Mark scheme

Extra Assessment Material

International A Level in Business

Unit 4: Global business

Question	Answer	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** **Knowledge** 1 mark for identifying a characteristic, e.g.: • Rapid growth of GDP **(1)** **Application** Up to 2 marks for contextualised answers, e.g.: • Growth of GDP in Vietnam averaged 6.51% between 2000 and 2018 **(1)** • Industry and construction grew by 8.61% in third quarter 2018 **(1)** **Analysis** 1 mark for developing the characteristic, e.g.: • Emerging economies are growing rapidly, driven by growth in the secondary and tertiary sectors **(1)**	**(4)**

Question	Answer	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** **QS2** Calculate, use and understand percentages and percentage changes **Knowledge** 1 mark for identifying any suitable formula eg: • new total = original total x (100 + %change) **Application** Up to 2 marks for selecting the correct data: • = $223.86bn **(1)** x 107.1% **(1)** **Analysis** 1 mark for calculating the new total GDP • = $239.75bn **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is $239.75bn award 4 marks • If the answer given is 239.75bn award 3 marks • If the answer given is $239.8bn award 3 marks • If the answer given is 239.8bn award 2 marks	**(4)**

Question	Indicative content
1(c)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • GDP measures the output of goods and services in an economy over a period of time • Increases in GDP can represent an increase in output showing increases in national income • This can show an increase in living standards for the population • A change in growth rates can indicate the need for a change in economic policy • One country can compare its growth rate to other countries • However, inflation can distort GDP figures, a 3% increase in GDP with a 2% inflation rate is only a 1% growth rate in real terms • An increase in GDP may not represent an increase in income for many people if wealth distribution is inequitable • Economic activity may be unrecorded making GDP inaccurate

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)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • *Samsung* and *LG* are providing FDI for the Vietnamese economy • Investment in new production plants creates jobs and incomes for local inhabitants which increases the GDP of Vietnam • Local businesses are involved in the construction and supply for the new plants, creating further employment and income • Spending of the extra income creates a positive multiplier effect and leads to a rise in both GDP and living standards • Technology transfer may take place improving the prospects for local businesses which will further contribute to the Vietnamese economy • The Vietnamese government will receive extra tax revenue which can be used to improve healthcare/education/infrastructure • Vietnam's exports totalled $193.8bn in 2017 which has a positive impact on the balance of trade • However, not all MNCs will pay fair wages and some may impose poor working conditions. Businesses such as *Nike* and *Apple* have been accused of this in the past. • Some businesses, such as *Imperial Tobacco* in Malawi, have been accused of using child labour and having dangerous working conditions • Some large MNCs such as *Amazon* and *Google* have been accused of transfer pricing and tax avoidance • Vietnam is offering four years without corporation tax so benefits may be long term rather than immediate • Technology transfer may not occur if MNC just uses cheap labour for basic production • MNCs may cause damage to the environment or use unsustainable resources

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 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)	Quantitative skills assessed: **QS8:** Use and interpret quantitative and non quantitative information in order to make decisions **Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** - Ease of doing business refers to the time period required to get the business up and running and/or the number of bureaucratic obstacles to be overcome - Choosing a production location with a better Ease of Doing Business ranking means less time taken to get started - This reduces start-up costs and saves valuable time - Less bureaucracy means that there is less need for expensive experts to advise on overcoming legal obstacles - This may be a good reason to choose a location such as Vietnam which has now moved up to be ranked at 68 out of 190 - However, other factors may be more important to *Samsung* such as the cost and availability of labour for manufacturing - Vietnam has a plentiful supply of labour with 70% under the age of 35 *Samsung* employs 160,000 workers and the average annual wage is $3 518, therefore labour costs may be the overriding consideration - Much depends on the nature of the business and its needs, access to raw materials may be important, or a good infrastructure - Being able to manufacture from within a trade bloc such as the EU may be important

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 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	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • MNCs are large businesses that operate in more than one country • Pressure groups are organised bodies that aim to achieve some kind of change, in this case to regulate and/or change the behaviour of MNCs • By representing public opinion pressure groups can create negative publicity for a business that can cause it to modify its behaviour • They can organise campaigns and actions that create public awareness and force a business to change its ways for fear of losing reputation and/or sales • Greenpeace has done this successfully in the past with campaigns against *Shell* for the disposal of oil platforms at sea and against *Kit-Kat* for the use of palm oil in its confectionery • Pressure groups have employees and researchers and can be well funded • They have good access to the media and political influence • However, they are not the only way of controlling MNCs • Governments can use legal regulation such as the US and its fine of $20.8bn for *BP* after the Deepwater Horizon oil spill • The effectiveness of Government control/legal regulation is dependent on the size and influence of the country and on the size and resources of the MNC • The USA is likely to be more successful than Vietnam • The rise of social media is potentially more effective in mobilising public opinion and support than a pressure group • Large MNCs have large resources and are able to mount legal and PR campaigns against pressure groups • Pressure groups are likely to be more successful when the MNC relies on sales to the public rather than to other businesses • In reality it is a combination of many factors and working with governments, legal constraints, social media and public opinion that enable pressure groups to control MNCs

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 causes and/or effect(s).
		Arguments are fully developed.
		Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

Question	Indicative content
3	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis, Evaluation – indicative content** • *Lavazza* and *Illy* have chosen different methods of expansion in the face of threats from *Starbucks* and *Nestle* • *Lavazza* is following a policy of inorganic growth • It has just taken over *Mars Inc.*'s coffee business for $650m. • This follows a series of takeovers in in France, Denmark, Canada and Australia • By taking over another company the business immediately grows in size, no need to wait for sales to increase – faster than organic growth • *Lavazza* gets immediate acquisition and use of rival's supply chain and distribution network • Increases market share and market power which could ensure survival for *Lavazza* in the coffee market. • Increasing market power gives greater control over prices and market trends • Increasing in size can bring benefits from economies of scale which can reduce average costs • Removes competition from the market which may reduce the need for costly promotion and competitive strategies • *Illy* appears to be following the organic method of growth • The company says its independence is important • It is opening cafes and now has almost 250 in 43 countries. • It is expanding by striking distribution deals to get its products sold by other businesses such as *JAB Holding* • Organic growth is usually seen as less risky • Many mergers and takeovers fail to deliver the anticipated benefits because of culture clashes or communication problems • **O**rganic growth is less risky as the organisation is the same with well-established systems and procedures that avoid this risk • However, the coffee market is huge ($83bn) and expanding rapidly • Inorganic growth may be the better policy as the market is expected to expand another 16% by 2023 • Even with the rapid growth of both *Lavazza* and *Illy* it may not be enough to compete effectively against the likes of *Starbucks* and *Nestle*

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 causes 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.