

Mark Scheme (standardisation) Summer 2010

GCE

GCE Business Studies/Economics and Business (6BS03/6EB03)
Unit 3: International Business

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Unit 3 Section A

Question Number	Question	
1.	Briefly analyse why Chinese toy factories were closing in December 2008.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks for identifying a reason (or reasons) e.g. worldwide recession, lack of income in crucial markets etc..</p> <p>Application: up to 2 marks for application – showing a link to the context of the question e.g. using the evidence or commenting on the specific nature of the toy market, such as income elastic/luxury goods</p> <p>Analysis: up to 2 marks for analysis – developing a comment on the reasons – e.g. in order to cope with the fall in demand production is cut back meaning less demand for resources, in some cases the fall in demand is so severe that the factory can no longer operate. Joint ventures may also have been abandoned.</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p>

Question Number	Question	
2.	Analyse two possible reasons why so many toys are made in China.	8 marks
	Answer	Mark per reason
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4</p> <p>Knowledge: up to 2 marks for awareness that there are reasons for this e.g. lower labour costs, experience in toy manufacture, good supply chain, reputation. Also allow existence of large market to sell to only if linked to reasons for making toys in China.</p> <p>Application: up to 2 marks for placing in context e.g. showing that China has these particular attributes. Plentiful supply of labour (source mentions migrants)</p> <p>Analysis: up to 4 marks for developing these points further e.g. Western toy companies are content to come up with ideas and outsource production to low cost production areas such as China. Multinationals are under obligation to gain profits for their shareholders and gaining a competitive advantage via low costs which translates into lower prices is desirable. This leads to inward investment and outsourcing into China. May see mention of comparative advantage here.</p> <p>General – if only one reason cap at 4</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1-2</p>

Question Number	Question
3.	Assess the likely impact on UK toy manufacturers of China's comparative advantage in toy manufacturing. (9 marks)

Level	Mark	Descriptor	Possible content
1	1- 2	Relevant knowledge and understanding of the impact on UK toy manufacturers.	e.g. businesses and sales may be affected
2	3-4	Basic points developed to show application to context.	e.g. application to, and discussion of, China and UK toy firms
3	5-6	Analysis of the impact on UK toy manufacturers	e.g. The most predictable response might be that this will spell doom and gloom for UK manufacturers who are unable to compete on a cost basis with Chinese toy manufacturers. There may be talk of business failure, redundancies and negative regional multiplier effects.
4	7-9	Evaluation of impact on UK toy manufacturers	e.g. students may point out that not all UK firms will suffer, whilst the manufacturing process may be outsourced much of the design and development work will remain in the UK. UK firms may well thrive by offshoring their production and gaining a cost advantage. There will also be some UK manufacturers who operate in niche markets where costs/price is not such a sensitive issue.

Question Number	Question
4.	Evaluate the likely value of an ethical trading policy for multinational corporations such as Disney and Hasbro. (12 marks)

Level	Mark	Descriptor	Possible content
1	1-2	Some relevant understanding of terms involved <i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i>	e.g. understands meaning of ethical trading policy and multinational corporations
2	3-4	Candidate shows connection between ethical trading policy and its application to an MNC <i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i>	e.g. A company like Disney with its wholesome family image is likely to have an ethical trading policy and this will guide its operations.
3	5-7	Analysis of value of an ethical trading policy <i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i>	e.g. In an effort to minimise production costs, unscrupulous suppliers may enforce poor or harsh working conditions; the use of child labour and sweatshops are possible. Exposure of such conditions can have a detrimental effect on the parent company's sales. The presence of an ethical trading policy can have a positive effect on consumers and sales.
4	8-12	<u>Low Level 4: 8-10 marks.</u> Evaluation must be present <u>High Level 4: 11-12 marks</u> Evaluation is developed to show a real perceptiveness on the part of the candidate. Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion. <i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar</i>	e.g. There is a potential conflict between an ethical trading policy and profit maximisation. Responses may point out that the importance of an ethical trading policy will vary according to the market segment and/or the image of the company and the actions of their customers. e.g. candidate develops evaluation by reaching a conclusion as to the value of such a policy. It may be that with modern media, the internet and social networking sites an ethical trading policy is now more important than ever. Some companies genuinely have an altruistic aim in their culture. Cynics may point out that both Enron and BP had/have strong ethical trading policies!

*N.B. If analysis but no context restrict to bottom L3
If evaluation but no context restrict to top L3*

Unit 3 Section B

Question Number	Question	
5.	Explain why the Indian government might want to restrict foreign ownership of joint ventures to 51%.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks are available for identifying a reason (or reasons) as to why the Indian government might want to restrict foreign ownership</p> <p>Application: up to 2 marks for application - showing a link to the context of the question e.g. using the evidence or commenting on the specific nature of the Indian economy/society</p> <p>Analysis: up to 2 marks are available for developing the reasons e.g. to enable Indian industries a chance to grow without being swamped by foreign competition who might drive out developing native enterprises, or to enable skills and knowledge transfer to take place and why this is important to a growing economy like India.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
6.	Analyse two likely reasons for M&S's decision to enter the Indian market.	6 marks
	Answer	Mark per reason
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2,</p> <p>Knowledge: up to 2 marks are available for identifying one or two reasons which might explain M&S's actions, maybe just repeating the evidence or assertions. e.g. to enter the market, to expand, to increase profitability, common language, extension of product life-cycle</p> <p>Application: up to 2 marks are available for contextual answers which use the evidence or refer to either aspects of Marks & Spencer or the Indian market directly e.g. the Indian market is different to their usual markets in that it is growing rapidly with rising incomes and offers potential for much future growth, M&S's has not done so well in recent years at home.</p> <p>Analysis: up to 2 marks are for developing the reasons e.g. M&S's normal markets may be saturated, the highly competitive UK market and the recession mean that growth and profitability are needed elsewhere. India has all the right characteristics for this to happen.</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p>

Question Number	Question
7.	Assess the likely benefits for multinationals such as Wal-Mart of entering into joint ventures. (8 marks)

Level	Mark	Descriptor	Possible content
1	1	Some relevant understanding of key terms.	e.g. understands multinationals or joint ventures
2	2-3	Knowledge is applied to multinationals such as Wal-Mart.	e.g. For a successful global multinational such as Wal-Mart having a joint venture partner is a good way of expanding and entering new markets
3	4-5	Analysis of the likely benefits.	e.g. Having a joint venture makes entry much easier and reduces the risks involved. Local firms may have valuable knowledge and expertise. In the case of markets such as India and China there are also Government regulations regarding the entry of foreign firms. This makes entry into potentially lucrative emerging markets much easier
4	6-8	Evaluation must be present through a balanced response by perhaps pointing out that there are drawbacks as well as benefits.	e.g. looks at the downside of such arrangements, risks may be shared but so too are profits. Some control is lost, there may be breakdowns in trust and communication, or a clash of corporate culture. These must be weighed against the benefits.

***N.B. If analysis but no context restrict to bottom L3
If evaluation but no context restrict to top L3***

Question Number	Question
8.	Evaluate the difficulties multinational retailers might experience when entering a foreign market such as India. (10 marks)

Level	Mark	Descriptor	Possible content
1	1	Relevant knowledge and understanding	Knowledge of multinational retailers or difficulties that they face.
2	2	The above is applied to a foreign market such as India.	e.g. awareness of how different a foreign market like India can be.
3	3-5	Analysis of some potential difficulties.	e.g. Potential difficulties might include surmounting the social and cultural differences, many companies have come unstuck through lack of awareness when trading internationally. There are also the not inconsiderable logistical problems in running a business venture in India; multinational retailers may have little foreign experience outside of a developed western economy. Supply chains and distribution networks can expect teething problems. The evidence also suggests some resistance towards western firms as well as the presence of Government obstacles.
4	6-10	<p><u>Low Level 4: 6-8 marks</u> Evaluation must be present, such that candidates make judgments as to the extent of the likely difficulties.</p> <p><u>High Level 4: 9-10 marks</u> Evaluation is developed to show a real perceptiveness on the part of the candidate.</p> <p>A conclusion which is well contextualised is evident.</p>	<p>e.g. there is also a clear hint in the evidence that as the Indian economy grows the retail sector will too, as will the number of better educated and more westward leaning young people. Evaluation may consider the potential difficulties of entering a foreign market such as India, balanced against the possible gains from future growth and profitability.</p> <p>e.g. Evaluation may discuss the degree of the difficulties described above.</p> <p>There is a conclusion reached which clearly sums up the arguments.</p>

***N.B. If analysis but no context restrict to bottom L3
If evaluation but no context restrict to top L3***

Question Number	Question
9.	Evaluate whether the Indian Government should encourage further foreign investment into the country. (15 marks)
Knowledge 2, application 1, analysis 4, evaluation 8	

Level	Mark	Descriptor	Possible content
1	1-2	<p>Candidate shows an understanding of terms</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and/or a weak style and structure of writing.</i></p>	e.g. defines or identifies foreign investment and explains meaning
2	3	<p>Application of foreign investment to India</p> <p><i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i></p>	e.g. India is a growing economy and likely to attract foreign investment, government has a role in encouraging this or not.
3	<p>4-7</p> <p><i>Not in context cap at 4marks</i></p>	<p>Analysis of impact of further foreign investment on India</p> <p><i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i></p>	<p>e.g. Analysis of the impact could be positive or negative. There is evidence in the stimulus of the threat to some Indian businesses that foreign firms may pose; structural change is perhaps, inevitable. There may be closures and negative effects on existing businesses who may struggle to cope with the incoming foreign businesses. Unemployment may rise and in some areas traditional ways of life may be threatened.</p> <p>On the other hand there may be many positive effects, incoming businesses will create jobs, training and technology transfer may happen, the Indian government may gain from tax revenues. The partners in joint ventures or the franchisees may well benefit from an increasing number of foreign firms entering the market.</p>

4	<p>8-15</p> <p><i>Not in context cap at 7 marks</i></p> <p><i>Poor evaluation 8 marks</i></p>	<p><u>Low Level 4: 8-11 marks</u></p> <p>Evaluation must be present, candidates begin to discuss the fact that further foreign investment will affect different sectors of the Indian economy and society in different ways.</p> <p><u>High Level 4: 12-15 marks</u></p> <p>Evaluation is developed to show a real perceptiveness on the part of the candidate, in this range it is likely that the discussion will be more articulate and show understanding of the complexities involved.</p> <p>A conclusion which is well contextualised is evident.</p> <p><i>Candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>e.g The Indian Government will need to balance the benefits of further foreign investment with the potential drawbacks. Evaluation may take the form of contrasting the fortunes of differing stakeholder groups and commenting upon the likelihood of such effects.</p> <p>e.g. There should be a balanced conclusion as to whether the Indian Government should encourage further foreign investment or not. Much will depend upon the pace and/or magnitude of India's growth and the distribution of any resulting extra wealth. The short term situation may well be different to the long term.</p>
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Question		Kn	App	An	Eval	Total
1		2	2	2	-	6
2		2	2	4	-	8
3		2	2	2	3	9
4		2	2	3	5	12
5		2	2	2	-	6
6		2	2	2	-	6
7		1	2	2	3	8
8		1	1	3	5	10
9		2	1	4	8	15
Total		16	16	24	24	80