

Write your name here

Surname

Other names

Pearson Edexcel
International
Advanced Level

Centre Number

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Candidate Number

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Business Studies

International Advanced Level

Unit 3: Strategic Business Decisions

Wednesday 15 January 2014 – Morning

Time: 2 hours

Paper Reference

WBS03/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- In your responses, you should take particular care with punctuation and grammar, as well as the clarity of your expression.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence A

How *Tata* built an empire

Tata Group is the largest Indian multinational conglomerate; it includes *Tata Steel*, *Tata Motors* and *Tata Consultancy Services*. In 2012 it earned revenues of over \$100 billion, more than half of it abroad, while employing around 450,000 people.

Tata Group's main holding company, *Tata Sons*, has 98 operating companies spread across 56 countries in six continents. *Tata Sons* is two-thirds owned by a charitable trust, which distributed more than \$100 million in profits to good causes in 2012.

5

Since 2000 nearly \$18 billion has been spent to acquire 22 companies worldwide, including *Tetley Tea* and *Corus Steel* in the UK, New York's *Pierre Hotel* and *Jaguar Land Rover*.

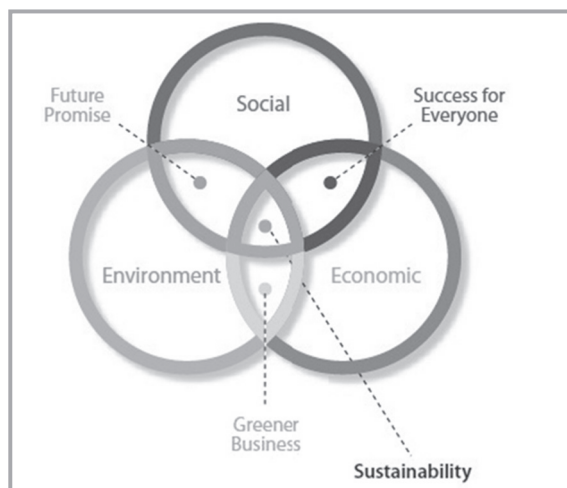
(Source adapted from: <http://www.rediff.com/money/slide-show/slide-show-1-tata-special-amazing-story-of-how-ratan-tata-built-an-empire/20121228.htm#16>)

Evidence B

Tata Steel's sustainability mission

"In a free enterprise, the community is not just another stakeholder, but is, in fact, the very purpose of its existence."

It is these words of Jamsetji Tata, Founder of *Tata Steel* that have shaped the company's culture of social responsibility.



At *Tata Steel*, the benefits of wealth creation extend beyond the business, flowing into the communities in which the company operates.

5

Tata Steel's long term strategy is focused on sustainability. It is the combination of social, environmental and economic elements that ensures that the business is sustainable for all stakeholders.

10

(Source adapted from: *Tata Steel* company report 2011–2012)



Evidence C

Tata Group would never favour a hostile takeover

Tata Group would never favour a hostile takeover said its former chief Ratan Tata. "What I mean is that if a company doesn't want us, we're not going to take it by force."

"What we do before we acquire a company is spend a lot of time looking at the management and the work ethics and the corporate culture of that company," he said.

"We have walked away from companies which would be good business fits for us, but its method of operation would be too different and we have not bought it."

5

(Source adapted from: <http://www.indianexpress.com/news/tata-group-would-never-favour-a-hostile-takeover-ratan-tata/1101783/>)

Evidence D

Tata to buy US firm Cambric Corporation

Tata has taken over US-based *Cambric Corporation*, an engineering services company with a significant presence in Eastern Europe, for \$32.5 million.

"The acquisition will strengthen *Tata's* global footprint and capacity to provide specialist engineering services to a diverse set of existing and new clients, especially in Europe," said Patrick McGoldrick, Managing Director and CEO of *Tata Technologies*.

5

Cambric's customers include leading global players in heavy machinery, agricultural, off-highway and automotive companies.

(Source adapted from: <http://www.thehindu.com/business/Industry/tata-tech-to-buy-us-firm-cambric-corporation/article4657885.ece?css=print>)



P 4 4 5 7 1 A 0 3 2 0

1 (a) What is meant by the term 'conglomerate'? (Evidence A, line 1)

(2)

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(b) What is meant by the term 'takeover'? (Evidence C, line 1)

(2)

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(Total for Question 1 = 4 marks)



(Total for Question 4 = 10 marks)



5 Assess the benefits of inorganic growth to *Tata Group*.

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(Total for Question 5 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



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SECTION B STARTS ON THE NEXT PAGE



SECTION B

Answer ALL questions in this section.

You should spend 60 minutes on this section.

Evidence E

As European Acquisition Struggles, *Tata Steel* Takes \$1.6 Billion Write-Down

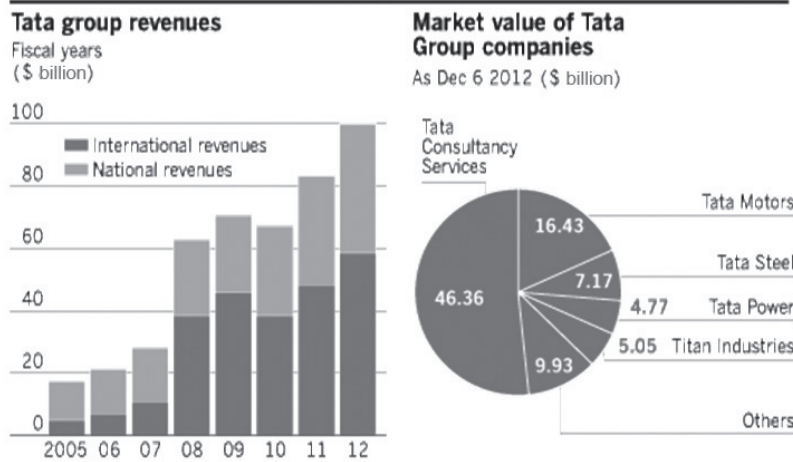
Tata Steel, India's largest steel producer, said in May 2013 that it would take a \$1.6 billion write-down (adjusting the value of an asset downwards), citing the 'weaker macroeconomic and market environment in Europe.' The trouble stems mainly from *Tata Group's* acquisition of *Corus*.

Tata Group made an aggressive push into Europe, buying *Corus* for \$9.6 billion in 2007. But the deal, just before the onset of the financial crisis, was ill-timed. Since the acquisition, demand for steel in Europe has fallen by about 30%, including about 8% in the company's last fiscal year, which ended in March.

Like competitors, *Tata Group's* problems go beyond Europe, as demand for steel slumps amid the global economic weakness. *Tata Group* reported a \$139 million loss for the last three months of 2012.

(Source adapted from: <http://dealbook.nytimes.com/2013/05/13/as-european-acquisition-struggles-tata-takes-1-6-billion-write-down/>)

Evidence F



Largest acquisitions by Tata Group since 2000

Target company nationality and year of the deal

Fund	Deal Value (\$ million)
Corus Group	12,983
Jaguar Cars Ltd Land Rover	2,300
PT Kaltim Prima Coal, PT Arutmin	1,184
General Chemical Industrial Products	1,005
Glaceau	677
Tetley Group	432
Millennium Steel	410
Manufacturing plant (Fertilizers manufacturing plant)	290
NatSteel Asia	284

Sources: company; Dealogic

(Source adapted from: <http://www.ft.com/cms/s/0/8f62c272-45e6-11e2-b780-00144feabdc0.html#axzz2TvDD7o2K>)



Evidence G

Selected financial information, *Tata Steel* – N.B. All figures in Rs Crore

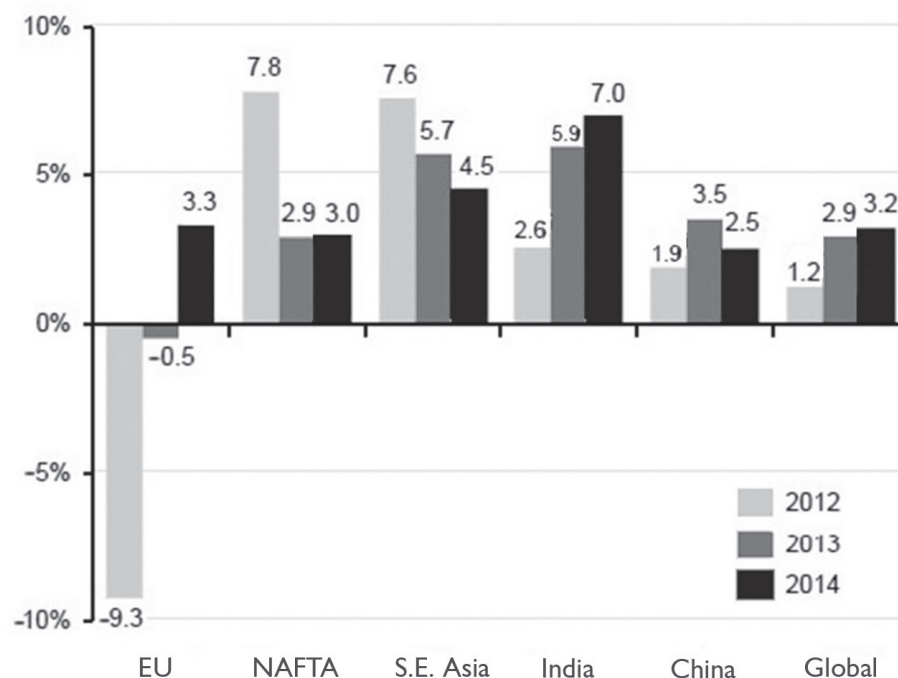
Extract from Statement of Financial Position		
	2012-13	2011-12
Current assets	11 530	12 819
(of which inventory)	5 257	4 858
Current liabilities	16 488	16 838
Non-current assets	90 346	82 983
Non-current liabilities	27 903	24 473
Capital employed	34 734	31 095

Extract from Statement of Comprehensive Income		
	2012-13	2011-12
Revenue	38 199	33 933
Profit for the year	6 696	5 062

(Source adapted from: <http://www.tatasteel.com/investors/pdf/Q4-FY12-13-sebi-release.pdf>)

Evidence H

Steel demand outlook (% year on year change)



(Source adapted from: http://www.tatasteel.com/investors/pdf/Q4-Analyst-Meet-Presentation_FY13.pdf)



6 Using Evidence G and H, evaluate the usefulness of ratio analysis to *Tata Steel* when deciding strategy.

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Handwriting practice area with 20 horizontal dotted lines.



(Total for Question 6 = 20 marks)



7 Evaluate the likely impact external influences may have on *Tata Group's* strategy.

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Handwriting practice area with 20 horizontal dotted lines.



(Total for Question 7 = 20 marks)

TOTAL FOR SECTION B = 40 MARKS
TOTAL FOR PAPER = 80 MARKS



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