

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">• Protectionism can include tariffs, quotas or other trade barriers such as government legislation, admin checks or domestic subsidies <p>Does affect:</p> <ul style="list-style-type: none">• Given that Northfield Cycles imports ALL of its stock, especially from the Far East, protectionism like tariffs could increase Richards' purchasing costs• Quotas might restrict the supply of bikes to NC, which might disappoint some customers, lead to a fall in sales volume and therefore sales revenue• Subsidies on the part of the Chinese Govt might make the effective costs lower and therefore prices of Chinese bikes cheaper than those sold from Taiwan or Germany. This may in the long run reduce consumer choice as the Taiwanese, and German bikes go out of business <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none">• It very much depends on whether the importing companies or suppliers like Giant were prepared to absorb the extra costs caused by the imposition of tariffs• If the bikes were imported from Germany, thanks to the post-Brexit trade deal, then tariffs would not apply in any case. So Richard need not increase the price of his bikes <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• If the protectionism was to cause an increase in price and price was the most important determinant of demand, then sales might suffer.• On the other hand, if a bikes quality and functionality was more important to the consumer e.g. Giant, then sales might not suffer significantly, neither would NC's sales revenue.	<p>(10)</p>



EXAM PAPERS PRACTICE

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	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 qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported 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 style="text-align: center;">Knowledge 2, Application 2, Analysis 2, Evaluation 3</p> <p style="text-align: center;">Marks for application and analysis include up to two marks for quantitative skills</p> <p>QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <ul style="list-style-type: none">• GDP per capita in India is growing quickly and therefore consumers may have increased disposable income to spend on ridesharing.• Literacy rates are rising, so customers can use the ridesharing apps on their phones easily to connect to these services.• Ridesharing markets in developed economies may be saturated, so emerging economies such as India provide businesses like Ola and Uber with an opportunity to grow quickly.• The number of customers is forecast to be 539.49m in 2021, so much of this growth is likely to be in emerging markets such as India.	



	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Large parts of India, especially rural areas still have high levels of poverty, this can limit the growth of businesses such as ridesharing.• Although literacy rates are growing, there is still a huge range of languages in India, which can provide barriers to communication in service business such as ridesharing.• Infrastructure, such as the road network and mobile communication/mobile internet, may not be reliable enough to support the growth of ridesharing. <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Ridesharing is likely to continue to grow in a market such as India because it provides a cheap alternative to car ownership for consumers who might have limited disposable income.• Further growth in India depends on incomes and demand for travel in urban areas to continue to grow. If substitute means of transport such as car ownership or public transport grow, then ridesharing may be limited in growth.	<p>(10)</p>
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Q3.

Question Number	Indicative content	Mark
	<p data-bbox="411 539 1198 568">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p data-bbox="373 607 643 636">Indicative content</p> <ul data-bbox="411 645 1182 1384" style="list-style-type: none"><li data-bbox="411 645 1086 712">• Global merger is when companies from different countries combine assets and operations<li data-bbox="411 719 1114 786">• Pfizer is based in the USA and Allergan is based in Ireland, part of the European Union (EU)<li data-bbox="411 792 1177 927">• One reason for the merger is to reduce the corporation tax bill for Pfizer as Ireland's rates are much lower than those in the USA, this should lead to increased available profits<li data-bbox="411 934 1166 1068">• Ireland and the EU provides new markets for some of Pfizer's products, thus spreading risk over new markets or extending product life cycles of established drugs<li data-bbox="411 1075 1182 1240">• Once located in the EU, the new business will be able to trade freely within all member states without trade restrictions, therefore expanding Pfizer's opportunity to increase sales. This would not be the case if Pfizer had exported from America<li data-bbox="411 1247 1150 1384">• The global merger helps maintain Pfizer's global competitiveness as it is able to expand into new international markets more easily by using Allergan's existing infrastructure and supply contracts.	



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	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Allergan is an established business in a different country and market that Pfizer may not fully understand. This may require expensive market research which would add to its costs• There are human resource implications of the merger including staff redundancies (it was not known how many jobs would be lost as a result of the merger) for employees doing duplicate roles• There may be culture clashes between two organisations that may have different objectives or ways of managing staff, which may therefore lead to conflict over marketing strategies e.g. Allergan is primarily focused on cosmetics while Pfizer focuses on pharmaceuticals• The focus on securing a lower tax bill given the global merger could damage the reputation of the new Pfizer and therefore damage future sales of pharmaceuticals.	
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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none">• The merger with Allergan could benefit them in the short-term as they immediately gain from lower corporation tax, access to new markets within the EU and also access to new products and services such as Botox treatment that Allergan have expertise in• Longer-term there could be difficulties caused by the ethical question raised by the business's tax affairs and the ability of the new business to be managed effectively without the diseconomies of scale often caused by global mergers.	(12)
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Q4.

Question Number	Indicative content	Mark
	<p data-bbox="416 546 1251 577">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p data-bbox="379 618 943 649">Reasons for UK as a production location:</p> <ul data-bbox="424 658 1289 1370" style="list-style-type: none"><li data-bbox="424 658 1222 689">• Ebac employs 200 staff in its UK manufacturing centre<li data-bbox="424 698 1283 763">• It exports to continental Europe, but has not followed competitors such as Indesit, who now manufacture abroad<li data-bbox="424 772 1289 880">• Evidence E suggests that while UK manufacturing costs are higher than some, they are not as high as some European economies such as Italy, Germany and France<li data-bbox="424 889 1283 1032">• As of 2016, the UK is still a member of the single European market, so Ebac can export to other EU member states such as France and Italy, without the imposition of tariffs or quotas or other non-tariff barriers.<li data-bbox="424 1041 1283 1184">• Labour costs in the North East of the UK are below the national average, so location here helps Ebac to reduce its costs of production and therefore, assuming constant sales, improves profitability<li data-bbox="424 1193 1283 1370">• Ebac's expansion plans are based on selling washing machines to the UK market only. Producing these in the UK reduces transport costs and means Ebac is close to the markets in which it sells, helping it to understand customer needs and cater for these.	



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	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• The UK still has some of the highest production costs in the largest 25 exporting countries – for a business such as Ebac this could either reduce their profit margins or lead to higher priced domestic appliances• Ebac is expanding into a competitive global market, dominated by multinationals such as Whirlpool and Bosch, who are able to produce at lower average cost due to their size• Although Ebac has specialist workers in its UK base, these skills are widely available in places such as China, which also has the infrastructure and ease of doing business that could help Ebac to lower its overall production costs.• Brexit: Uncertainty about our future trading relationship with the EU (where 70% of UK export go), may make the UK less attractive because of the possible disruption and tariffs/safety standards that are placed on products exported from the UK	
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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Ebac has a strong history of being part of the local community in North East England, as shown by its commitment to the foundation. This makes it very difficult to move production to a location outside the UK in order to reduce production costs.• The bulk of the products Ebac sells are specialist products such as de-humidifiers and water coolers. These are likely to be less price-sensitive and customers may place a greater emphasis on quality and durability. The experienced and skilled staff of North East England can provide this better than cheaper alternative production locations such as China or Poland (Evidence E)• Businesses such as Haeir (Evidence G) are entering the global market for domestic appliances, and they are able to produce at lower unit cost. This means that they can charge customers lower prices, while maintaining quality. It might be that choosing the UK for a production location for Ebac's specialist products is appropriate due to the higher price charged. However, mass market products like washing machines might be better produced in a lower-cost location such as China or Indonesia (Evidence E)	<p>(12)</p>
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Q5.

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	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Positive impacts</p> <ul style="list-style-type: none">• The purchase of land and building of factories in Indonesia may generate jobs in construction and linked businesses in the supply chain that could cause positive multiplier effects• Workers at the Nike factory may receive wages that may be above or the same as the average wage, and their employment could increase spending on local businesses• Suppliers to Nike, such as those making textiles or rubber could benefit from Nike's business• Increases in employment in the factories and supply chains may also lead to increases in tax revenue for the local and national governments. This could be spent beneficially on things such as healthcare and education• The production techniques that Nike uses, along with its machinery and equipment can lead to technology and skills transfer to Indonesia. This means local firms may learn from Nike, improving productivity and quality as a result <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Multinationals such as Nike can make land shortages in urban Indonesia worse, driving up costs for local businesses that may want to expand operations• The degree to which the suppliers to Nike benefit depends on the extent to which Nike use local suppliers and not import from other countries• Health and Safety and employment laws may be lower in Indonesia than other more developed countries, and Nike's operation there is taking advantage of this. Nike's presence could keep local wage levels low as a result• If Nike use local suppliers of textiles, this might limit supply and drive up the price for other Indonesian businesses that use these products• The industrialisation that a new Nike factory brings could damage the local environment, perhaps causing increased pollution	



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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • The impact of a business such as Nike locating in Indonesia is likely to be positive if it respects the local economy, pays a fair wage to workers and upholds or exceeds local laws avoiding 'sweatshop labour'. It is also important that it uses local suppliers if the economy is to benefit from its presence in the country • If Nike locates in Indonesia with a focus on low wages and low regulation, whilst using suppliers outside Indonesia, it is likely that the impact is likely to be more negative. Therefore, a key role is to be played by the Indonesian Government in supporting Nike's (and other multinational) investment, whilst ensuring compliance with laws and collecting appropriate taxes. 	(12)
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Q6.

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	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Behaving ethically means taking a moral judgement about right and wrong in a decision, rather than just considering the most profitable approach.• H&M's ethical image is demonstrated by their H&M Conscious, e.g. recycling, reducing carbon footprints, offering fair living wages.• For H&M being ethical might help to differentiate itself from its competitors which also might lead to increased sales.• Fashion customers are often younger consumers who might be keener to consider issues such as sweatshops and child labour, which are both ethical issues. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Behaving ethically can sometimes be more expensive due to the increased costs of monitoring and checking the business' supply chain• Customers may be sceptical about ethical claims and buy from competitors instead• Could possibly be a marketing ploy aimed at young buyers. <p>Potential Judgement</p> <ul style="list-style-type: none">• Customers might be more concerned about price in the fast-moving fashion world, so ethics is less of a buying consideration	<p>(10)</p>



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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">• Specialisation means a business concentrates on a specific range of products or services.• The healthcare/pharmaceutical market is dominated by a few multinationals, as implied by the record year in 2015 for global healthcare mergers• The healthcare product market is extremely specialised in terms of specific medicines and treatments, which require a large quantity of research and development and specialist skills from employees. Healthcare companies may need to sell internationally in order to make sufficient revenue to recover the high R&D and labour costs• Specialisation means that Pfizer does not compete directly with the same product with other businesses (such as Astrazeneca) in the same national market and they are therefore able to charge a premium price in that country for their products, gaining a competitive advantage through differentiation.	
	<p><i>Potential Counterbalance</i></p> <ul style="list-style-type: none">• Specialisation can make a business, such as Pfizer, vulnerable to changes in market demand. For example, there may be sudden growth in an aspect of health products in which they are not involved, which means it misses out on potential sales.• Research and development in pharmaceuticals is necessary in a dynamic market, but extremely expensive. If this is linked to an area of unsuccessful specialisation, can impact negatively on profit as development costs are not recovered• International competitive advantage can be gained through being the lowest cost producer in a global market charging lower prices. This could mean that Pfizer might focus more on mass market products such as painkillers, rather than specialist areas of healthcare, in order to benefit from lower average costs <p><i>Potential Judgement</i></p> <ul style="list-style-type: none">• Specialisation based on intense and expensive research and development is more likely to lead to Pfizer gaining a competitive advantage internationally based on differentiation given the nature of products / dynamic market.	<p>(10)</p>



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Q8.

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	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <p>Reasons to locate McDonalds restaurants in the UK:</p> <ul style="list-style-type: none"> • Might boost revenues given that they have over 1,250 restaurants and therefore more customers • Might have saturated the US market which would limit the potential for any sales growth • Because the UK has people who have the right skills and entrepreneurial qualities to be successful franchisees which should help boost profits <p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"> • Assumes same consumer tastes and preferences as US citizens in order to ensure sales • But franchisees might increase costs given the need to locally source supplies, such as bread buns and meat for burgers, thus reducing potential profits 	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 effects(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.



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Q9.

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	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p style="text-align: center;">Marks for application and analysis include up to 2 marks for quantitative skills</p> <p>Quantitative skills assessed:</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">• Cultural diversity in business is appreciating the differences in individuals for the purpose of staffing and gaining customers. Differences are based on gender, age, sex, ethnicity, sexual orientation, and social status. <p>Of value to Derby Theatre because:</p> <ul style="list-style-type: none">• The Theatre has a moral responsibility ("civic mindedness") as an art, to employ people from different genders and backgrounds to reflect society and the local community.• The 'white, other' (Eastern European decent) population of Derby is predictably increasing from 3% in 2011 to 4.2% in 2016; Derby had a greater proportion of BME people than the UK in 2011 - only 75% white, British compared to the UK's 80%, so could support staffing recruitment or lead to bigger audiences.• Ensure that the Arts Council funding of £795,000 continues for DT or even expands given its criteria which encourage diverse programming.	



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	<p><i>Possible counter-balance:</i></p> <ul style="list-style-type: none">• Diverse productions may prove more expensive to stage and produce given the possible need to expand the costume wardrobe, props, appropriate actors, different menus at the café.• May not attract large audiences given that the shows may appeal only to ethnic minorities which could reduce revenues from ticket sales and programmes, etc. <p><i>Possible judgement</i></p> <ul style="list-style-type: none">• Legislation may make it compulsory, e.g. Equality Act encourages 'colour blind' casting for the film and entertainment industry. So, adherence may prevent bad publicity and legal costs.• Survival of a theatre which has already nearly closed and required a takeover by the University of Derby to survive, may need to produce and stage shows that draw in big audiences nearer capacity of 575 with big bar and catering spends nearer £3.50 per head which you may not get with 'minority' productions.	<p>(12)</p>
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Q10.

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	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Legal controls include the use of legislation and government policies • Multinationals can also be controlled using: political influence; pressure groups; Social media • The Brazilian government has used legal controls in its control of advertising and selling sugary and fatty foods. This could limit the ability of multinationals such as KFC and Pepsi from increasing sales, or it might force them to change the contents of their products and the way in which they are marketed • Often legal controls are expedient and easily enforced in order to make the required change rather than having to rely on the behaviours of other stakeholders • Social media campaigns can be unsuccessful and in some cases the resources available to the multinational can be greater than the pressure group, which means messages are countered with the strong brand image of KFC or Pepsi 	

	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Legal controls only work if they are enforced. An economy such as Brazil's may have corruption, which means that officials are paid off and laws on ingredients in foods may not be fully enforced. • Pressure groups, such as Supply Change can be more effective, for example because they can highlight the plight of workers in the orange juice industry. Their reports and possibly media coverage can damage the reputation of businesses such as Tropicana and force them to adapt their approach to human resources • Social media campaigns can be more powerful in controlling the actions of multinationals. For example, the way workers are treated in some orange farms could be shared widely, and damage the reputation of the multinational in Brazil and international markets <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Multinationals care about their image in new markets, because it can affect this image world-wide. This means that legal controls on their actions can be successful, limiting the damage they do and maximizing the benefits • Multinationals operate in many markets, and although Brazil is large and growing, these businesses can pull out and concentrate on other markets. This could disappoint consumers and prevent them consuming the brands many people see as aspirational. This may mean that any control method will not affect the actions of multinationals 	<p>(12)</p>
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Q11.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Marks for application and analysis include up to 2 marks for quantitative skills</p> <p>Quantitative skills assessed:</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">• Markets are saturated when the potential number of new customers is zero.• So the only way to gain new customers is to move to new markets, such as export markets. For US-based Netflix, this includes the UK and Europe (It is a push-factor). <p>Significance of:</p> <ul style="list-style-type: none">• This should open up more revenue streams from subscribers in countries like the UK (almost 10 million extra subscribers over and above the US market) part of the 130 million users in 190 countries.• Over the period 2018-22 should provide Netflix with a share of £2bn in extra revenue from the UK alone.• The market is expected to expand by 7.4% year-on-year between 2018-22 compared to traditional video (falling by 1.7%) which may be able to help make up for lower growth rates in the US.	



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Potential counterbalance

- Netflix home market is the US, which has a population in excess of 300m people. In order to compensate for a saturated home market in OTT, exporting to countries like the UK may not prove that significant with only 10 million subscribers.
- Other conditions may have prompted the international trade (Netflix exporting to the UK) for example competition in the home market by companies such as Amazon.
- Netflix international trade may have been prompted by an efficiency drive. Exporting to markets like the UK should increase output which may mean that Netflix could benefit from technical economies of scale (pull factor).
- Other factors may be significant to the decision, e.g. extending the product life cycle of OTT as AI developments, for example, may help create an alternative.

Possible judgement

- In dynamic, highly technological markets like OTT it may be crucial to ensure that to survive that businesses like Netflix spread risks by seeking new customers in new markets.
- Consumer tastes and preferences in markets like OTT need to be met in the US as this market probably accounts for the majority of Netflix revenue. Seeking markets overseas may not ensure survival as much as product development to maintain domestic sales.

(12)



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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	5-8	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with 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.



Q12.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: calculate, use and understand percentages and percentage changes QS9: interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge: 1 mark for understanding how corporation tax is calculated e.g. Profit x corporation tax rate (%)</p> <p><u>Response version 1</u></p> <p><u>The candidate assumes that \$9.135bn is before tax:</u></p> <p>Application: up to 3 marks</p> <ul style="list-style-type: none">• Corporation tax in USA was 40% in 2014, so Pfizer's tax would be $\\$9.135\text{bn} \times 40\% = \\3.654bn• Corporation tax in Ireland was 12.5% in 2014, so Pfizer's tax bill would have been $\\$9.135\text{bn} \times 12.5\% = \\1.141875bn• Therefore, they would have saved $\\$3.654 - \\$1.411875 = \\$2.512125\text{bn}$ had they been based in Ireland. <p>NB: if answer given is \$2.512125bn award 4 marks Accept any accurate version of \$2.5 to a range of decimal points.</p> <p>An alternative way of getting the same answer as above:</p> <ul style="list-style-type: none">• $\\$9.135\text{bn} \times 1.4 = \\12.789bn (USA); so $\\$12.789\text{bn} - \\$9.135\text{bn} = \\$3.654\text{bn}$ Tax• $\\$9.135 \times 1.125 = \\10.276875bn (Ireland) = $\\$10.276875\text{bn} - \\$9.135\text{bn} = 1.141875$• Therefore, they would have saved $\\$3.654\text{bn} - \\$1.141875\text{bn} = \\$2.51225\text{bn}$ had they been based in Ireland	



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	<p><u>Response version 2</u></p> <p>The candidate assumes that \$9.135bn is after tax (and therefore needs to add tax on USA and Ireland and compare the difference):</p> <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • If 9.135bn is after tax, we need to add the tax on again • The calculation for this is: <u>After tax figure</u> $100\% - \text{tax rate } \% \times 100$ • So, for Pfizer in the USA: $\\$9.135\text{bn}/60 \times 100 = \\15.225bn before tax. Therefore, tax paid in USA is $\\$15.225\text{bn} - \\$9.135\text{bn} = \mathbf{\\$6.09\text{bn}}$ • In Ireland it is: $\\$9.135\text{bn}/87.5 \times 100 = \\10.44bn before tax. Therefore, tax paid in Ireland is $\\$10.44\text{bn} - \\$9.135\text{bn} = \mathbf{\\$1.305\text{bn}}$ • Therefore: $\\$6.09\text{bn} - \\$1.305\text{bn} = \mathbf{\\$4.785\text{bn}}$ <p>Accept any answer, rounded correctly up to 1.d.p. i.e:</p> <p>\$4.8bn \$4.79bn</p>	<p>(4)</p>
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Q13.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: Calculate, use and understand percentages and percentage changes. QS4: Interpret index numbers QS9: Interpret, apply and analyse information in written, graphical, tabular, and numerical forms.</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none"> • Number of countries above UK/total number of countries * 100 <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Identify total number of countries as 25 as the denominator • Identify that 12 of the economies in the top 25 have an index value above that of the UK • Calculate the percentage of the index: $12/25 * 100 = 48\%$ <p>NB award 4 marks if only 48% is stated</p>	<p>(4)</p>



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Q14.

Question Number	Indicative content	Mark
	<p>Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Marks for application and analysis include up to 4 marks for quantitative skills</p> <p>Quantitative skills assessed:</p> <p>QS8: use and interpret quantitative and non-quantitative information in order to make decisions QS9: interpret, apply and analyse information in written, graphical and numerical form.</p> <ul style="list-style-type: none"> • In 2019 Mindful Chef saw an increase in sales of 178% • Mindful Chef sales were £10m in 2019, created by delivering nearly two million meals to UK consumers • Joint ventures involve businesses in a collaborative relationship with a local producer in order to reduce risks associated with knowing the market • Global mergers occur when two businesses from different countries join together; they are a form of inorganic growth 	
	<p>Joint venture</p> <ul style="list-style-type: none"> • Enables Mindful Chef to know and understand better the local (French) culture and consumer preferences so as to get the marketing mix 'right' • A global merger may lead to job losses for both Mindful Chef and Blue Apron given duplication of roles and the subsequent delayering which may result • Assuming that both Apron and Mindful Chef have the same reputation for healthy food recipe boxes, the demand would be there already • Strategically it might not be effective to merge with other food recipe firms because of different corporate cultures or working practices and therefore diminishing returns/diseconomies. <p>Global merger</p> <ul style="list-style-type: none"> • US culture and consumer preferences similar to UK's; usually a joint venture is a way to overcome unfamiliar culture and consumer tastes/preferences and language barriers • Merger might confer some economies of scale, helping to reduce average costs and so enable Apron and Mindful Chef when combined to invest further with any increase in profits gained • Global merger may mean the pooling of resources, technology and knowhow which can be quite critical in 	



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	<p>markets that are dynamic and costly to operate within, given the rate of change of consumer tastes.</p> <p><i>Possible recommendation</i></p> <ul style="list-style-type: none">• Joint venture may be a better way to spread risks as both Mindful Chef and Auchan may retain the distinctive capabilities in each of their respective markets whilst being able to share product or consumer knowledge• Global merger might give the capacity and finance required to fund growth and developments in an increasingly competitive industry dominated by market leader Gousto <p>Examples of possible 'MOPS' recommendations</p> <p>Market – The market may provide more opportunities for smaller businesses to collaborate on smaller scale/niche productions in order to avoid direct competition from companies like Gousto</p> <p>Objectives – Maximising revenues and minimising costs determine profit, which may be more important to businesses in highly competitive markets, like the one for recipe boxes. Therefore by merging, the ability to keep production costs down and revenues up from such things as advertising should give Mindful Chef combined with Apron the opportunities to increase profits and provide investment funds</p> <p>Product – The demand for recipe boxes is quite specific and needs to take into account local tastes and preferences; a merger could sacrifice this</p> <p>Situation – sales of recipe boxes predicted to grow at the expense of home cooking so future revenues may be sufficient to cover costs and enable survival in a dynamic market; a global merger may not be necessary in the longer term.</p>	<p>(20)</p>
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).
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 cause(s) and/or consequence(s)/effect(s) 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 knowledge and understanding, supported by relevant and effective use of the business behaviour/context. 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 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 use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and 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 recommendation(s).



Q15.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Focus on cost competitiveness</p> <ul style="list-style-type: none">• By locating in countries such as Indonesia, Nike is able to reduce its operating costs, such as rent and labour costs• These cost benefits can be passed on to customers in the form of lower prices, or kept by Nike in order to improve its profit margins• Nike is a market leader, with \$22.3bn of sales globally in 2018, and it may wish to maintain this leadership by having the ability to reduce prices for its products compared to Adidas and Asics. This could particularly be the case if Nike wishes to expand into less developed economies, where disposable incomes are lower and customers may be more price sensitive• Cost competitiveness provides the opportunity for higher profits, which may provide higher dividends for its shareholders and also give confidence for future shareholder investment if required <p>Focus on differentiation</p> <ul style="list-style-type: none">• Nike Flex gives the business the opportunity to differentiate its brand through customers being able to customise their shoes and receive them promptly afterwards. This feature could be something that competitors such as Under Armour do not offer, therefore increasing sales for Nike• The differentiation achieved through Nike Flex may help to build the brand image of the business. Customers may appreciate the ability to customise their shoes and therefore could be prepared to pay a premium price• Nike's brand is already strong, being the global leader in sports footwear, so differentiation gives it the ability to boost image and sales through innovation, which in turn can add value to sales of all its products whether produced by the Flex system or not• Customers around the world may be used to the ID ability to customise, so differentiation through Flex gives Nike the opportunity to develop and expand this competitive advantage	



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	<p><i>Potential judgement:</i></p> <ul style="list-style-type: none">• Cost competitiveness could be particularly beneficial in markets with lower average incomes, but it is not likely to be a strategy that Nike would pursue globally. This is because its strong brand is built on quality and overall image, particularly in developed markets in North American and Europe. However, these markets may be saturated, whereas in ASEAN countries customers may have lower disposable incomes. This enables them to buy Nike's products at lower prices. Therefore, any policy of cost leadership is more likely to succeed if it is related to a low price strategy in developing markets like Indonesia.• Differentiation has been a part of Nike's brand image from the inception. Therefore, concepts such as Flex are likely to build on this further, allowing Nike to build brand loyalty with customers who like the personal nature of the designs and the shortened lead time. Competitors such as Adidas may not have adopted such an approach. Again, though, it might be that Nike focus Flex and further differentiation on established markets, with more familiar standard products being sold in emerging markets.	<p>(20)</p>
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Level	Mark	Descriptor
	0	A completely inaccurate response.
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Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) 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 cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. 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.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) 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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Market	Nike is the global leader in sports footwear, and it has gained this from its branding and differentiated approach. Flex is an extension of this.
Objectives	Shareholders may expect Nike to continue to grow and the greatest opportunity could be in developing markets. Incomes tend to be lower in these countries. Consequently, cost competitiveness may be more important to enable Nike to charge competitive prices.
Products/ services	Sports footwear is a huge market globally, and one with many multinational brands. Differentiating itself through concepts such as Flex, allows Nike to continue to grow sales and keep the loyalty of existing customers at the same time.
Situation	Nike's investment in Indonesia and other developing markets in ASEAN is likely to be driven by cost considerations. However, this is unlikely to be in order to reduce prices, and more likely to help Nike to be more profitable in order to satisfy its shareholders.