics from more than one level, and where this happens markers must use the guidance below and their professional judgement to decide which level is most appropriate.

Placing a mark within a level

After a level has been decided on, the next stage is to decide on the mark within the level. The instructions below tell you how to reward responses within a level. However, where a level has specific guidance about how to place an answer within a level, always follow that guidance. Statements relating to the treatment of students who do not fully meet the requirements of the question are also shown in the indicative content section of each levels based mark scheme. These statements should be considered alongside the levels descriptors.

Markers should be prepared to use the full range of marks available in a level and not restrict marks to the middle. Markers should start at the middle of the level (or the upper-middle mark if there is an even number of marks) and then move the mark up or down to find the best mark. To do this, they should take into account how far the answer meets the requirements of the level:

- If it meets the requirements fully, markers should be prepared to award full marks within the level. The top mark in the level is used for answers that are as good as can realistically be expected within that level
- If it only barely meets the requirements of the level, markers should consider awarding marks at the bottom of the level. The bottom mark in the level is used for answers that are the weakest that can be expected within that level
- The middle marks of the level are used for answers that have a reasonable match to the descriptor. This might represent a balance between some characteristics of the level that are fully met and others that are only barely met.

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

International Advanced Subsidiary/Advanced Level
Unit 1: Marketing and people

Sample assessment material for first teaching
September 2018
Time: 2 hours

Paper Reference

WBS11/01

You must have:

Source Booklet (enclosed)

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 Sections A, B and C.
- 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.*
- 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

Read Extracts A and B in the Source Booklet before answering Question 1.

1 (a) Define the term 'market share'? (Extract A, line 4)

(2)

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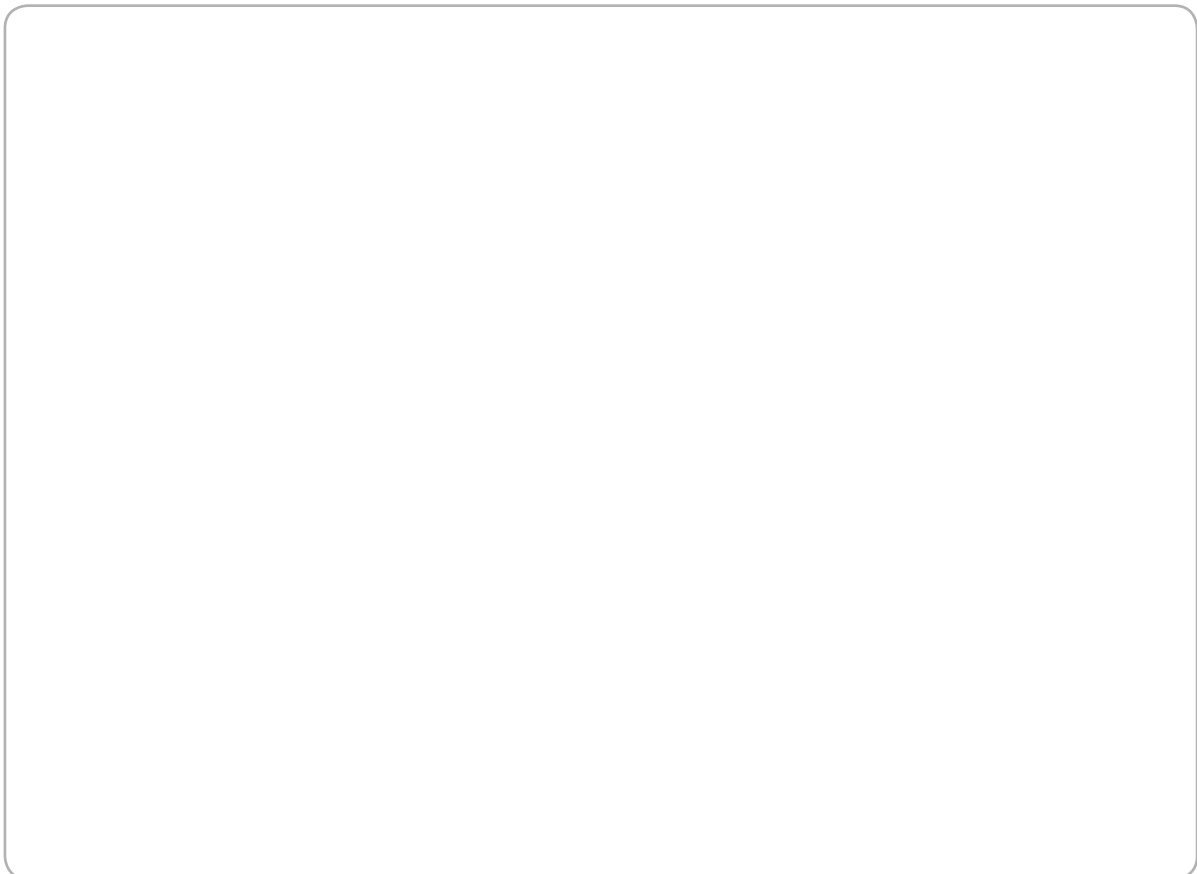
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(b) Construct a supply and demand diagram to show the market for traditional food stores following an increase in online food shopping.

(4)



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(d) Discuss the likely importance for *Tesco* of using different distribution channels.

(8)

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(e) Assess the likely impact of the increased use of price comparison websites on *Tesco's* marketing mix.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extracts C and D in the Source Booklet before answering Question 2.

2 (a) Define the term 'revenues'. (Extract D, line 10)

(2)

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The price elasticity of demand for LEGO City toy sets is estimated to be -2.0 .

(b) If *LEGO Group* reduces the price of its LEGO City toy sets by 25%, calculate the percentage change in sales. You are advised to show your working.

(4)

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(d) Discuss the benefits of branding for the *LEGO Group*.

(8)

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(e) Assess the likely importance of the product life cycle for the *LEGO Group*.

(10)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

Pearson Edexcel
International Advanced Level

Business

International Advanced Subsidiary/Advanced Level
Unit 1: Marketing and people

Sample assessment material for first teaching
September 2018
Source Booklet

Paper Reference

WBS11/01

Do not return this Source Booklet with the question paper.

Turn over ►

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Sources for use with Section A

Extract A - *Tesco* - who we are

Tesco was founded in 1919 with a single market stall in London. *Tesco* now operates in 11 countries with over 476,000 employees and has 6,902 stores around the world. Over 65% of sales and profits come from the UK, where we have the largest market share in the food retail market. We operate a decentralised structure with only six management levels between the Chief Executive Officer and a sales assistant. 5

We were the first to offer internet food shopping in 1997 where food is ordered online and delivered to the customer's home. We have grown to be the world's largest and most profitable online food retailer, with sales of well over £2bn. We have two other online distribution channels on offer to our customers: 10

- over 150 Grocery Drive-throughs, where customers can drive to a *Tesco* store and pick up their shopping without having to leave their car. This allows us to respond to high customer demand
- our popular Click & Collect service, where customers order food and non-food items online and then collect from a local store. 15

We are not just a supermarket – we offer our customers a range of products and services to meet their needs, from *Tesco* Bank to *Tesco* Mobile. We sell more than milk and eggs.

Extract B - *mySupermarket*

mySupermarket is a price comparison website that allows you to compare prices and shop online from the main UK retailers. Our aim is to help you save time and money while giving you the best possible online shopping experience. All you have to do is select your favourite supermarket - *Tesco*, *ASDA*, *Sainsbury's* or *Waitrose* and start shopping! 5

While you shop, we compare your shopping basket across all the supermarkets so we can suggest replacements to help you save even more money. We also help you find the best online deals, offers and vouchers. We are 100% independent from the supermarkets featured on our website. No supermarkets or manufacturers own any shares in *mySupermarket*. 10

Our pricing information is updated daily based on the prices in your local stores.

Sources for use with Section B

Extract C - LEGO history

The name LEGO is an abbreviation of the two Danish words 'leg godt', meaning 'play well'. It is our name and our ideal. The *LEGO Group* is a private limited company and was founded in 1932. It has changed a great deal over the past 80 years and is a global enterprise that is now the world's third-largest manufacturer of toys.

5

The LEGO brick is our most important product. This is why we are proud to have been twice named 'Toy of the Century'. Our products have had extensive development over the years – but the foundation is still the traditional LEGO brick. The brick, in its present form, was launched in 1958. The colourful interlocking bricks are unique, and offer unlimited building possibilities for children.

10

The LEGO brand is more than simply our familiar logo. It is the expectations that people have of the company towards its products and services, and the accountability that the *LEGO Group* feels towards the world around it. The brand acts as a guarantee of quality and originality – 'Only the best is good enough' has been our motto since 1932.

Extract D - Successful product launches and innovation secures strong result

A successful launch of LEGO Legends of Chima and strong performance from classic lines, such as LEGO City and LEGO Friends, contributed to a very satisfactory annual result for the *LEGO Group*.

Mads Nipper, Executive Vice President of the *LEGO Group*, said, 'LEGO Legends of Chima is a rich and engaging universe that children can explore in many ways. Not only by building and playing with LEGO sets, but also in the digital world using apps, exploring content on LEGO.com, via videos and online games. The theme is a great example of how we bridge physical and digital play for all age groups.'

5

In 2014, the first ever LEGO movie was launched. It has earned revenues of more than \$424m worldwide. A sequel is scheduled to be released in 2017.

10

Source for use with Section C

Extract E - Valuing Staff at Manchester United Football Club (MUFC)

At Manchester United, we know only too well that our employees are the key to our success. Without the many people who work behind the scenes, we simply could not be the best on the pitch, nor could we achieve the levels of success we have off the pitch. All strive for excellence on a daily basis and as an employer we aim to provide them with the best working environment possible to enable them to be the best that they can be in their work. 5

In 2016, as well as 74 footballers, MUFC had 725 permanent employees. These are:

- 426 administration
- 111 commercial 10
- 94 coaching and technical support
- 94 media.

The club also employed 2,323 people on a temporary basis for catering, security, ticketing, hospitality and marketing services during match days.

Reward 15

In 2003 we introduced a new Profit Share bonus scheme to all employees so they could share in MUFC's success. For example, in 2011, MUFC paid out £5m in bonuses paid to the 725 permanent employees, which equated to a 7.9% bonus on their annual salary in recognition of the club's success.

In 2004, MUFC introduced initiatives to identify and publicly recognise our key people including Employee of the Month, Employee of the Season and Team of the Season. Our Performance and Development Review process provides continual opportunities for training and career development. We promote a sense of well-being and good health by providing a staff restaurant, health checks, sporting events/classes and leisure vouchers. 20

Employee Benefits 25

Manchester United's benefits ensure our employees are supported, valued and encouraged to have a good work/life balance. MUFC's benefits include Life and Health Insurances, Contributory Pension Scheme, bonus schemes, car allowances, maternity/parental pay and leave, holidays, company sick pay, free parking and free lunches!

In addition we offer discounts at local gyms and a number of social and sporting activities that take place throughout the year, including the Staff Summer Party, which allows staff and their families to enjoy a fun packed day. 30

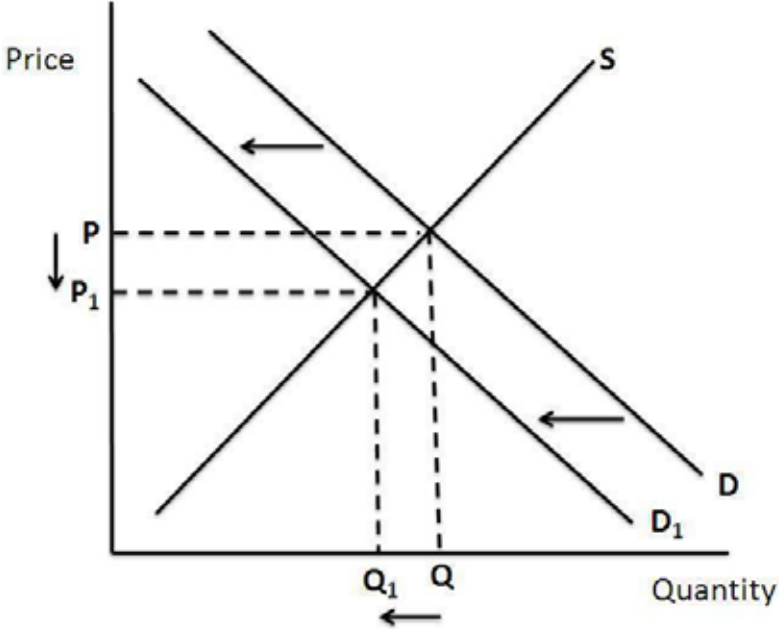
Acknowledgements

Figure 1 based on data taken from <http://www.indexmundi.com/Commodities/?commodity=coal-australian&months=60>; Extract A adapted from 'Physical coal prices surge to highest since start of 2014', by Henning Gloystein and Nina Chestney, Oct 4 2016, <http://www.reuters.com/article/us-coal-markets-idUSKCN1240C9>; Figure 2 based on data taken from: http://www.eia.gov/energyexplained/index.cfm?page=us_energy_home Extract B adapted from http://www.ucsusa.org/clean_energy/coalswind/c02c.html#.V_6xwSS2Ukw

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Unit 1 – Mark scheme

Question	Answer	Mark
1(a)	<p>Knowledge 2</p> <p>Up to 2 marks for defining the term 'market share', e.g.:</p> <ul style="list-style-type: none"> The percentage of an industry or market's total sales (1) that is earned by a particular company over a specified time period (1). 	(2)

Question	Answer	Mark
1(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS3: construct and interpret a range of standard graphical forms.</p> <p>Knowledge</p> <p>1 mark for correctly constructing a supply and demand diagram with correctly labelled axes as 'price' and 'quantity' (1).</p> <p>Application</p> <p>Up to 2 marks for:</p> <ul style="list-style-type: none"> Showing supply and demand curves with original equilibrium shown on quantity and price axes (1). Shifting the demand curve to the left (1). <p>Analysis</p> <p>1 mark for showing the new equilibrium has affected the quantity and price axes, reducing both (1).</p> 	(4)

Question	Answer	Mark
1(c)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining decentralised organisational structure, e.g.:</p> <ul style="list-style-type: none"> • An organisational structure where daily operations and decision- making responsibilities (1) are delegated down the organisation (1). <p>OR</p> <p>For stating up to two advantages, e.g.:</p> <ul style="list-style-type: none"> • Quicker decision making (1). • Improves staff motivation (1). <p>Application Up to 2 marks for answers contextualised to Tesco, e.g.:</p> <ul style="list-style-type: none"> • Communications pass through only six management levels from the CEO to the sales assistant (1). • Sales assistants are more likely to take an active role in the running of the store (1). <p>Analysis Up to 2 marks for reasons / causes / consequences for Tesco, e.g.:</p> <ul style="list-style-type: none"> • This speeds up decision making about what products to offer in each local store (1). • More empowered employees may result in better customer service in the long term (1). 	(6)

Question	Indicative content	
1(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Distribution channels are the ways in which to get finished products to customers. • Tesco has both physical and online retail outlets, as well as 'Click and Collect', which uses a combination of online and physical retailing. • These different distribution channels offer more ways for customers to buy Tesco products, increasing sales and profitability across a wider range of products/services. • These distribution channels are more convenient for shoppers and therefore this may lead to an increase in market share for Tesco. • Having a wide range of distribution methods may result in additional costs for Tesco, which will have to maintain the many different distribution channels, such as 'Drive Through', which may reduce overall profitability. • Many customers prefer to shop from a physical retail store rather than use online shopping distribution channels and may not have access to the internet to be able to shop on line. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question	Indicative content
1(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • The marketing mix is the way a business uses price, product, place and promotion to market and sell its products. • Price comparison websites compare the price of a particular product or service in different stores or from different companies. • Tesco will have to ensure that the pricing of its products is competitive in comparison to other supermarkets and retailers, and may have to adapt its marketing mix and become more price conscious. • Tesco may have to focus its promotion on its wide range of products and services as a way to gain a competitive advantage and not try to compete on price. • This may have a negative impact on sales / profits, as customers are able to use the internet to compare prices quickly and then select the cheapest place to shop, which may be one of Tesco’s rivals such as Asda. • If Tesco prices are competitive, these websites may lead to an increase in sales as consumers can see easily that they are the cheapest supermarket. • Tesco can use this in its promotional material to gain customers and to show how price competitive it is for branded goods offered by its rival supermarkets. • It may have no impact because there are many factors that affect demand for different supermarkets, as some customers are more influenced by the range of products / quality and ease of shopping rather than the overall price of their shopping. • Tesco may have to amend all or part of its marketing mix in order to take account of the price-comparison websites, depending on how many customers use them to compare prices.

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question	Answer	Mark
2(a)	<p>Knowledge 2</p> <p>Up to 2 marks for defining the term revenue, e.g.:</p> <ul style="list-style-type: none"> Total income earned by a business (1) from the sales of its products (1). 	(2)

Question	Answer	Mark
2(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed:</p> <p>QS2: calculate, use and understand percentages and percentage changes</p> <p>QS7: interpret values of price and income elasticity of demand.</p> <p>Knowledge</p> <p>1 mark for identifying the formula for PED:</p> <ul style="list-style-type: none"> % change in QD / % change in price (1). <p>Application</p> <p>Up to 2 marks for selecting the correct data:</p> <ul style="list-style-type: none"> -25% (1) × -2.0 (1). <p>Analysis</p> <p>1 mark for calculating the percentage change in sales:</p> <ul style="list-style-type: none"> 50% (1). <p>NB: All 4 marks for answers that give the correct answer (50%), regardless of working.</p>	(4)

Question	Answer	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge Up to 2 marks for defining design mix, e.g.:</p> <ul style="list-style-type: none"> • The way in which function, aesthetics and economic manufacture (1) are combined in the overall design (1). <p>OR</p> <p>For giving two reasons why it is important, e.g.:</p> <ul style="list-style-type: none"> • To make it attractive to potential customers (1); differentiation from competing products (1). <p>Application Up to 2 marks for answers contextualised to Lego, e.g.:</p> <ul style="list-style-type: none"> • Lego bricks are unique and come in a range of themes (1). • Children are influenced by the look and feel of the colourful bricks. (1). <p>Analysis Up to 2 marks for reasons / causes / consequences for Lego, e.g.:</p> <ul style="list-style-type: none"> • Lego toys are very different to other toys on the market, resulting in higher potential profits for Lego toys (1). • If the bricks look good, this will increase demand for Lego toys, resulting in higher sales (1). 	(6)

Question	Indicative content	
2(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Branding involves creating a name, symbol or design that identifies and differentiates a product from others. • Young children can be very influenced by branding, with the Legends of Chima and the Lego Movie appealing to a wide range of different age groups of children. • Lego can charge premium prices for differentiated products, such as Lego Legends products, resulting in higher profits for the business. • Branding can often result in customers of all ages being less price sensitive to the premium prices charged by Lego for its toy sets. • Branding can be very expensive to achieve because Lego will need to spend large amounts to maintain the brand image through advertising and promotional methods. • Some customers may be unwilling to pay the higher prices of the Lego toy sets and may prefer to buy cheaper unbranded toys. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

Question	Indicative content
2(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • The product life cycle describes the stages a product goes through from when it was first thought of until it is finally removed from the market. It consists of stages such as introduction, growth, maturity and decline. • The original Lego brick was launched in 1958 and is still in the maturity stage of the product life cycle. However, Lego has also launched new products such as Lego Chima and the Lego Movie. • Toys may have a short life cycle, so Lego will need to know when to launch new toys into the market and it may help Lego to forecast demand for its different ranges of toys. • Lego can have a range of toys at different stages of their life cycle in order to replace toys that have entered the decline stage of the life cycle. • It is difficult to foresee transitions in product life cycle stages since the key indicator is sales, which are always calculated with some time lag. • Slowing sales of toys do not necessarily mean the product has reached the decline phase and the resulting conclusion to retire the toy and divert resources may be wrong. • Not all toys go through every stage of the product life cycle and the success of a toy will depend on a number of external factors that might be difficult to control. • The product life cycle is very important for the Lego Group for some products and gives them guidance on when to launch a new toy into the market.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question	Indicative content
3	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <p>Financial</p> <ul style="list-style-type: none"> • Financial methods include piecework, commission, profit share, performance related pay. MUFC offers a profit-sharing bonus scheme, health insurance and car allowance for all levels of employees. • Financial methods such as profit sharing may encourage employees to remain at MUFC, as Taylor states that money motivates and employees will feel rewarded for their contribution to the overall profits of MUFC. • Some employees may prefer the incentive of financial rewards such as bonus payments or profit share, because there is a more direct link between how hard they work and the reward they will receive. • Financial rewards are important in order to attract the best footballers. MUFC is in a competitive market and in order to attract and retain the best footballers away from rivals such as Liverpool and Chelsea football clubs, they need to ensure that the members of the football team enjoy high levels of pay and financial benefits. <p>Non-financial</p> <ul style="list-style-type: none"> • Non-financial techniques include delegation, consultation, empowerment, flexible working, job enlargement, job enrichment, job rotation and team working. MUFC recognises employees through a performance development review and promotes wellbeing with fitness classes in the stadium (Extract E). • Non-financial techniques, such as a staff restaurant, may lead to a healthier workforce, which will then have lower absenteeism / labour turnover. • MUFC has a wide range of employees, from footballers in the football team to people off the pitch who work behind the scene. They may be motivated more by being allowed greater independence rather than through financial rewards. • According to Maslow, MUFC may achieve higher levels of motivation from the use of empowerment as this may fulfil the self-esteem needs of employees. This may result in benefits such as improved quality and productivity. However, Herzberg disagreed about the effectiveness of pay as a motivator and may not lead to the retention of employees. • Different employees will be motivated by different techniques – footballers may be motivated differently to employees working in the stadium. • MUFC would need to compare the effectiveness of financial and non-financial methods to see which was best in retaining employees. • There are many other things that affect motivation, such as leadership styles and organisational structure, which could impact on retention. • Ideally, MUFC should use a combination of both strategies and this may lead to effective employee motivation and retention at MUFC. Both techniques may result in less labour turnover for MUFC as employees feel valued and are rewarded for their hard work on and off the pitch.

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

**International Advanced Subsidiary/Advanced Level
Unit 2: Managing business activities**

Sample assessment material for first teaching
September 2018

Time: 2 hours

Paper Reference

WBS12/01

You must have:

Source Booklet (enclosed)

Total Marks

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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 Sections A, B and C.
- 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.*
- 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

Read Extracts A and B in the Source Booklet before answering Question 1.

1 (a) Define the term 'just-in-time (JIT)'? (Extract A, line #4)

(2)

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(b) Using the data in Extract B, calculate the 2016 current ratio for *Toyota* to two decimal places. You are advised to show your working.

(4)

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(c) Analyse **two** ways that the product recalls might have affected the amount of working capital held by *Toyota*.

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(d) Discuss the likely importance of short product lead-in times to *Toyota*.

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(e) Assess the likely effect of the product recalls on *Toyota's* future sales.

(10)

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(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS

SECTION B

Read Extracts C and D in the Source Booklet before answering Question 2.

2 (a) Define the term 'Gross profit' (Extract D)

(2)

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(b) Using the data in Extract D, calculate the profit for the year margin for *Origami Owl* in 2016 to two decimal places. You are advised to show your working.

(4)

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(c) Analyse **two** likely benefits to *Origami Owl* of using intellectual property rights legislation.

(6)

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(d) Discuss the advantages to Bella of using job production to make each Living Locket.

(8)

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(e) Assess the benefits for Bella of using her parents' \$350 as source of finance for her new business.

(10)

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(Total for Question 2 = 30 marks)

TOTAL FOR SECTION B = 30 MARKS

SECTION C

Read Extract E in the Source Booklet before answering Question 3.

Hummingbird Bakery could expand using retained profits or by franchising.

3 Evaluate which would be more suitable for the expansion of *Hummingbird Bakery*.

(20)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

Pearson Edexcel
International Advanced Level

Business

International Advanced Subsidiary/Advanced Level
Unit 2: Managing business activities

Sample assessment material for first teaching
September 2018
Source Booklet

Paper Reference
WBS12/01

Do not return this Source Booklet with the question paper.

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Sources for use with Section A

Extract A - To be lean, or not to be lean?

In the 1990s, *Toyota* became one of the world's largest automobile companies. It is well known for its advanced product design and manufacturing efficiency. The company benefited from lean production management such as just-in-time (JIT). One aspect of lean production management at *Toyota* is to use identical car parts across multiple models and brands. This helps to shorten product lead-in times and gets new cars to market quickly. However, a simple fault in one car part can cause major problems for the manufacturer. 5

In 2016, tens of thousands of *Toyota* cars were recalled in the UK for safety reasons, including fears that their airbags could inflate without warning. *Toyota* was also forced to recall 2.9 million vehicles worldwide, including 72,885 UK-registered Prius, Auris and Lexus models, over possible cracks in the fuel emissions control unit. 10

Toyota said that it expected to have additional costs of \$1.47bn for the year ending in March 2017 for 'quality-related expenses'. *Toyota* has previous experience of taking millions of vehicles off the road, having been forced into two product recalls in 2009 and 2010 affecting 9 million vehicles. The recalls followed a series of fatal crashes that occurred when *Toyota's* accelerator pedals got stuck. 15

Despite problems with recalls, *Toyota* is the world's largest car manufacturer.

Extract B - Selected information from *Toyota Plc's* Statement of Financial Position (2016)

Extracts	30 Sep 2016 (Yen in millions)
Current assets	15 653 139
Inventories	2 058 076
Total assets	43 776 105
Current liabilities	15 018 262
Non-current liabilities	11 315 579
Total liabilities	26 333 841

Sources for use with Section B

Extract C - How This American Teenager Turned Her Childhood Hobby into a Global Business

When Bella Weems was 14 years old, she wanted a car. Bella tried to raise the money by looking after young children but after a few months she had only raised \$350. As a result, her parents said they would give her an additional \$350 to help start her own business. Bella looked online for ideas and chose jewellery, particularly customisable lockets*. These are separate chains, lockets and charms** that Bella assembles to create pieces of jewellery that tell individual stories. They are often worn on a chain around the neck. She called the business *Origami Owl* and began selling her Living Lockets®. Bella's own Living Locket® holds a charm in honour of her grandmother, along with a sunflower charm and a cupcake charm. Origami Owl's collection also includes patented designs such as the Heart Locket.

To get the business started, Bella held jewellery parties at her house. She received positive feedback from people at her parties and they advertised her business by wearing the lockets. Bella and her mother set up a small shop in November 2011. They sold an estimated \$120 000 of jewellery in November and December. More importantly, her customers sent them around different parts of America as gifts. Soon Bella was receiving calls from people in different states across America wanting to buy more. Bella is planning to expand into Mexico and Europe and to create a wider range of jewellery collections.

*locket: a small metal case used as jewellery

**charm: a small ornament

Extract D - An extract from *Origami Owl's* Statement of Income for year ending 31 March 2016

Extracts	\$000s
Revenue	1 372
Cost of sales	(343)
Gross profit	1 029
Expenses	(617)
Profit (loss) for the year	412

Source for use with Section C

Extract E – *Hummingbird Bakery*

Tarek Malouf wanted to create a bakery unlike any other in the UK. With a focus on cake making rather than bread-baking, Tarek believed he had found a clear gap in the market. He opened his first *Hummingbird Bakery* as a private limited company in London in 2004, with one other director. Since then a further four branches have opened across London. 5

Tarek's vision for the bakery was to be American in flavour and style. This love of American baking is something that many UK and international customers share. Today the bakery sells an average of 22,000 cupcakes per week and has become a highly celebrated and recognisable high street brand.

One of the key factors in *Hummingbird Bakery's* success has been its belief that cakes taste best when they have been freshly baked, using the same ingredients and techniques as those used in home-baking. For this reason, every *Hummingbird Bakery* branch has its own kitchen and team of resident expert bakers and cake decorators. This enables them to bake to order and to offer its customers only cakes that have been freshly baked the very same day. 10
15

The *Hummingbird Bakery* is looking for growth through more locations in London and around the UK. Tarek states "I never intended to open hundreds of branches, which would diminish the value of my product. I prefer to grow organically and open each new branch with the profits of existing ones." However, Tarek has been approached by several people wanting to purchase a *Hummingbird Bakery* franchise. 20

Acknowledgements

Extract A adapted from 6BS02 Question Paper June 2012 and <https://www.theguardian.com/business/2016/jun/29/toyota-recalls-34000-uk-vehicles-defective-airbag-concerns>; Extract B adapted from http://www.toyota-global.com/pages/contents/investors/financial_result/2017/pdf/q2/summary.pdf; Extract C adapted from <http://www.entrepreneur.com/article/246000>; Extract D adapted WBS01 Question Paper October 2016; Extract E adapted from <https://hummingbirdbakery.com/our-bakeries/about-us/and> <http://www.startups.co.uk/hummingbird-bakery-tarek-malouf.html>

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Unit 2 – Mark scheme

Question	Answer	Mark
1(a)	<p>Knowledge 2</p> <p>Up to 2 marks for defining the term 'JIT', e.g.:</p> <ul style="list-style-type: none"> It involves holding no buffer inventory (1) with supplies arriving just before they are required by the business (1). 	(2)

Question	Answer	Mark
1(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed:</p> <p>QS1: calculate, use and understand ratios, averages and fractions.</p> <p>Knowledge</p> <p>1 mark for identifying the current ratio formula:</p> <ul style="list-style-type: none"> Current assets / current liabilities (1). <p>Application</p> <p>Up to 2 marks for selecting the correct data from Extract B:</p> <ul style="list-style-type: none"> Current ratio = 15 653 139 (1) / 15 018 262 (1). <p>Analysis</p> <p>1 mark for calculating the current ratio:</p> <ul style="list-style-type: none"> Current ratio = 1.04 (1) <p>NB: if no working is given but the answer given is 1.04 award 4 marks. If the answer given is 1.0 award 3 marks.</p>	(4)

Question	Answer	Mark
1(c)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge</p> <p>Up to 2 marks for defining working capital e.g.:</p> <ul style="list-style-type: none"> The cash available (1) for day-to-day operations of a business (1) <p>OR</p> <p>For giving 2 ways, e.g.:</p> <ul style="list-style-type: none"> Cost of the recall (1) Falling sales (1). <p>Application</p> <p>Up to 2 marks for answers contextualised to Toyota, e.g.:</p> <ul style="list-style-type: none"> Toyota will have additional costs of \$1.47bn from the product recall in 2017 (1). Customers may be reluctant to purchase a Toyota car because of product recalls (1). <p>Analysis</p> <p>Up to 2 marks for a reason/cause/consequence for Toyota, e.g.:</p> <ul style="list-style-type: none"> Toyota may struggle to pay off its short-term liabilities due to having less cash available (1). Toyota may find that they have unsold inventory which may tie up its working capital for longer (1). 	(6)

Question	Indicative content	
1(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Short product lead-in times are the length of time between the first emergence of the product concept/design and its launch into the market. • The car market is very a competitive market where there are lots of rival car manufacturers selling similar cars. • If Toyota is the first to launch a car on the market, then it can charge a premium price to reflect the innovative nature of the car. • It may help Toyota to respond to consumer trends more quickly and gain a competitive advantage by launching new car models faster to the marketplace compared to other car manufacturers. • If the product lead-in times are too short, mistakes can happen in the production process as the process is rushed. • Recent product recalls have been an example of a design fault, affecting a wide range of Toyota’s car models, which could have been caused by the product lead-in time being too short. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question	Indicative content	
1(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Product recalls are when a company calls back its products from consumers due to a fault or problem. • Sales of some of Toyota’s cars may decline, which may lead to a loss of revenue as some customers may consider them dangerous to drive. • Market share may decline due to a reduction in consumer confidence as their cars are considered less reliable than other models on the market. • There may be a negative impact on consumer confidence due to decreasing reputation/quality, which affects overall perception of the brand. • Because Toyota responded quickly to the faults, sales may not suffer significantly. • The impact on sales may be only short term because of strong brand loyalty, despite the problems it remains the world’s largest car manufacturer. • Toyota may not be the only car manufacturer that has experienced product recalls. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Answer	Mark
2(a)	<p>Knowledge 2</p> <p>Up to 2 marks for defining the term 'gross profit' e.g.:</p> <ul style="list-style-type: none"> total revenue (1) minus the cost of goods sold (1). 	(2)

Question	Answer	Mark
2(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed:</p> <p>QS1: calculate, use and understand ratios, averages and fractions</p> <p>QS2: calculate, use and understand percentages and percentage changes.</p> <p>Knowledge</p> <p>1 mark for identifying the formula for profit for the year margin:</p> <ul style="list-style-type: none"> Profit for the Year / Revenue × 100 (1). <p>Application</p> <p>Up to 2 marks for selecting the correct data from Extract D:</p> <ul style="list-style-type: none"> 412 (1) / 1372 (1) × 100 <p>Analysis</p> <p>1 mark for calculating the profit for the year margin:</p> <ul style="list-style-type: none"> = 30.03% to 2 decimal places (1). <p>NB: All 4 marks for answers that give the correct answer (30.03), regardless of working. If the answer given is 30%, award 3 marks. If the answer given is 30, award 2 marks.</p>	(4)

Question	Answer	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge</p> <p>Up to 2 marks for defining intellectual property rights legislation, e.g.:</p> <ul style="list-style-type: none"> A form of legal protection (1) that includes patents / copyrights / trademarks (1). <p>OR</p> <p>For giving two benefits, e.g.:</p> <ul style="list-style-type: none"> To stop competitors copying products (1). To protect a brand name (1). <p>Application</p> <p>Up to 2 marks for answers contextualised to Origami Owl, e.g.:</p> <ul style="list-style-type: none"> Bella has registered the name 'Living Locket' (1). Bella has a patent for heart-shaped lockets (1). <p>Analysis</p> <p>Up to 2 marks are available for reasons/causes/consequences for Origami Owl, e.g.:</p> <ul style="list-style-type: none"> It will protect Origami Owl's brand name and may create brand loyalty (1). These heart-shaped lockets can be bought only from Origami Owl, giving Bella a competitive advantage (1). 	(6)

Question	Answer	
2(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Job production involves a business producing items that meet the specific requirements of the customer. • With job production, Bella handles the complete task of assembling each Living Locket so she can ensure that quality is maintained for each necklace. • Each Living Locket is unique and personalised to each customer so it would be unsuitable for batch or flow production methods, which involve making more standardised products and in greater volumes. • Job production’s main advantage is that it is a highly specialised or customised good, which means Bella can charge a premium price for the Living Lockets. • This method is suitable for small-scale businesses involving little or no technology so this is ideal for Bella’s type of product as she is a very small start-up business using very little machinery. • The cost of producing each Living Locket will be higher as each one has to be made individually. • It will be very labour intensive for Bella to make each Living Locket, which will add to the time taken to fulfil each order and limit the maximum number of orders she can fulfil. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

Question	Indicative content	
2(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> Given Bella’s age (14), she would have been unlikely to have secured a commercial loan from a bank. It was suitable because only a small amount (\$350) was required, which her parents could easily provide. Bella’s parents are unlikely to demand the money back as they wanted to help their daughter. <p>It is very unlikely that Bella’s parents will charge interest on the \$350, which will help Bella get the business established.</p> <ul style="list-style-type: none"> Bella will be restricted to how quickly she can expand the business due to the small amount of finance she has in total (\$700). If things go wrong, involving family and friends may result in disputes, interference and breakdown of relationships. For such a small business start-up, using money from family and friends is a suitable source of finance and Bella could consider other sources once she is established and has a proven track record. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–7	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	8–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Answer
3	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <p>Retained profits</p> <ul style="list-style-type: none"> • Tarek can grow organically by using retained profits from his existing Hummingbird Bakeries to reinvest into new outlets both in the UK and in new overseas markets. • This would give Tarek complete control of the business and he would retain complete ownership of each Bakery, ensuring that each one is run exactly how he wants. • If he expanded organically, Tarek would keep all the profits from the new outlets. • However, organic growth can be a much slower method of expansion as it relies on reinvestment from retained profits. • Tarek may have a limited amount of retained profits and this may restrict the speed and number of outlets he can open. • There is an opportunity cost from using retained profits to grow organically and if Tarek wants to expand quickly, then he may need to use external finance to supplement his retained profits. <p>Franchising</p> <ul style="list-style-type: none"> • Franchising is a method of business ownership that involves a business selling the rights to another business to operate under its name and use its products. • Franchising may allow the Hummingbird Bakery to expand quickly without the risk of debt or the cost of equity, since the franchisee provides all the capital required to open and operate a the new bakery, allowing the Hummingbird Bakery to grow using the resources of others. • Franchising will allow Tarek to reduce the risk of expansion as the franchisee has all the responsibility for the investment in the franchise operation, paying for any building, purchasing any inventory, hiring any employees and taking responsibility for any working capital needed to establish the business. • However, Tarek will not keep all the profits as he will be entitled to only a percentage of overall profits made by new bakeries. • He will lose some control of the day-to-day operations of the bakery and will need to ensure that proper training is provided in order to maintain the image and USP of the Hummingbird Bakery. • Tarek has already been approached by several people wanting to use this method of ownership, which indicates that this may be a quicker and more effective way to expand the Hummingbird Bakery in new markets as demand is already there for this type of business ownership. • If Tarek wants to retain full control of the Hummingbird Bakery, organic growth would be the best form of business ownership: he will get to keep all profits from the new Bakeries as well as ensure that the Hummingbird Bakery keeps to its original business model.

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

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Advanced Level**

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Business

International Advanced Level

Unit 3: Business decisions and strategy

Sample assessment material for first teaching
September 2018

Time: 2 hours

Paper Reference

WBS13/01

You must have:

Source booklet

Total Marks

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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 Sections A, B and C.
- 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.*
- 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

Read Extracts A, B, C and D in the Source Booklet before answering Question 1.

- 1** (a) Using the information in Extract C, calculate the acid test ratio to two decimal places for *Mondelēz*. You are advised to show your working. (4)

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- (b) Explain **one** reason why emerging markets may have been important to *Kraft*. (Extract A) (4)

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(c) Discuss how useful a SWOT analysis might be to a business such as *Kraft* when considering a takeover.

(8)

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(d) Assess the benefits of inorganic growth for a business such as *Mondelēz*.

(12)

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(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

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International Advanced Level

Business

International Advanced Level

Unit 3: Business decisions and strategy

Sample assessment materials for first teaching
September 2018
Source Booklet

Paper Reference

WBS13/01

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Sources for use with Section A

Extract A - Kraft's takeover of Cadbury

In 2009, US food company *Kraft Food Inc (Kraft)* made a takeover bid for *Cadbury*, the UK chocolate maker. *Cadbury* was the last acquisition that enabled *Kraft* to be restructured and split into two companies: a grocery business worth \$16bn; and a global snacks business worth \$32bn. *Kraft* needed *Cadbury* to add to its product range, especially in emerging markets such as India. 5

Kraft is a typical multinational corporation, which has its origins in manufacturing processed cheese in the US. Its growth is the result of decades of profit-driven mergers and demergers. Until 2001 it was part of the tobacco and consumer goods conglomerate Philip Morris. 10

Extract B - Kraft divides

In 2012 *Kraft* divided into two separate major public companies: a high-growth global snacks business; *Mondelēz International (Mondelēz)* and a profitable North American grocery business: *Kraft Foods Group*.

Mondelēz has an annual revenue of about \$30bn and operates in approximately 165 countries. Its portfolio contains many well-known brand names, including nine that are each worth over a billion dollars: Cadbury, Cadbury Dairy Milk and Milka chocolate, Jacobs coffee, LU, Nabisco and Oreo biscuits, Tang powdered beverages and Trident gum. 5

Extract C - Selected figures from *Mondelēz* statement of financial position, 31 Dec 2015

	\$US millions
Cash	1 870
Trade receivables	3 846
Inventory	2 609
Current assets	8 325
Current liabilities	10 922

Extract D - Risk Factors affecting *Mondelēz*

The following risks could adversely affect our business. While we have identified the risks below, there may be additional risks that we have not considered:

- we operate in a highly competitive industry
- we are subject to risks from operating globally 5
- our operations in certain emerging markets expose us to political, economic and regulatory risks
- we are subject to currency exchange rate fluctuations
- commodity and other input prices are liable to sudden change
- our intellectual property rights are valuable, and our failure to protect them could reduce the value of our products and brands. 10

Source for use with Section B

Extract E - BP shareholder revolt

At the annual general meeting (AGM) of *British Petroleum (BP)* in 2016, almost 60% of shareholders voted against a £14m pay package for Bob Dudley, the chief executive. This followed a year in which *BP* reported record losses, cut thousands of jobs and did not give any pay increases to its employees.

5

The results of the vote do not have to be accepted by *BP's* board of directors. This followed criticism from shareholders, who accused executives of not understanding ordinary people.

The huge payout in cash, shares and pension contributions to Dudley and other board members came during a year when the company ran up its largest ever losses of \$6.5bn. These losses were due to a collapse in oil prices and huge fines for the Deepwater Horizon accident and oil spill in 2011.

10

Many small shareholders came to the AGM to criticise the *BP* board for rewarding themselves so inappropriately – as well as to ask why it was continuing to invest heavily in fossil fuels after promising to take climate change into account in all its operations.

15

Ann Dowling, the chair of *BP's* remuneration committee, attempted to answer the criticism. She defended the pay levels of *BP's* senior board, saying it was 'somewhere in the middle' of what other companies of a similar nature paid. "We have to reward people appropriately to attract the talented employees who are important for the future success of the company," she said.

20

Sources for use with Section C

Extract F - Clothes designer Paul Smith makes big changes to his troubled fashion empire

Sir Paul Smith has launched a re-organisation of his fashion empire after annual profits fell significantly in what is the group's worst performance in its 40-year history.

The designer, who controls one of Britain's most famous privately owned fashion groups, said drastic action needed to be taken. He has spent the past year reducing its clothing ranges, shutting two outlets, and making a few managers redundant. 5

Sales fell as it suffered fierce competition from rivals and the largest part of the business, the wholesale operation, had sales reduced by 11.3% from £107m to £95m. This was because of problems at small independent clothing stores that stocked the Paul Smith brand in Italy and other European countries. Many of these went into administration as shoppers flocked to large department stores. 10

This in turn hit profit margins as the bigger department stores were able to negotiate better terms from Paul Smith, whereas the smaller independents had less bargaining power.

Extract G - Paul Smith Ltd - statement of comprehensive income for the year ending 30 June 2015

	2015	2014
	£'000	£'000
Revenue	171 418	187 854
Cost of sales	(75 112)	(84 342)
Gross profit	96 306	103 512
Other operating expenses	(95 327)	(86 786)
Operating profit	979	16 726
Investment revenues/finance income	330 (300)	306 (296)
Finance costs		
Profit on ordinary activities before taxation	1 009	16 736
Tax on profit	(2 831)	(4 733)
(Loss)/Profit for the financial year	(1 822)	12 003

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Acknowledgements

Extract A adapted from <http://www.ft.com/cms/s/0/1cb06d30-332f-11e1-a51e-00144feabdc0.html#axzz2emhQhCx9>;
Extract B adapted from <http://ir.Mondelezinternational.com/releasedetail.cfm?ReleaseID=734959>; **Extracts C and D** adapted from <http://www.mondelezinternational.com/Investors/Investing-in-Ur/Annual-Reports>; **Extract E** adapted from <https://www.theguardian.com/business/2016/apr/14/bp-pledge-shareholder-anger-ceo-bob-dudleypay-deal>; **Extract F** adapted from <http://www.thisismoney.co.uk/money/news/article-3356546/Designer-Paul-Smith-shakes-battered-fashion-empire-saying-firm-needed-kick-backside-latest-figures-pre-tax-profits-down.html>; **Extract G** adapted from Paul Smith Limited Annual report and accounts for the year ended

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Question	Indicative content	
1(c)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • SWOT is an analytical tool that can help managers with complex decisions. • SWOT looks at the Strengths, Weaknesses, Opportunities and Threats from a given situation. • By doing so, it is possible to build up a picture of the relative advantages and disadvantages of a particular decision. • Cadbury had the strength of well-known brand names and a significant presence in overseas markets. It also gave Kraft the opportunity to expand enough to split into two parts. • If the possible strengths and opportunities outweigh the possible weaknesses and threats, then the decision to go ahead with the takeover may well be taken. • However, SWOT is a basic analysis and many other factors will have been considered, such as PESTLE. • Financial considerations will also be important. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors.

Question	Indicative content	
1(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Inorganic growth is the expansion of a business by takeovers and mergers. • Extract A shows that Kraft has been involved with many takeovers and mergers, including Cadbury. • Inorganic growth is a rapid means of expansion. This can be important in expanding or dynamic markets. • By taking over Cadbury, Kraft instantly had access to the supply and distribution networks in Cadbury’s overseas markets. This saves Kraft time and costs in setting up its own. • Inorganic growth reduces the competition and can acquire valuable brand names and patents. The brands of Cadbury and Cadbury Dairy Milk are among Kraft / Mondelez’s billion-dollar brands. • Inorganic growth has led to a turnover of \$30bn and presence in 39 countries and has clearly benefited Kraft. However, inorganic growth is thought to lead to improvements in only 50% of all mergers and takeovers. • There may well be clashes of corporate culture. And even the best planned of takeovers and mergers may be fraught with problems in the short term. • Extract A states that Kraft has been involved in many demergers. These tend to mean that inorganic growth has not proved to be successful. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.

Question	Indicative content	
1(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> Contingency planning anticipates risks before they happen and formulates a plan of action to cope with the risks. If problems do occur, then Mondelez is ready to implement the plan and can save time and possibly expense – recovery to normal working will be quicker. Mondelez faces a range of possible risks, as outlined in Extract D. For example, a competitor may suddenly cut prices or bring out a better product. Mondelez depends on commodities such as sugar and cocoa for many of its snack products, prices can be volatile and subject to unexpected events such as poor harvests. Mondelez needs to make sure that it is planning for the risks that are most likely to happen in practice and should weigh up the probabilities of each unwanted event actually happening. Plans need to be regularly tested and updated. This takes time and money. Contingency planning cannot cover every eventuality. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question	Indicative content
2	<p data-bbox="368 237 794 271">Indicative content guidance</p> <p data-bbox="368 277 1465 405">Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p data-bbox="368 432 1358 465">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="368 472 1445 1328" style="list-style-type: none"> <li data-bbox="368 472 1445 566">• Shareholders are the owners of a company. Their interests may conflict with other stakeholder groups such as employees and, in this case, the board of directors/senior executives. <li data-bbox="368 573 1445 640">• Shareholders are looking for a return on their investment in the form of dividends and an increase in share value. This means an increase in profits. <li data-bbox="368 647 1445 714">• Profits and returns to shareholders are likely to be reduced by excessive pay rises for the directors. <li data-bbox="368 721 1445 815">• BP reported record losses of \$6.5bn as well as having to pay huge fines for the Deepwater Horizon disaster so shareholders were angry at the size of the award and the message it sends. <li data-bbox="368 822 1445 889">• Shareholders may be concerned over the demotivating impact on the employees who have not had a pay increase. <li data-bbox="368 896 1445 963">• However, Anne Dowling claims that such a pay award is comparable to other businesses. <li data-bbox="368 969 1445 1064">• If top executives feel they are not valued or properly rewarded, they may leave the company and go elsewhere. In such a case it may be hard to find a suitable replacement. <li data-bbox="368 1070 1445 1137">• The losses were caused by a collapse in oil prices, which are notoriously variable. Future years may see the opposite happen and profits increase. <li data-bbox="368 1144 1445 1211">• This particular year may be a one-off, perhaps action should be taken against the directors only if the next year is of a similar nature. <li data-bbox="368 1218 1445 1252">• Not awarding the pay package may act as a disincentive. <li data-bbox="368 1258 1445 1326">• 40% of the shareholders did not vote against the pay award and so may actually have been in favour of it.

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

Question	Indicative content
3	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative skills assessed</p> <p>QS1: calculate, use and understand ratios, averages and fractions</p> <p>QS2: calculate, use and understand percentages and percentage changes</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical forms.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • The financial position has worsened – revenue has declined by 8.75%. This is cause for concern and there may be several causes for this. • If it is caused by a change in consumer tastes, Paul Smith Ltd might want to examine its product range and replace or update some of its designs. • Profit on ordinary activities before taxation has dropped from £16 736 000 to £1 009 000. • Profit for the financial year has declined from £12 003 000 to a loss of £1 822 000. • Gross profit margin has increased slightly from 55.1% to 56.2%. • Operating profit has declined from 8.9% to 0.57%. • This decline in operating profit would indicate that other operating expenses or overheads have increased. In fact, they have increased by 9.8%. This would indicate that Paul Smith Ltd should concentrate on this area. • It may be that overheads were increasing because of inefficiencies, Extract F shows that Paul Smith Ltd has tackled this by closing some outlets and cutting back on management. • Paul Smith Ltd is a premium retailer and it may be able to increase prices to restore profitability without losing too many sales. • It would be useful to have access to historical data to look at the long-term development/trends of Paul Smith Ltd. • It would be useful to compare these figures with other rivals, such as Ted Baker, to see if they have had similar problems or not. • It would be difficult to conduct any deeper analysis of the reason behind the changes in figures without drawing on additional information about the operation of the business. • Given the power of the big department stores, there may be little that Paul Smith can do.

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

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Other names

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Candidate Number

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Business

International Advanced Level

Unit 4: Global business

Sample assessment material for first teaching
September 2018

Time: 2 hours

Paper Reference

WBS14/01

You must have:

Source booklet

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 Sections A, B and C.
- 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.*
- 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

Read Extracts A, B and C in the Source Booklet before answering Question 1.

Extract C shows that ethanol imports into the EU are decreasing.

- 1** (a) Construct a suitable diagram to show the likely effect of decreasing imports on ethanol prices.

(4)



- (b) Explain **one** possible reason why American steel businesses might support the government's plan to increase tariffs on Chinese steel imports.

(4)

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Starbucks intends to increase the number of its stores in China.

(c) Discuss the benefits to *Starbucks* of this decision.

(8)

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(d) Assess the likely impact on *Apple* if it reduces production in China and manufactures more iPhones in the USA.

(12)

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Brazil is increasing its specialisation in the production of sugarcane. (Extract B)

(e) Assess the impact of increasing specialisation on a company such as *Cosan*.

(12)

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(Total for Question 1 = 40 marks)

TOTAL FOR SECTION A = 40 MARKS

SECTION B

Read Extract D in the Source Booklet before answering Question 2.

Bettys could use its profits to plant more trees or invest in further expansion in the UK.

2 Evaluate which is the best option for *Bettys* stakeholders.

(20)

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(Total for Question 2 = 20 marks)

(TOTAL FOR SECTION B = 20 MARKS)

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(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 80 MARKS

Pearson Edexcel
International Advanced Level

Business

International Advanced Level
Unit 4: Global business

Sample assessment material for first teaching
September 2018
Source Booklet

Paper Reference
WBS14/01

Do not return this Source Booklet with the question paper.

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Sources for use with Section A

Extract A - *Apple, GM, Boeing* are China's Top Hostages in a Trump Trade War

The new Trump administration has called China "the most protectionist country" among major US trading partners. In January 2017 it announced plans to increase tariffs on Chinese steel and aluminium industries that sell their products in the US at artificially low prices. 5

China, has already warned that it could retaliate and target *Apple, Boeing* and *Starbucks* if the US increases tariffs on imports from China.

Deteriorating trade relations with China would also risk future growth plans. *Starbucks*, for example, now has about 2,400 stores in China but plans on having 5,000 by 2021. *Boeing* says China needs 6,840 airplanes valued at \$1 trillion by 2035. 10

No American company has more at stake in China than *Apple*, which accounted for \$46.4bn in sales in its latest financial year, or 22% of total revenue. And China is where most of its iPhones are assembled.

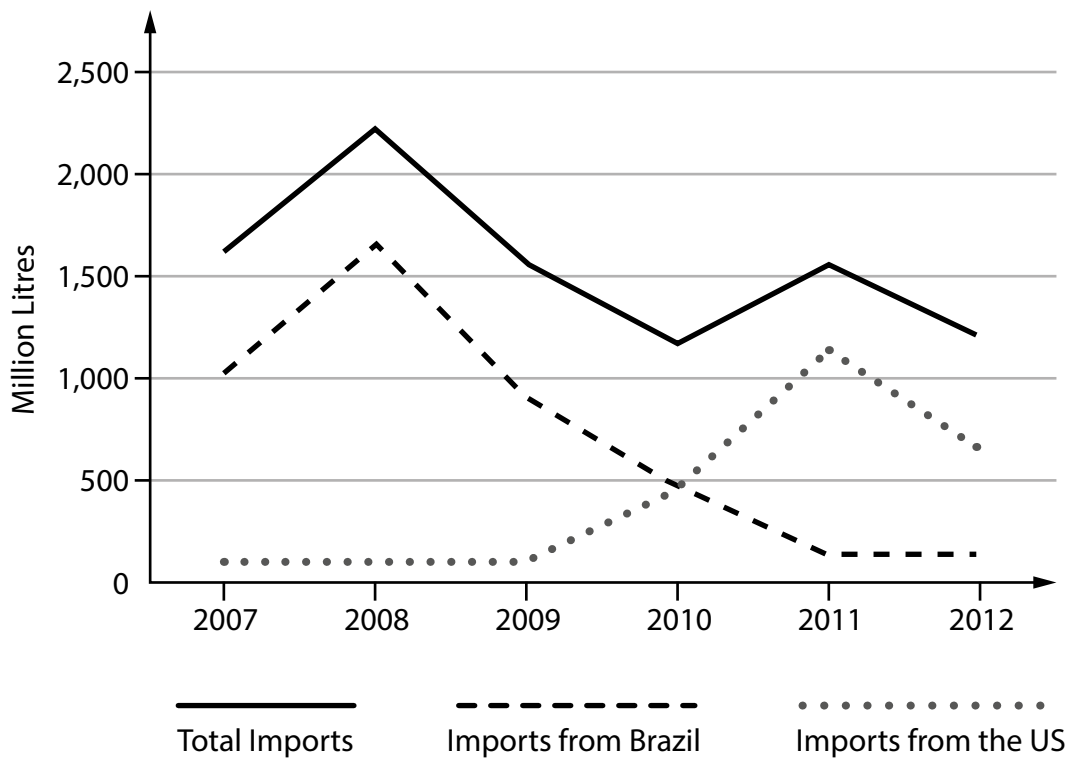
Trip Chowdhry is one of the few analysts who thinks Trump will persuade *Apple* to significantly increase iPhone production in the US for the domestic market. "Companies which support the idea of 'America First, Made in the USA by USA workers' will outperform the rest," Chowdhry wrote. Yet Chowdhry also recognises that domestic production would increase costs and probably lower profit margins. 15

Extract B - Sugarcane, ethanol and Brazil

Brazil is the world's biggest producer of sugar. The Brazilian sugarcane industry is expanding at approximately 10% annually and represents an increasingly important segment of the Brazilian economy.

- Sugarcane is used to produce ethanol. 5
- Brazil is the world's largest sugarcane ethanol producer and a pioneer in using ethanol as a motor fuel.
- In 2012/13, Brazilian ethanol production reached 23.2bn litres
- In 2012, the sugarcane sector contributed \$36bn to Brazil's gross domestic product (GDP) and employs 1.1 million workers 10
- Including all the various suppliers and stakeholders who depend on it, the entire Brazilian sugarcane industry generates gross revenues of more than \$86bn annually.
- *Cosan* is one of Brazil's largest businesses and is also the largest sugar company, with branches in sugar production and ethanol production.
- *Cosan* also operates fuel, logistics services, lubricants, and piped natural gas businesses. 15
- *Cosan* operates a network of approximately 5,356 *Shell* petrol stations and 944 convenience stores.

Extract C – European Union (EU) total ethanol imports



Source for use with Section B

Extract D - The UK family business that loves trees

Bettys & Taylors of Harrogate (Bettys) is a UK tea and coffee company. It has six cafes, a bakery, a cookery school, an online shop and is one of the UK's most respected tea and coffee merchants. It is the third best-selling brand of tea in the UK, and one of the UK's leading ground coffee suppliers.

5

Now a fourth-generation family business, we are committed to being a responsible business that cares about and shares its success with stakeholders. Being a family business, it is no surprise that we think of our business as a legacy to be handed down to future generations of stakeholders.

We have been planting and protecting trees since 1990. With the help of our customers, we have planted 3 million trees worldwide and helped to protect 237,000 hectares of Amazonian rainforest in Peru.

10

In 2009 we launched an ambitious project to help save an area of rainforest the size of Yorkshire – that is 1.5 million hectares of forest.

Our other projects have helped to prevent soil erosion and flooding. These projects have improved livelihoods and increased incomes. They have even helped communities to regain knowledge about the ecological and traditional values of their native species.

15

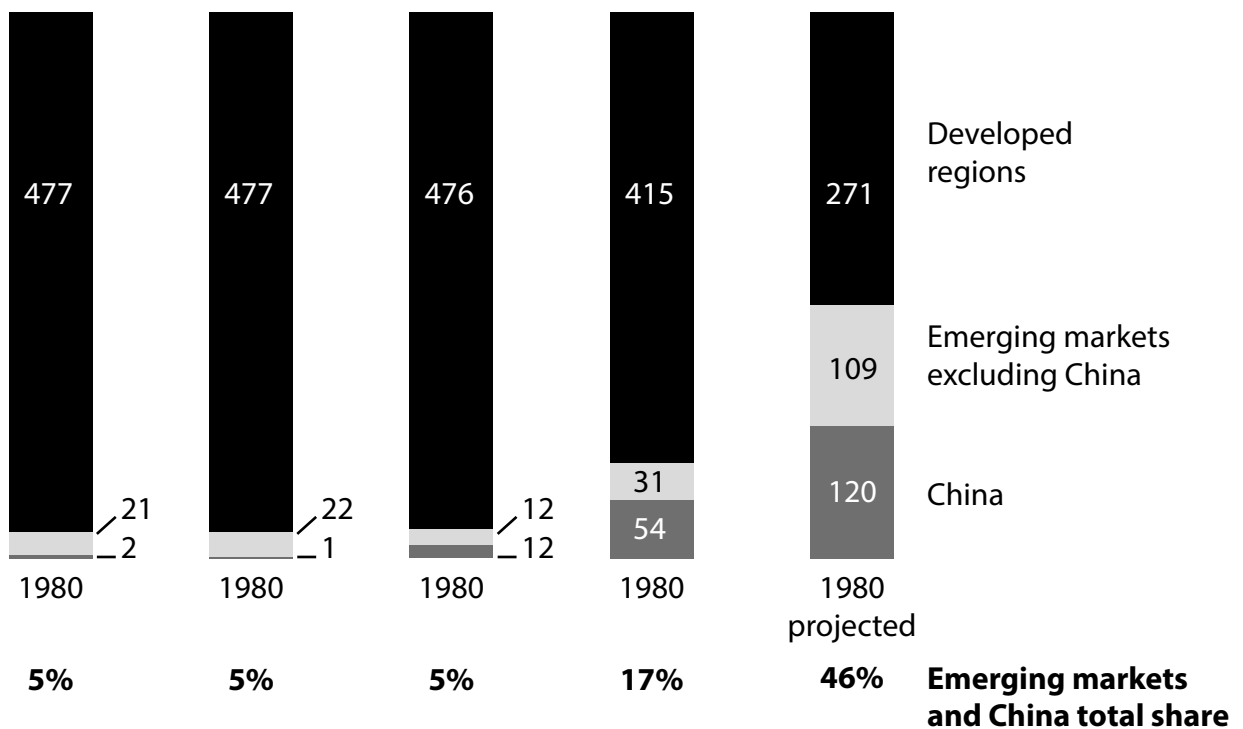
Sources for use with Section C

Extract E – the shifting global business landscape

In 2010 there were some 8,000 distinct large companies worldwide with annual revenues of \$1bn or more, and three out of four were based in developed economies. It is expected that an additional 7,000 companies will grow to this size by 2025 – and seven out of ten of these new entrants are likely to be based in emerging economies. 5

By 2025, emerging economies are expected to be home to 229 companies in the Fortune Global 500 (the world's biggest 500 companies), up from 24 in 2010.

Location of the top 500 companies 1980–2025



Extract F – Adidas may shift some production from Asia in quest for speed

Adidas has said it was testing automated production units that might allow it to shift manufacturing from Asia closer to its consumers. "We are considering bringing production back to where the main markets are," said Chief Executive Herbert Hainer, adding that the current six weeks it took to ship from Asia to Europe was too long. Such a move would allow *Adidas* to react more quickly to fast changing trends – like floral prints this spring – as it seeks to challenge market leader *Nike* as well as fashion retailers like *H&M* which are moving into sportswear.

Adidas said it wanted to extend innovations pioneered by its NEO teen fashion brand which gets products into store in 45 days, compared with a sports industry standard of 12–18 months. It said it was working on innovations in robotics and machines which can 'knit' sports shoes rather than having them sewn by hand, which could allow it to move production away from China, Cambodia, Laos and Vietnam.

Adidas used to only sell its products wholesale. It then opened its first retail outlets in 2005. *Adidas* now plans to open another 500–600 retail stores by 2020, which it hopes will account for more than 60% of sales, up from about 50% in 2014.

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Acknowledgements

Extract A adapted from <http://www.investors.com/news/these-companies-are-pawns-in-trump-china-trade-spat/>;
Extracts B and C adapted from: <http://sugarcane.org>; **Extract D** adapted from <http://treesforlife.co.uk/> and
<https://www.bettys.co.uk/about-us>; **Extract E** adapted from adapted from http://www.mckinsey.com/insights/urbanization/urban_world_the_shifting_global_business_landscape?cid=other-eml-nsl-mip-mck-oth-1310;
Extract F adapted from <http://www.reuters.com/article/2015/03/26/us-adidas-strategy-idUSKBN0MM0KQ20150326>

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Unit 4 – Mark scheme

Question	Answer	Mark
1 (a)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS3: construct and interpret a range of standard graphical forms.</p> <p>Knowledge 1 mark for correctly constructing a supply and demand diagram with correctly labelled axes as 'price' and 'quantity' (1).</p> <p>Application Up to 2 marks for:</p> <ul style="list-style-type: none"> • Showing supply and demand curves with original equilibrium shown on quantity and price axes (1). • Shifting the demand curve to the left (1). <p>Analysis 1 mark for showing effect on price, e.g.:</p> <ul style="list-style-type: none"> • New price level clearly indicated such as P2 (1). 	(4)

Question	Answer	Mark
1(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge 1 mark for identifying a reason, e.g.:</p> <ul style="list-style-type: none"> • To reduce competition (1). <p>Application Up to 2 marks for contextualised answers, e.g.:</p> <ul style="list-style-type: none"> • China is selling steel at artificially low prices (1). • US steel manufacturers may not be able to match these prices (1). <p>Analysis 1 mark for developing the reason, e.g.:</p> <ul style="list-style-type: none"> • By imposing the tariff, the price of Chinese steel increases and customers are more likely to buy US steel instead (1). 	(4)

Question	Indicative content	
1(c)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • China is still a rapidly growing economy. • Consumers have rising incomes and are more likely to consume products from Starbucks. • More outlets means the possibility of economies of scale. • Starbucks already has a considerable presence in China, with existing supply chains. • However, Starbucks is not the only food and drinks chain keen to expand in China and competition may be fierce, making the venture less certain/profitable. • China’s threat of trade retaliation may make the plans more risky. • There may be other markets to expand into with fewer complications. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question	Indicative content	
1(d)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • China has a reputation as a low cost manufacturing base. Most of its iPhones are assembled there to take advantage of its cheaper costs. • Labour in the US will be more expensive and increase the costs of production. This will reduce the profitability of iPhones. • Apple already has production facilities and supply networks in China. Replicating these in the US could be costly. • However, wages in China are rising and many other businesses are re-shoring again. • Future trade relationships may be risky. • Some analysts think that a US made iPhone will have a competitive advantage. • Increasing the price to cover increased costs may be possible as Apple products tend to be price inelastic. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors, leading to a supported judgement.

Question	Indicative content
1(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative skills assessed</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical forms.</p> <p>Knowledge, Application, Analysis, Evaluation- indicative content</p> <ul style="list-style-type: none"> • Specialisation means economies or businesses concentrate their resources in the areas that they do best, excess output is then traded. • Brazil specialises in many commodities such as sugar, iron ore, soya and beef. • Specialisation leads to increased productivity and output, economies of scale may be gained as more resources are devoted to specialisation rather than spread out over many areas. • Large numbers of people are employed by the production of commodities, GDP rises and leads to economic growth, which benefits Brazilian companies. • Cosan has gained a competitive advantage from this and has diversified into related fields such as fuel, logistics services, lubricants and piped natural gas businesses. • Cosan has access to a large number of people (1.1 million) and resources within the sugarcane industry. • However, specialisation can lead to over reliance on just one area, if anything happens to this area Cosan could suffer. • Should demand fall for sugar because of, for example, health concerns over too much sugar in the diet, there is likely to be a significant impact on Cosan as risk is not sufficiently spread. • Fluctuating prices can be a problem for commodities that Brazil specialises in, such as sugarcane, and growth can decrease if prices suddenly fall. This makes it harder for Cosan to plan its future and can make it uncertain and risky. • Evidence C shows a marked fall in imports of ethanol by the EU, one of Cosan's main areas of specialisation. • Cosan's size and pattern of diversification will reduce any potential negative impacts from specialisation and may be of benefit.

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

Question	Indicative content
2	<p data-bbox="371 237 794 271">Indicative content guidance</p> <p data-bbox="371 277 1465 405">Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p data-bbox="371 412 1361 445">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="371 461 1433 1234" style="list-style-type: none"> <li data-bbox="371 461 1433 555">• Stakeholders are any individual or group with an interest in the actions of a business. The aims of different stakeholders may be different, causing conflict between them. <li data-bbox="371 566 1390 600">• Bettys has already planted 3 million trees and helped local communities. <li data-bbox="371 611 1425 734">• If it decides to plant more trees, it is likely that doing so will increase its costs as these programmes need to be paid for. This may therefore reduce profitability, particularly if prices are increased to absorb the extra costs, which may cause demand to fall. <li data-bbox="371 745 1398 840">• However, customers may be happy to buy products from Bettys knowing that they are supporting worthy schemes and happy to pay the premium price. Continuing this strategy may therefore be worthwhile. <li data-bbox="371 851 1433 913">• Expansion in the UK will also require investment, which will have an impact on profitability. <li data-bbox="371 925 1129 958">• Bettys has a good reputation and could build on that. <li data-bbox="371 969 1366 1032">• It has only six cafes at the moment so could expand outwards from its existing premises. <li data-bbox="371 1043 1409 1137">• However, there has been considerable growth in the cafe market with the expansion of the big chains such as Costa and Starbucks, so such a move may be risky. <li data-bbox="371 1149 1353 1211">• Without further information and more market research it is difficult to assess the best course of action. <li data-bbox="371 1223 1417 1234">• It may be possible to follow both options in a limited way to minimise risk.

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

Question	Indicative content
3	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative skills assessed</p> <p>QS3: Construct and interpret a range of standard graphical forms</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical forms.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Adidas’ main market is in Europe and current shipping time is six weeks. Moving to Europe would reduce this time significantly and is also likely to reduce transportation costs. • The European market is very competitive and becoming more so as H&M move in. Being able to react quickly to fast-changing trends could be an important source of competitive advantage. • Moving to Europe will enable Adidas to set up brand-new production facilities, including its innovative machinery to ‘knit’ shoes. Adidas will have more control over supply and quality; this may be important as it expands its own retail chain. • However, Extract E shows the increasing importance of emerging economies. • With a rising GDP there is also rising disposable income and a growing demand for many consumer goods and services. This will become increasingly important to a business such as Adidas. • As these economies continue to develop, the opportunities for growth increase, the number of companies locating there is expected to increase to 46% by 2025. • By remaining in Asia, Adidas will be well placed to take advantage of this growth, with established production facilities and supply networks. • China is also expanding and likely to become the world’s biggest economy before too long. Adidas might be better off remaining in Asia and close to such a huge market. • Other competitors such as Nike may locate there and gain advantage.

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

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