

Global business

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Global business

Type: Mark Scheme

To be used by all students preparing for Pearson Edexcel Level 3
Advanced GCE Business (9BS0)



Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Removal of restrictions that would discourage international trade.• Opportunity to sell more games consoles.• The Chinese console market is estimated to be worth \$13 billion.• Opportunity to enter a market with high-growth rates/income elastic demand/positive income elasticity.• Greater ability to outsource production to China.• Larger economies of scale. <p>Potential counterbalance</p> <ul style="list-style-type: none">• Competition will intensify.• Demand will become price elastic.• First mover advantage becomes crucial.• Profit margin may be squeezed.	<p>(10)</p>



EXAM PAPERS PRACTICE

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	5-6	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	7-10	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.



EXAM PAPERS PRACTICE

Q2.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Need to change the product mix.• Need to do more market research.• Market becoming more dynamic.• More expensive materials or methods of production. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Depends on degree to which people want to purchase healthier snacks.• Demand for regular crisps has still increased by 29%.• 1000% revenue increase in air-dried apple crisps could be from a low base.• Depends on the degree to which healthier crisps require different methods of production.	<p>(10)</p>



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Q3.

Question Number	Indicative content	Mark
	<p data-bbox="392 555 1278 591">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul data-bbox="363 633 1334 819" style="list-style-type: none">• Assessment of a country (and city) as a production location can be determined by skills and availability of workforce, infrastructure, government incentives, ease of doing business, political stability, likely return on investment <p data-bbox="312 862 924 898">Application re Birmingham and UK</p> <ul data-bbox="363 938 1294 1352" style="list-style-type: none">• Birmingham is the second biggest city in the UK and is therefore more able to furnish the 1,000 workforce• UK Government prepared to subsidise the cost of hosting the games, e.g. £112m towards the cost of the Alexander Stadium redevelopment. Local councils also prepared to fund, e.g. Sandwell Council – Aquatics Centre in Smethwick (£73m)• Located centrally amongst excellent road network and other transport links (rail and airport)• Resources already exist – e.g. Birmingham’s Alexander Athletics Stadium was redeveloped <p data-bbox="312 1395 719 1431"><i>Potential counter-balance</i></p> <ul data-bbox="363 1471 1342 1917" style="list-style-type: none">• Assumes that Birmingham UK will be able to fill the 1,000 vacancies, which may become available, with suitably skilled applicants• Infrastructure may not be able to cope given the number of athletes and spectators who will be landing in the summer of 2022, from 76 Commonwealth countries• Opposition from local Birmingham residents who may be opposed to the extra traffic congestion/pollution both before and during the Games• There are limitations in the data; there may have been more generous government support from other Commonwealth countries, such as Canada.	



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	<p><i>Possible judgement</i></p> <ul style="list-style-type: none">• Since the hosting of the Games is an opportunity to 'Drive sustainable economic growth and aspiration; creating opportunities through trade, investment, jobs and skills' it was important to have a location where this was needed. Perhaps Birmingham and the UK warranted such a choice.• Depends whether or not the Games will actually 'transform and strengthen local communities' and 'deliver new and improved homes and facilities'. They may cause bottlenecks and diminishing returns (poor returns on the investment, as with Glasgow and Manchester CG)	(12)
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Q4.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Indicative content</p> <ul style="list-style-type: none">● Factors include levels and growth of disposable income; ease of doing business; infrastructure; political stability; government incentives; skills and availability of workforce; marketing strategies; strong brand● Higher disposable income in China makes visits to Shanghai Disney generally more affordable to ensure sales● Increased provision of infrastructure is needed otherwise transport bottlenecks could arise which would reduce sales● Disney is a well-known brand which is associated with fun and happiness which should support immediate sales● Shanghai Disney working with a Chinese partner (Fosun International) which has local knowledge should have helped alleviate any issues with planning, politics, infrastructure, etc. <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none">● Short term novelty may wear off so sales could suffer long term, especially if other 'western theme park' or competition from Chinese companies increases● Government incentives provided to encourage job creation may reduce costs initially to encourage the set up but may be withdrawn over the longer period● Staff training may be required, which may prove expensive if managers from Disney in the US are utilised to ensure the consistency of the company's culture <p><i>Possible judgement</i></p> <ul style="list-style-type: none">● The long term success of Shanghai Disney may depend on maintaining effective business strategies such as the company's ability to extend the theme parks product-life cycle through launching new rides (Toy Story Land)	(10)



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EXAM PAPERS PRACTICE

Q5.

Question Number	Indicative content	Mark
	<p data-bbox="424 501 1171 533">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul data-bbox="395 568 1246 1234" style="list-style-type: none"><li data-bbox="395 568 1246 689">• A trading bloc is a group of economies that agree to reduce trade barriers, such as regulation, tariffs and quotas on trade between its members<li data-bbox="395 703 1246 875">• By locating in Indonesia, Nike enjoys free trade with other markets that have a total population of over 600million people. This removal of trade barriers lowers costs and increases the opportunity to increase revenues.<li data-bbox="395 889 1246 1061">• Suppliers to Nike in Indonesia from other ASEAN member states e.g. rubber from Malaysia will face lower costs due to the free trade agreement, which in turn can lower the costs of importing for Indonesian businesses<li data-bbox="395 1075 1246 1234">• The ASEAN-China free trade area also opens up the potential for easier and cheaper sales to China, the second largest economy in the world, which has a growing middle class and provides opportunities for Nike to sell to <p data-bbox="347 1285 687 1317"><i>Potential counterbalance</i></p> <ul data-bbox="395 1330 1246 1899" style="list-style-type: none"><li data-bbox="395 1330 1246 1547">• Competitors to Nike, such as Adidas, located in other ASEAN countries gain the same benefits in the Indonesian market. This increased competition could threaten the profits and competitiveness of Nike selling in Indonesia and the rest of ASEAN<li data-bbox="395 1561 1246 1682">• Consumers in other ASEAN countries might not have sufficiently high disposable income for Nike to increase sales in these countries<li data-bbox="395 1695 1246 1899">• It may not matter that Indonesia is a member of ASEAN since Nike's main objective might be to focus on lower production costs in Indonesia, sending manufactured sports shoes back to its main markets in Europe and North America	



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	<p><i>Potential judgement</i></p> <p>The degree of benefit to Nike depends on the intended destination of completed products:</p> <ul style="list-style-type: none">• If some are to be sold in other ASEAN markets, which are growing fast in terms of income and size, then Nike will benefit from Indonesia's ASEAN membership• If Nike's competitors use free trade to sell cheaply in Indonesia, or if Nike transports finished shoes back to its established markets, then the benefits of ASEAN membership will be slim for Nike.	(10)
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Q6.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Market may have different tastes. • Transportation costs. • There may be established competition. • Possibility of protectionism. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • This can be overcome through market research. • Burt's has managed to become dominant in the Netherlands by focusing on innovation. • In EU markets this is illegal. 	(8)

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Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-5	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 leading to a supported judgement.



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Q7.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Protect Chinese furniture manufacturers from foreign competition. • Reduce the chances of higher unemployment in the Chinese furniture industry. • Raise taxation revenues from the tariff. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Tariff will not necessarily work since Chinese consumers are more concerned about quality. • Could lead to retaliatory protectionism by other nations on Chinese exports. • May not encourage Chinese manufacturers to increase efficiency/quality. 	(10)

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Q8.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• A trading bloc is a group of countries that trade freely with reduced or no tariffs and quotas on trade between businesses in these countries <p>Benefits to Lavazza</p> <ul style="list-style-type: none">• Lavazza has purchased Kicking Horse and therefore has a business based in Canada. This will allow Lavazza to access the market in USA and Mexico freely as well.• There is no common tariff structure in NAFTA; each member state has its own policies and imports from economies outside NAFTA. This means that supplies of coffee beans may be imported more freely than if there was a common external tariff. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Free trade as part of NAFTA means that US businesses such as Starbucks provide competition to Lavazza in the Canadian market and may limit competition through aggressive pricing and promotion• NAFTA membership may not be a large advantage to Lavazza because it is a business supplying mainly to specialist outlets, rather than importing or exporting manufactured goods. The cost advantages may therefore be smaller. <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• NAFTA gives Lavazza a range of opportunities to expand from Canada into the US and Mexico, but it seems to be more focused on the more niche organic/fair-trade segment in Canada in the short-term, and may therefore be less concerned with the access to other markets NAFTA offers.	<p>(10)</p>



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Q9.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Indicative content</p> <ul style="list-style-type: none">● Exchange rates are the price of one currency in terms of another● If the £ depreciates this increases the effective price of holidays priced in Euros and US dollars, which makes the booking of a hotel in Spain more expensive, for example.● Over the period 2014 to 2017, the £ has depreciated against the \$US, whilst the trend for holidays abroad has increased from 1.2 to 1.7 which suggests that exchange rates do not necessarily affect demand for overseas holidays, despite the loss in purchasing power of the £● The trend in UK holidays has increased from 1.8 to 2.1 which might suggest that a depreciation in the £ might cause more people to holiday in the UK instead <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">● Increased consumer incomes may have compensated for the depreciation of the pound, which means that UK holidaymakers may still choose more expensive holidays overseas.● Changes in technology which has improved accessibility for consumers to budget for and book their own holidays● Uncertainty and/or job losses may have caused the increase in demand for holidays in the UK as they tend to be cheaper. <p><i>Possible judgement</i></p> <ul style="list-style-type: none">● Exchange rates can determine both the price of booking of a holiday (given that hotel rooms and flights may be priced in a foreign currency) and the costs of a holiday (meals in restaurants) so would have an impact● Whilst exchange rates can determine the price/overall cost of a holiday, this alone does not determine demand. Other factors may be more significant such as the climate/quality of hotels/opportunity to experience different culture/different foods/develop ability to speak foreign language/desire visit family/changes in demographics/preference for shorter holidays.	(12)



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Q10.

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	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Access to more emerging markets with income elastic demand. • Lower costs of accessing these markets. • Access to cheaper raw materials. • Removal of any trade barriers/restrictions. <p>Potential counterbalance</p> <ul style="list-style-type: none"> • Increased competition. • Demand in the market may become more price elastic. • Importance of a low unit cost becomes more important. 	(12)

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Q11.

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	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Marks for application and analysis include up to two marks for quantitative skills</p> <p>QS8: use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <ul style="list-style-type: none">• Exchange rates measure the value of one currency in terms of another e.g. US dollar to the Brazilian Real• Between January 2019 and April 2019, the Brazilian Real has appreciated against the US dollar. This will make Brazilian exports, such as orange juice more expensive for US businesses such as Tropicana to import• The appreciation of the Real against the dollar increases Tropicana's total costs because the cost of imported orange juice from Brazil is a large proportion of these <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• The changes in the exchange rate between January 2019 and April 2019 have been relatively small (between R3.8 and R4), so the effects on costs for Tropicana might be small• We need to know what proportion of Tropicana's costs are from orange prices. It might be that other costs, such as wages are more important in their operations. <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• The cost of oranges could be a significant portion of Tropicana's total costs. The effect of the Real exchange rate movement on Tropicana's costs will depend on the proportion of its orange juice that it imports from Brazil. The higher the proportion the more impact it is likely to have	<p>(10)</p>



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Q12.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none">• The marketing mix is a plan for using the right blend of product, price, promotion, and place in order to maximise sales <p>Importance of marketing mix to global markets</p> <ul style="list-style-type: none">• Disposable income levels may be lower in some global markets such as those in Mexico. This might require a different pricing strategy to that in Italy and Europe• The product may be adapted to be more focused on organic and fair-trade coffee, which is a growth market in Canada <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• In Lavazza's case it is stated that Kicking Horse 'fits well' in Lavazza's product portfolio, which suggests that the Product aspect of the marketing mix may not need to be adapted• As Lavazza has a successful marketing mix in Europe and therefore may not need to change its marketing approach and this strength can be transferrable to Canada and other global markets <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Lavazza has 120 years of experience in the coffee market in Europe and many of the features of these developed markets are similar. Marketing that works in Europe is likely to work in North America too, particularly if Lavazza can use its 'Europeaness' as a USP• North America is a mature coffee market, with a range of existing businesses operating there. Adapting the marketing mix, particularly the product towards differentiating on the basis of fair-trade/organic, is necessary for Lavazza to succeed.	(12)



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Q13.

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	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none">• Culture refers to shared attitudes, values, customs and expectations. Social differences come into play when different groups of people have different ways of communicating and ways of life. They affect consumer product preferences and patterns of consumption• Packaging and ingredients will need to be adapted to suit the different languages and climates otherwise sales could suffer <p>Important of:</p> <ul style="list-style-type: none">• Changing eating habits in India, for example snacking, may have caused an increase in the demand for on-the-go convenience foods like chocolate• As income in emerging economies increase, the demand for western products such as chocolate may rise• Indian consumers appear to have a taste preference in favour of dark chocolate (dark Kit Kat Senses) and therefore production and sales should be aptly targeted <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Growing prosperity and incomes are more significant because chocolate is a luxury good to most consumers in the Indian economy• Heavily marketed and branded chocolate such as Cadbury or Nestle may represent a status symbol to consumers so products will be sold regardless of taste• Mistakes to do with unintended meanings, inappropriate or inaccurate translations are less common now given the growth of globalisation.	



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	<p><i>Possible judgement</i></p> <ul style="list-style-type: none"> • Businesses that want to expand into new markets must allow time to get to know their target markets by possibly seeking out partners and so may decide whether to have a joint venture, use local agents or employees who have a good understanding of the Indian chocolate/confectionary market. • Consumer tastes and preferences need to be met not only in terms of the actual flavour and packaging of chocolate but also the appropriateness of its marketing campaigns. Celebrity endorsement through Bollywood actors in India for example, may be a way to combine a respect for culture with promotional methods to increase sales. 	(12)
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Q14.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Limitations to Pure Gym expanding overseas/offshoring could include how appropriate a country is as a market, including factors such as levels of disposable income; ease of doing business; infrastructure; skills and availability of staff• Limitations could also centre around the potential consumer, or Pure Gym member, for example cultural differences, tastes and preferences, appropriateness of branding and promotion; ability to speak or trade in a different language – Spanish in most South American countries could be a practical or cost hurdle• In order to export that brand effectively, members of the UK management team may need a secondment overseas which might not be popular with staff who may need to work in countries like Nigeria where there is political and social instability <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Since Pure Gym is a low cost operator charging up to £25 per month, it is likely that more African citizens would be able to afford membership compared to what might be charged by Virgin Active.• A joint venture partnership could be established initially with a company in say Peru, to help learn more and so overcome difficulties which may be caused by cultural differences, tastes and preferences, appropriateness of marketing methods and materials• The number of employees in the Pure Gym business is limited to two; it should therefore be less difficult to recruit staff. Furthermore, personal trainers are common across the world as the fitness industry is truly global <p><i>Possible judgement</i></p> <ul style="list-style-type: none">• The health and fitness industry is largely similar across the world. What people expect from Pure Gym is fairly standard; 'free' weights, resistance machinery, treadmills and rowing machines. Therefore, it is likely that differences in culture, tastes and preferences, would have already been accounted for and present very little constraints	<p>(10)</p>



EXAM PAPERS PRACTICE

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 is 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	5–6	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	7–10	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.



Q15.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none">• A joint venture may be a one-off or temporary arrangement, or a lasting collaboration in a specific market.• In this case, the Ford-Mahindra deal is for three years. There is no change of ownership and the relationship between the two businesses will be controlled by legal agreement.• Ford is likely to gain increased sales from its joint venture with Mahindra as they are likely to know the specific needs of the Indian market and have access to workers familiar with this market.• Ford may gain economies of scale and a lower cost structure from Mahindra's existing manufacturing plants, Mahindra will get access to Ford engineering knowledge and expertise in Sports Utility Vehicles.• As an American brand, Ford may be seen as desirable for aspirational consumers in an emerging market such as India. This is because Ford is associated with the USA and 'Western lifestyles', that are desirable by some consumers in India.	



	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Ford and Mahindra may have different visions for how the joint venture will work, which can lead to disagreements over business strategy such as pricing and marketing.• Indian consumers may be confused by the two businesses working together, which could limit sales. Mahindra is an established brand in the Indian market, Ford less so and their brand strength may be diluted by this arrangement.• As the joint venture develops, the aims of Mahindra and Ford might diverge: Mahindra may want to focus on budget sales, while Ford may want to target higher socio-economic groups.• Mahindra might benefit from transfer of knowledge of new technology and techniques, so once joint venture ends, it can use this knowledge to compete with Ford.	
	<p><i>Potential judgement</i></p> <ul style="list-style-type: none">• The joint venture is likely to benefit Ford as it could reduce its manufacturing costs as Mahindra provides the chassis for the new SUV enabling Ford to be more price competitive in the Indian market where incomes are relatively low so making the cars more affordable so sales may increase.• The main consequence of the joint venture is likely to be positive for Mahindra, rather than Ford as it gain sales from the support of the Ford brand and their expertise in selling Sports Utility Vehicles in other markets. This success will depend on the degree to which Mahindra and Ford can agree on the overall strategy for the three years.	<p>(12)</p>



EXAM PAPERS PRACTICE

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Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-8	Accurate knowledge and understanding, supported 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.