

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.: • New price level clearly indicated such as P2 (1).</p>	(4)

Question	Answer	Mark
1(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge 1 mark for identifying a reason, e.g.: • To reduce competition (1).</p> <p>Application Up to 2 marks for contextualised answers, e.g.: • China is selling steel at artificially low prices (1). • US steel manufacturers may not be able to match these prices (1).</p> <p>Analysis 1 mark for developing the reason, e.g.: • By imposing the tariff, the price of Chinese steel increases and customers are more likely to buy US steel instead (1).</p>	(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.

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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	3–4	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>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"> • 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. • Bettys has already planted 3 million trees and helped local communities. • 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. • 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. • Expansion in the UK will also require investment, which will have an impact on profitability. • Bettys has a good reputation and could build on that. • It has only six cafes at the moment so could expand outwards from its existing premises. • 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. • Without further information and more market research it is difficult to assess the best course of action. • It may be possible to follow both options in a limited way to minimise risk.

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	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 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 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.

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.

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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>