

# Mark Scheme (Pre-standardisation)

Summer 2014

GCE Business Studies/Economics & Business  
(6BS03/01 - 6EB03/01)  
Unit 3: International Business

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Winter 2014

Publications Code xxxxxxxx\*

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## 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.

## Summer 2014 Unit 3 Section A Mark Scheme

### General guidance for markers.

*The content of the mark scheme is only a guide; reward any logical or plausible answer.*

### Note on context

*If analysis but **no context anywhere** restrict to bottom of L3*

*If evaluation but **no context anywhere** restrict to top of L3*

*If context on one side **or** the other -i.e. analysis **or** evaluation - it can get L4 (see mark scheme for individual Q for how many allowed in this case)*

*If context on both sides i.e. analysis **and** evaluation - then full range of marks at L4 can be considered*

Question Number	Question	Mark
1.	Explain <b>two</b> possible negative impacts that MNCs can have on the countries where they operate.	6 marks
	Answer	Mark
	<b>Knowledge 2, Application 2, Analysis 2</b>	
	<b>Knowledge: up to 2 marks</b> for identifying 2 reasons such as environmental damage, exploitation of labour	1-2
	<b>Application: up to 2 marks</b> for developing each reason in the context of MNCs e.g. BP and the Gulf of Mexico, Primark and sweatshops	1-2
	<b>Analysis: up to 2 marks</b> for developing each reason, e.g. negative impact on Mexican/American fishermen and their loss of income and GDP; sweatshop labour means low incomes and slower growth for the host country	1-2
	<i><b>General - if only one reason, cap at 3 marks.</b></i>	

Question Number	Question	
2.	Analyse <b>two</b> possible ways that MNCs might contribute to an improvement in local living standards in the countries where they operate.	8 marks
	Answer	Mark
	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4</b></p> <p><b>Knowledge: up to 2 marks</b> are available for identifying two reasons e.g. skills and technology transfer, boost for local suppliers</p> <p><b>Application: up to 2 marks</b> are available for contextual answers e.g. Mercedes in Brazil, McCains in India</p> <p><b>Analysis: up to 4 marks</b> are available for expanding on the consequences e.g. By building factories, local workers and managers may be employed and trained in modern car production methods. In due course they may set up their own businesses using these skills and benefit the economy by providing employment and creating income. e.g. McCain’s provided equipment and training for local farmers in growing potatoes. Crop yields and farmers’ incomes were raised enabling them to educate their children, reinvest in tools and further production and creating a local positive regional multiplier effect, all of which improves living standards.</p> <p>Up to 2 analysis marks for <b>one</b> reason, up to 4 marks for analysis of <b>two</b> reasons</p> <p><i>General – if only one reason, cap at 4 marks</i></p>	<p>1-2</p> <p>1-2</p> <p>1-4</p>

Question Number	Question		
3.	Assess the potential trade-off between ethical behaviour and profitability for a MNC such as BP.  (9 marks)		
Level	Marks	Descriptor	Possible content
1	1-2	Candidate offers some relevant understanding of ethical behaviour or profitability	e.g. Ethical behaviour means following a code of practice that embodies positive moral values.
2	3-4	Basic points developed to show awareness of context in terms of multinationals such as BP	e.g. uses the example of any MNC they might be familiar with, such as Mothercare from past paper or businesses such as Body Shop or Patagonia.
3	5-6	Candidate analyses by offering reasons/ causes/ consequences etc. of ethical behaviour  Arguments will be one-sided.	There is a negative trade-off between ethical behaviour and profitability. e.g. ethical behaviour involves issues such as environmental protection, fair wages and working conditions, responsible sourcing and sustainability. e.g. these all imply higher costs of production which may negatively affect profitability. If higher costs translate into higher prices competitiveness and sales may suffer.
4	7-9	Evaluation in context must be present  <i>Context on one side only cap at 7</i>	Candidate balances the answer by pointing out that it may not all be bad news. e.g. the trade-off may be limited or even non-existent. An ethical policy may mean that costly environmental damage can be avoided. e.g. some businesses will gain a competitive advantage by following an ethical policy which can enhance reputation and desirability in the eyes of the consumer, thus giving a competitive advantage

***N.B. If analysis is not in context restrict to bottom L3, i.e. 5 marks.***

***If evaluation not in context restrict to top L3, i.e. 6 marks***

Question Number		Question	
4*		Evaluate the extent to which the activities of a MNC such as BP can be controlled.  (12 marks)	
Level	Mark	Descriptor	Possible content
1	1-2	Candidate offers some relevant knowledge/understanding of the question  <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. a MNC is a business that operates in more than one country. e.g. MNCs can be controlled by laws
2	3-4	Basic points developed to show application to the question  <i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i>	Uses evidence to show e.g. that BP is being made to pay compensation by the US government. Or uses another example from their own knowledge e.g. Starbucks and paying tax after public pressure
3	5-7	Candidate analyses by offering reasons/ causes/ consequences etc. of ways in which MNCs might be controlled  Arguments will be one-sided.  <i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i>	The actions of MNCs can be controlled by e.g. legal challenges/rulings/court cases brought by governments to force MNCs to change behaviour. e.g. campaigns by pressure groups forcing compliance. e.g. public opinion and boycotts which impact on sales and bring pressure to bear. e.g. pressure groups that launch a campaign against the actions of a MNC to change behaviour. e.g. adverse media coverage that mobilises public opinion against the MNC. e.g. use of social networks to orchestrate a boycott that could hit sales.
4	8-12	<u>Low Level 4: 8-9 marks.</u>  Evaluation must be present	Begins to discuss the other side of the arguments which look at the extent to which these tactics will actually be effective in controlling the actions of MNCs. e.g. MNCs can employ effective

		<p><i>Context on one side only cap at 9</i></p> <p><u>High Level 4: 10-12 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 in context.</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>legal backing to overthrow legal challenges. e.g. overriding economic considerations can persuade governments not to be too harsh on MNC behaviour.</p> <p>Evaluation becomes more sophisticated e.g. an awareness that it depends on the strength of the government - the USA and China are likely to be more effective at controlling MNCs than Nigeria or Malawi. e.g. the effectiveness of consumer pressure will depend on whether the MNC sells to the public and has a positive image to protect such as Disney, in which case it is more likely to change its behaviour, or whether it has little or no direct public involvement such as a mining company like Freeport</p>
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***N.B. If analysis is not in context restrict to bottom L3, i.e. 5 marks.***

***If evaluation not in context restrict to top L3, i.e. 7 marks.***



### Unit 3 Mark Scheme Section B

Question Number	Question	Mark
5.	Explain <b>two</b> possible reasons why sales in emerging markets are important to ‘Large western pharmaceutical companies’ (evidence A, line 1).	6 marks
	Answer	Mark
	<b>Knowledge 2, Application 2, Analysis 2</b>	
	<p><b>Knowledge: up to 2 marks (one for each reason)</b> for identifying possible reasons.            e.g. saturated domestic markets,            e.g. increasing demand in emerging markets</p>	1-2
	<p><b>Application: up to 2 marks (one for each reason)</b> for contextual answers            e.g. The US market for pharmaceutical products only increased by 2.3%.            e.g. in India sales are forecast to grow by 15 – 20%</p>	1-2
	<p><b>Analysis: up to 2 marks (one for each reason)</b> are for developing the reasons            e.g. if growth and profitability are to be maintained new markets must be found.            e.g. this will increase demand for products from western companies, increasing sales and profitability.</p>	1-2
	<b>If only one reason cap at 3 marks</b>	

Question Number	Question	
6.	Explain <b>two</b> possible difficulties Indian pharmaceutical companies might face when entering the US market.	6 marks
	Answer	Mark
	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 2</b></p> <p><b>Knowledge: up to 2 marks</b> are available for stating two possible difficulties Indian pharmaceutical companies might face when entering the US market. e.g. protectionism. e.g. lack of brand recognition.</p> <p><b>Application: up to 2 marks</b> are available for relating the above to the context e.g. the US imposes a tariff on most imports. e.g. consumers are more familiar with US brands of pharmaceutical products.</p> <p><b>Analysis: up to 2 marks</b> are available for consideration of how this might cause difficulties for Indian pharmaceutical companies when entering the US market. e.g. tariffs will increase cost to importers making them less competitive. e.g. high marketing budget to overcome a lack of brand recognition.</p> <p><i>N.B. Maximum of 3 marks if only one difficulty given.</i></p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question		
7.	Assess the likely benefits for European pharmaceutical companies, such as Reckitt Benckiser, of expanding by takeovers. (8 marks)		
Level	Mark	Descriptor	Possible content
1	1	Candidate offers some relevant knowledge/understanding of takeovers	e.g. inorganic expansion, when one business gains control of another
2	2-3	Knowledge is applied to show awareness of context in terms of western pharmaceutical companies	e.g. this is an example of horizontal integration. e.g. use of evidence such as Reckitt Benckiser's takeover of Paras Pharma or own knowledge
3	4-5	Candidate analyses by offering reasons/ causes/ consequences of benefits of expansion by takeovers  Arguments will be one-sided.	e.g. to gain access to new and expanding markets to increase sales and or profitability. e.g. reduce the competition, leading to increased market share and increased profits. e.g. gain control of brand names, patents and technologies to increase product portfolio. e.g. access to low cost manufacturing capability to increase competitiveness (evidence A)
4	6-8	Evaluation in context must be present through a balanced response by pointing out some of the potential drawbacks of expansion by takeovers  <i>Context on one side only cap at 6</i>	Identifies and explains possible risks of expanding by takeovers. e.g. over-expansion may lead to diseconomies of scale. e.g. clash of cultures may cause communication problems. e.g. potential move away from core competences may cause lack of focus, e.g. possible difficulties in Indian markets may increase costs.

***N.B. If analysis is not in context restrict to bottom L3, i.e. 4 marks.***

***If evaluation not in context restrict to top L3, i.e. 5 marks.***

Question Number	Question		
8.	Evaluate the relative importance of low labour costs to a company's decision on where it will outsource its production. (10 marks)		
Level	Mark	Descriptor	Possible contents
1	1	Candidate offers some knowledge/understanding of low labour costs/outourcing	e.g. lower wage rates/moving part of your production to another country
2	2	The above is applied to a business in context	e.g. use of evidence B giving lower wage rates for different countries or examples from own knowledge
3	3-5	Candidate analyses by offering reasons/causes/consequences of cheap labour costs and their influence on where to outsource production  Arguments will be one-sided.	e.g. lower labour costs will lower the costs of production. For many businesses labour costs are a substantial part of their total costs, reducing them can lead to lower prices and a competitive advantage with regard to price
4	6-10	<u>Low Level 4: 6-7 marks</u>  One or two evaluative points are made, based on analysis of importance of low labour costs probably without arriving at a conclusion/judgement.  <i>One sided context cap at 7</i>  <u>High Level 4: 8-10 marks</u>  Evaluation is developed with several strands to show a real perceptiveness on the part of the candidate. A conclusion which is well contextualised is evident.	e.g. balances possible cost savings against extra costs that might be incurred such as training the workforce.  e.g. the cost of labour might not be as important as the quality and skills of the labour force  e.g. considers the importance of other factors such as infrastructure, location, land costs. Ease of doing business, size and amount of government restrictions/incentives. e.g. labour costs might only be a small proportion of total costs e.g. the pharmaceutical industry in particular is capital intensive rather than labour intensive

***N.B. If analysis is not in context restrict to bottom L3, 3 marks.  
If evaluation not in context restrict to top L3, i.e. 5 marks.***

Question Number	Question		
9*.	Evaluate the impact of India's growing economic power on individuals in western countries such as the USA or the UK. <p style="text-align: right;">(15 marks)</p>		
Level	Mark	Descriptor	Possible content
1	1-2	Candidate shows some knowledge/understanding  <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. defines or identifies what is meant by growing economic power – expansion of GDP, increasing levels of consumption
2	3	Awareness of impact on individuals in western countries such as America or the UK  <i>Candidate uses a limited amount of business/economics terminology with reasonable spelling, punctuation and grammar.</i>	e.g. ability to compete in global markets - growth of Indian pharmaceutical companies e.g. consumption in India worth \$.85 trillion, world's fifth largest consumer market by 2025
3	4-7	Candidate analyses by offering reasons/causes/consequences for individuals in western countries such as America or the UK  Arguments will be one-sided.  <i>Candidate uses business/economics terminology quite well and has a reasonable to good grasp of spelling, punctuation and grammar</i>	e.g. as India's GDP and levels of consumer spending increases patterns of demand may change. Some UK and US businesses will flourish as a direct result of this. Individuals who work for these businesses will benefit in secure employment and possibly increased incomes. This is particularly so for income elastic products as shown in evidence C. e.g. individuals will also benefit if Indian pharmaceutical companies grow enough to successfully penetrate western markets and so provide cheaper medicines and other cheaper products/substitutes.
4	8-15	<u>Low Level 4: 8-9 marks</u>  Evaluation must be present, one or two basic evaluative points made. A conclusion is	Candidates begin to contrast those businesses/individuals that will benefit from India's growth as opposed to those that may be threatened and lose their jobs.

	<p>unlikely to be made.</p> <p><i>Context on one side only cap at 9</i></p> <p><u>Mid level 4: 10-12 marks</u> Several good evaluative points made and a conclusion may be attempted</p> <p><u>High level 4: 13 – 15 marks</u> 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. 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. workers in the western pharmaceutical companies may lose their jobs as a result of Indian competition</p> <p>Takes these points further and looks at the degree and scope of the impact e.g. the growing power of Indian businesses may also provide a problem for individuals if they out-compete western businesses.</p> <p>The short term impacts may be contrasted with differing long term impacts. e.g. many individuals will be totally unaffected by India's growth such as hairdressers and public sector workers e.g. Growing economic power can lead to improvements in education and better qualified Indian workers who may then compete with western individuals for employment</p>
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***N.B. If analysis is not in context restrict to bottom Level 3 - 4 marks***

***If evaluation not in context restrict to top Level 3 - 7 marks***

#### Assessment Objectives

Question	Contents	Kn	App	An	Eval	Total
1	3.3.6b	2	2	2	-	6
2	3.3.6a	2	2	4	-	8
3	3.3.4a	2	2	2	3	9
4	3.3.6c	2	2	3	5	12
5	3.3.4c	2	2	2	-	6
6	3.3.1b	2	2	2	-	6
7	3.3.5a	1	2	2	3	8
8	3.3.3a	1	1	3	5	10
9	3.3.2	2	1	4	8	15
Total	-	16	16	24	24	80