



Examiners' Report June 2017

IAL Business Studies WBS04 01







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Introduction

The paper seemed to work well, there was a good range of marks showing that the paper had been able to differentiate. As with previous exam series, there were some less able responses that showed little understanding of, or even familiarity with, the specification content. Nevertheless there were some good and occasionally very good responses to the questions set.

The main reasons for some otherwise able candidates underachieving are the usual ones of not heeding command words and not reading the questions carefully enough. Command words are still being ignored by a sizeable number. Instructions to 'Assess' and 'Evaluate' were not followed by some candidates and as a result they failed to evaluate and so limited their marks.

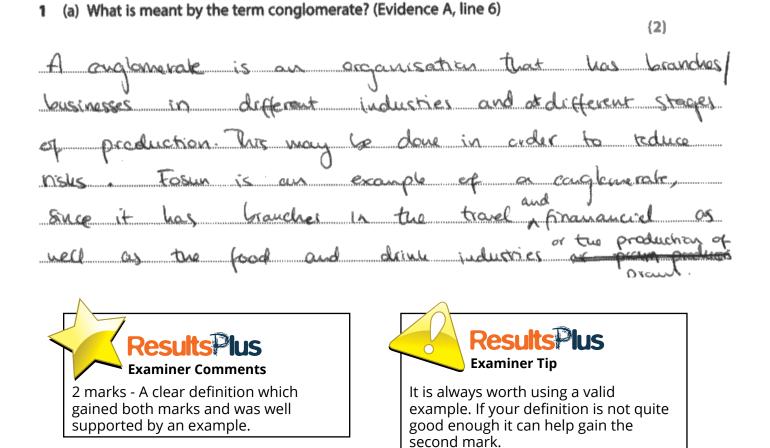
Some of the candidates missed out on marks because they did not answer the question that was set. This was particularly the case with question 5.

It is worth reminding future candidates of the need to apply context to all responses. Repeating generic or stock answers will not access the higher levels of the mark scheme.



Question 1 (a)

Most candidates were able to at least partially answer this question by stating that a conglomerate meant one company with a range of different products. More able candidates developed this to explain that this meant different industries and different stages of the production process for the second mark.



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Question 1 (b)

Mixed results here which suggested that many candidates were sure of the reason for investment but were not necessarily accurate in their understanding of how the investment was carried out, i.e. through expenditure. There were very few actual examples given.

(b) What is meant by the term investment? (Evidence B, line 7)	
	(2)
Investment is when a business spends money on the g	rowth of
the business. For instance spending on new machinary or	even
investment in aquiring another company. Evidence B states t \$5 bn	hat Fosun
has invested more than \$ 5.5 bn in the USA and \$ 500m in	Japan
Fosun invested in club med and silver cross.	

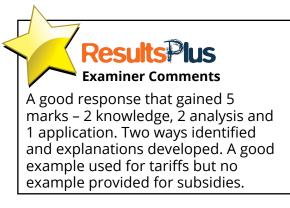




Many candidates gave an unnecessary definition of trade barriers. Most of the candidates were able to explain two ways they might restrict trade, showing a good understanding of tariffs, quotas and embargoes, but few were able to provide their own examples as required by the question. As a result, many failed to get beyond 4 marks.

2 Using your own examples, explain **two** ways in which trade barriers might restrict or prevent trade.

Trade barriers like for instance a tariff could restrict trade. Tariffs
would make a good imported from another country expensive.
A tailt is a tax charged on imports of goods and services causing
the price of the goods to rise. This would mean that people are
less likely to demand these imported goods as they would now
be expensive. For example when the USA impored a tariff on
Chinese solar pannels, it would have made the chinese solar
pannels more expensive for the clomestic ronsumers in the USA. This intum
would cause them to switch to buying domestically produced solar
pannels preven ting trade. Further a government could provide local firms subsidies. This
Further a government could provide local firms subsidies. This
Further a government could provide local firms subsidies. This inturn would help reduce the cost of production to fall and therefore
Further a government could provide local firms subsidies. This inturn would help reduce the cost of production to fall and therefore had to a fall in price of goods and services. As the price falls,
Further a government could provide local firms subsidies. This inturn would help reduce the cost of production to fall and therefore





Make sure that you do what the question says. Many candidates failed to gain application marks on this question because they did not provide their own examples.



Again, many candidates gave an unnecessary definition of joint ventures. Despite the clear understanding of a joint venture, few responses managed to secure all 8 marks. Most identified a need for local knowledge or a sharing of costs with some application but usually with not enough development to reach the final 2 analysis marks. A significant number wasted time/ space on evaluating their response, indicating a lack of exam technique or understanding of command words. ż

. . .

3 Analyse two possible reasons why Thomas Cook is forming a joint venture with Fosun.
A joint venture occurs when a forgige from durgers with
or domestic from to form or new firm, that operates with
à common interest. Thomas cook ex could have brind -
a joint venture with Form to reduce to potential risk of entering
a new market i.e. the alimese market. Since 511. of the firm
is now owind by Fasur, any potential lasser included by
Thomas Cook could now be shared with Fasur. This
Minimizes the cist of entering and operating in a
loceign market. In this case Fasin mould be according to
the losses whereas Thomas cook will only incur 49%.
Furthermore; by entering a joint venture Thomas Cook could
undustand the chinese marked how detail and cathe to the
specific faites and preterences il chinese consumo. Since
Forun is a martel research company, the beaching of
entering 2 joint venture with this from is magnified as
Figur has a precise and detailed trionholdge of the chinese Martet. This By collaborating with Gosen, Thomas look
Chinese Martet. This good collaborating with Fran Thomas Cook
could use this resources efficiently and entry the exact
requirement of chines consumers, nous preventing tests
rising, thureby increasing the profile bility of the firm





This response scored 6 marks – 2 knowledge, 2 application and 2 analysis. Two reasons identified and developed with context. However, the analysis needed to be developed a little more in each case to gain the remaining 2 marks.



For each possible reason we are looking for an identification of that reason (Knowledge 1 mark), then putting it into context with a valid example (Application 1 mark) and then developing that reason by explaining the consequences with two points (Analysis 2 marks). Make sure you cover these three assessment objectives.



This question was generally well answered. Most candidates were able to analyse the benefits for Fosun of expanding by inorganic growth, commonly referring to speed of expansion, acquisition of local knowledge, established supply networks and accessing trade blocs. Evaluation was generally not as well done and often only briefly referred to potential culture clashes.

(10) Inorganic growth is when a business such as Fossin grows exp externally through taking over or merging with another firm Epsin has taken over clue Med, Cirque du soleil and silver cross some other take avers are Tata and Jequar land rover and also kraft and Cadbury. One likely benefit for Fosun is likely to be that they could benefit from economies of sole As they take over new companies, they are likely to been increase their out put produced. As this takes place, they are likely to benefit from economies of scale. This intern would lead to a fall in average costs and therefore it would lead to a vise in profits. This inturn could lead to Fosup reducing the price of the products sold leading to a rise in consumer welfare.

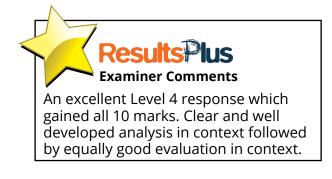
4 Assess the benefits for Fosun of expanding by inorganic growth.

Further Fosuntaking over these other firms would help them reduce risks. If one industry is to in their portfolio is likely to fail, this failure could be off set by that of the succes of ono ther product sold part of the business For instance if the market research part of the firm fails, Forson Fosun may be able to offset this by the airess of the travel sector.

However by taking over all these firms, Fosun may loose a cocompitancy of its main business. Fosun may lose forus of it may main sector of the firm which may lead to a fall in quality and therefore it cauld lead to a fall in a customer satisfied satisfaction and brand loyalty leading to a fall in sales



Further these takeovers could lead to culture clashes. The culture of Forsun and Silver cross maybe very different. Fosun is a chinese company whereas Silver cross is a British company and therefore the cultures of the two firms are likely to be different. This could lead to stuff demotivation and a fall in productivity leading to a rise in per costs as wastage may beging to rise.





This question was by and large very poorly answered. A significant number of candidates simply described what the WTO did, often just copying out the evidence. This failed to address the actual question, which was to assess the importance of the WTO in the growth of trade. Of those that did, many offered weak evaluation in pointing out the slow pace of change. More able responses went on to look at other factors that have influenced the growth of trade such as transport, communication and political change and then made a judgement as to the role and importance of the WTO.

5 Assess the importance of the World Trade Organization in the growth of trade under international trade.

(12)The World Trade Organication is a glabal an arganisation (bedy that works they' toward elimination of trade barniers and the mercase the. in international trade. wto has stadily been whing up contries around the world to recover stabil The with has been able to increase trade trade Through aqueensents and the pressection of dialogue and negrifications Furthernore, the WTO hos helped decrease the number of disputes between auntries and resche withing [ihentable disputes they doing this, many countries have reduced eliminated trade barriers - prometing alchel tiade Nonetheless the WTO 1005 enforce its agreements, maling, it Three love And so decreasing their real value difficult to ensure its trade agreements are followed A a coult, it found he sand 6) have disputes among commenter prevented S. M.CO. compress that feel to anoly with agreements iveritably couse trade disputes. furthermore, regebations are slaw. Notably negation and fir the Perelepment Agenda (DDA) have lasted for 1 kha . . .



14 years. The Causequently, the WTO's rate is limited since its slawness makes it ineffective CR2 and unhelpful . Additionally, net all comboies in are members of the with this the world Richard Limits the WTO's effectiveness since any all the do not Diselie WARDER CONTRACTOR D. Oppeencusts the boto has be members calmet be eomennies. sand to Frally, the WTO , arthrough playing role in premehine, tra.au urel Significant. peace factor Dat Malped. NCrease.hct Notably, trade Uberalisahing glebal trade timprevenuents in transport, an communication technology, the increased presence of MNCs and population granter have all Vifed international trade, and (Total for Question 5 = 12 marks) increase are independent to the with. TOTAL FOR SECTION A = 40 MARKS



Another excellent Level 4 response which gained all 12 marks. Clear understanding of the role of the WTO which was then linked to the growth of trade. Evaluation covered both the effectiveness of the WTO and considered other factors that may also have been an influence. There was also a brief conclusion to round it all off.



On the longer questions (Q5, 6 and 7) it is always a good idea to end with a reasoned conclusion. This should bring the arguments to a closing judgement and not just repeat the main points again.

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Question 6

Most of the responses for this question were able to access the evaluation level marks. The majority of these evaluative answers were in the lower range of Level 4 and many just used the example from the evidence of Thomas Cook.

There was some good use of context, many used examples from their own studies and wider reading. Candidates showed knowledge of western businesses that had been successful, and in some cases unsuccessful, in adapting to the growing Chinese economy. They were also able to use examples of successful Chinese businesses that were growing and posing a threat to the markets of established western businesses. Some more able responses discussed the impact of Chinese growth on commodity prices and the implications for western businesses. Others looked at the likely impact of growth on wage levels and the costs for western businesses which had offshored production to China.

A significant number of responses simply repeated a generic answer on China as a location for production because of a cheap and plentiful supply of labour and failed to consider how the growth of the Chinese economy might change things.

X477 look factories - Dto tamm respient - threat manfacturers ress of grave 000 ean = r . Jn. wer imports languis molecia loah compete local Evaluate the impact on western businesses of the growing Chinese economy. (20) where output total output ecenemy is one H. apersoning and Erning has increased relative for the Granth may be meanined by using land annon product) Universe concurry is graning at an inercelulate tram 10 years, Chinese GDPAhes <u>luss</u> (2005) to 38 66 (2014) 1740hisch (hinese growth has meant 2015 Barge States & Chrise one quarter tre total preduetion This level of granthiM wacy lot busillesses. For benefits on nestern growth of the arise eacherry will have aucrage mercased pincome This will have coulted on Therease in demand for goods and services



an Increase in demand for goods and services 077898626 This manage will have created an in opportunity or vester businesses to expand its market and thus rescape saturated domestic markets. This expansion of the potential market may have meant increased sales and increase propt for vertices businesses Furthermore, the increase in sales wight have weant western businesses grow in size. This could have resulted in economie, of sole for nextan businesses, such as bull-buying or -technical concuries of scale Furthermore, with Chinese greath, competition may have increased; which will have ferred ueskin businesses to become more efficient. Therefore, They could have decreased successo asts. Furthermore the grantle of China's concurry could present other banquits for nestern businesses. For mestern businesses with opportunities each ple an increase in granth is likely to have knuted in a Letter educated population. This means wastern busitesses booking it aling will have access to the laster quality labour and will provide recruitment speartunities - per comple, the mestern businesses may be able to hive of Chinese managers who have a bester understanding of the market and do not have language barniers Additionally drives granter has meant an increase in the incestment of ferrigin businesses aluina has for example, invested in the USA (\$68 bn), Australia (\$596), Europe (\$ 54 bn) and the Ul (\$ 23 bn) and Canada (\$39 bn). This inesmut way help eccucinies gree



Nevertheless, Chinese growth also presents a number of tweats to western businesses. For example, China will have a increased its need of commodities, which will in turn, increase weekdwide prices of these This increasing outs for western burnesses I he addition, with the grant of the Chinese coursing and stunderds of living, western economies may see the costs of productions branches and feacturies in China increase, since and education lends living n preneare Moreover, China's granter has senificantly agmented its grehal for er, nearing restern gereinments and businesses have become more vulnerable to thing achieve, and decisions in negotiations. A nealerned west may create connamic difficulties for businesses, as acchange rates fluctuate merecier, China's granter has meant its levels of experts have (Total for Question 6 = 20 marks) mercased. If Since they are able to produce at a brev cesta, cheap imports may threaten western considers in the West . The China's competition and loner prices may and destray domestic industries and cause the western business that are unable to compete to dose. This increases uneuplayment and domaged consumes demand in the domernic market, further damaging western businerser. Finally, mestern businesses many he unable to take advantage of opportunities in the Chinese market for the sale of goods since Chinese businesses are likely to develop and offer their own products and services in the market. Also, China!



trade barriers way prevent businesses from energing the market " In andunian, although there are a number of benefits to Universe growth, there are also threaks. Sure of these threaks could be prevented through trade barriers, but these could cause retairation.



A strong Level 4 response which gained 18 marks. It could perhaps do more to distinguish between the different types of business that may be affected and a conclusion would have been useful. Nevertheless, a very good answer.



for evaluation and can make the difference between a top grade and an average one. Make sure that you do fully evaluate and use suitable context throughout.



Evaluate the impact on western businesses of the growing Chinese economy. (20)Be Growing Chinese economy per means that China is growing at a rate about the global average. It has is the country with the highert GDP increase & OF the last 20 years. Evidence E shows that Chinese visitors to the UK have more estimates than doubled in five years. Evidence E also Mahas that 30% of all global invertment will come from Ching by 2030. Whings The country in which Chima is making nose investment ir in the USA (\$686n). Evidence E also predicts an increase of 800%. In the of the amount of money invested in UK by China ide in the following & years. But Figure 1 shows that China's GDP is increasing each year. economy Because China's EDMA is graving, people chinese people's disposable income is increasing too. They are having more money to spead e-q in tourson in western baseeser. Tourism will touse mean greater revenue for a country regulting in More employment and higher levels of disposable incoment which con be then LOUNTRIES CREOTING Chinese multing tionals may set up in wetern s pout in western 6JSINPISCS jobs and contributing to EuropeI economy by paying tax and by contracting workers. As China's economy grows, the amount of money inserted in western bainesser countries such as in the UK increases teo. If Chinese businesses locate in western countries, western businesses will be forced to be more efficient and



as a rewlt, their instance could be more subjected leading to brand layatty and so repeat purchaser. Chinese companies might want to form joint ventures with wastern businesser, allowing western businesser to grow together with Chinese over and quining more market power.

However, China could end up dominating the global market them Thia to have a big influence on pricer, enable will Making western businesses more succeptible to Chinese Airms. Chinese multinationals could force out of business wertern businesses selling similar preducts at a Much lover price. Although, contribute multinetioneds will (hinese to western country 5 ù Good economy, governments should place regulations Ac In order Ь host companies. Furthermore, China's their graving economy protect fo potentially able steal western worker and will he the point western businesser too. western consumers





Most candidates answered this question with some degree of success, as it was an accessible and popular topic.

In the less able responses, assertions were made without development or substantiation by example. A significant number of candidates copied directly from the source material, without adding their own thoughts or using the evidence as a basis for further analysis and evaluation.

There were some very able responses to this question and some candidates scored high marks here. They were able to develop their answers well and demonstrate a good understanding of how multinationals might be controlled and the factors that might influence this. A good range of examples from case studies beyond the evidence was present.

legal petitical pressure - groups social media i

7 Evaluate the extent to which it is possible to control the actions of multinational companies.

Multinational ampanies (MNCs) are businesses that operate in several comprise; that is, they da not any apart products but have branches of production Service overseas traples of nuclinationals include Apple, McDanalds or Frank Billikh There exist several ways in which governments and consumers try to control the actions of nulfinationals. Gavernments many to control the actions of multinaturals. This may include polinical and legal action. Political action may be effective in controlling MNKs and may enable elected afficialis to diallenge MALS the paner of MAXCs Havered politral actions have failed before , and have, in turn, created multiple corruption cases. This is especially the in Thirld Warld hations and dueloping contries, where peliticians have accepted bribes and feiled to the central the achinitics of MNCs Still, governments may be able to sue MUCS, euch as Brazil's

(20)



querment her med mining grants Btt P Billitan an 0777898626 Vell. However these processes are lengthy and certing and iney not get a foureurable resolution Logel actions may also be taken in order to arred the arthinities of MALCS. Through carpetition policy the government may be able to prevent MNCs from abuning smaller busidesses or carrying out uncompatible strategies such as predating precises in the ULL, the OFT works to prevent those. Also, tarothin pelicy men be used to for example, Ireland has a lover corporation one than ar EU to advalt the uNCs and their benefits A. However, operate in a mulber of different contries. As a coult, they operate in different institutional pamemarks and so are det difficult to onlinel. Additionally, since thany lack commitment to particular comprises and have become footboose, ettupting to control MNKs by fix trample, raising corperate fax, many course Them to release their premises. This could result in Job losses, increased unsuplayment and a damaged economy Therefore, the gavernment may be unearly about outralling MNCs especially developing countries bet aim to attract them and FDI. This make, MNG extremely difficult to control. Other groups that aim to control MINC are pressure granps and social media Reputios For example, That kas and has stanted a composign to figur united for its contamination with hereary called # Wort Buy Unitered 1 and 15 being supported



by Indian actors such as Babby Limba Thex graps 0777898626 and social media may be able to influence (Uniterer for example) Through direct action and beyodds. Baycotts may saverely demage a MNC's prepitability, fering them to make changes (noteover, name sharring and had publicity may, also, be able to premence UNC's densions; since the damage to their reputation an le very cestly der to the loss of sales and brand mage Furtuinere, social media and pressure granges may be able to rapidly spread ideas and news and highlight issues to that peliticiane take notice. By attracting public attention, they may be able to farce MINCS to change their behaviour due to public ex political pressures. However, presence graps and social media carponisms may Lead misinformed compargns. Also, (Total for Question 7 = 20 marks) TOTAL FOR SECTION B = 40 MARKS they may lack arganisation, **TOTAL FOR PAPER = 80 MARKS** malling them ineffective and their registance (protest ineffective. In addition, my an MNCs many change their processes products or techanicurs only superficially to prevent brand mage, but autime unethical practices. Finally, public pressure may not influence MNCs of their product has demand inelfernic demands or if answners are net usorried about the problems they pate the anchemian, MNCs and are extremely difficult to autral because of their paner and economic significance. Some MNCs have outputs and profits bigger than some countries' GDP. Legal, pelitrow and public try (and succeed) to influence MNCs and antrol action nay tuir activities. But, all three methods of artral are falible



especially earendering MNCs operate in various instrinctions and frameworks and authoral different allowers with different assems and meral standards.



gained 17 marks. It was well developed with logical and coherent chains of reasoning and ended with a valid conclusion. It could have used more examples particularly in the last page or so.



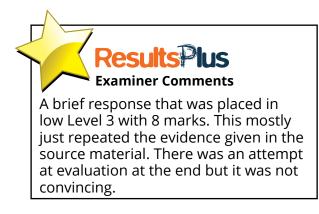
7 Evaluate the extent to which it is possible to control the actions of multinational companies.

(20)

A multinational business is a large company that
has assets in at least one canny other than its
Lone anty
Multinctional companyies such as BHP and Vale
are the world's biggest mining company and
Vale the world's bissest war one specialist have
Signation of the second of the second company in the second compan
mine and the as a result brazil's save ment
is sains to sue them for B5-26- Given its
Stee and success they will feel forced to compensate
for the damage caused in order to maintain
reputchion. Therefore the sourcement and control
MNCS Francially proved for
Pressure sicups such a Thethac ors can also
contral MARCS. Celebrines have also an influence
on enstances that nellence multirational companies
performance. This is muy pably link, Rehni
and kalai Roani support publicaly the compassion
Hwont Bus Unitered. This stategy is known as
naming and shaming which menopulations
publishes immarch actions or multinetional companyies
in order that a show a show and a
atteck its demand



Actions of NNCS Can also be controlled through
social modia, By posting the protoco 'Kodaikanal
Won't' rep vides, it went vires and all customers
were exposed to that intermation about United,
The drambean of social mouse, is that is something
gets ricel it is very difficult to contenant,
which shows that MNCS started are threatened
by this and must rejulate and behave
macley since the beginning.
However, answering airi ques transmits
bouspsency and heresty





Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Do read the question carefully and answer the question that is set.
- Do watch out for command words such as Assess or Evaluate.
- Do use examples to illustrate your argument.
- Do use the language of the subject and avoid generalities.
- Do watch your timing and do not spend too long on one question.
- Do write concisely.
- Do add a conclusion to the longer questions.



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