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Pearson Edexcel

Mark Scheme (Results)

October 2023

Pearson Edexcel International A-Level
In Business (WBS13)
Unit 3: Business decisions and strategy

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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.

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Question	Using Extract B, calculate to two decimal places the return on capital employed (ROCE) for *Five Guys* in December 2021. You are advised to show your working. **Answer**	Mark
1(a)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS1** calculate, use and understand ratios, averages and fractions. **Knowledge** 1 mark for knowledge and understanding of how to calculate ROCE: $\frac{\text{Operating profit}}{\text{Non-current liabilities + Total equity (Capital employed)}}$ x 100 **(1)** **Application** Up to 2 marks for correct application of figures to formula: $\frac{\text{£50 865m}}{\text{£233 819m + £6 650m}}$ **(1)** x 100 **(1)** **OR** $\frac{\text{£50 865m}}{\text{£240 469m}}$ **(1)** **(1)** x 100 **Analysis** 1 mark for showing correct answer: 21.15% **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 21.15% award 4 marks • If the answer given is 21.15 award 3 marks	**(4)**

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Question	Using Extract C, calculate to two decimal places the net present value for *Five Guys* from investing in new a milkshake machine over five years. You are advised to show your working. **Answer**	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** **QS6** Calculate investment appraisal outcomes and interpret results **Knowledge** 1 mark for knowledge and understanding of how to calculate the net present value: Net present value = Total discounted cash flows – Initial cost **(1)** **Application** Up to 2 marks for correct application of figures to formula: £21 635 **(1)** - £10 000 **(1)** = **Analysis** 1 mark for showing correct answer: £11 635 **(1)** **NB: If no working is shown, award marks as follows:** • If the answer given is £11 635 award 4 marks • If the answer given is 11 635 award 3 marks	**(4)**

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Question	Extract A states that *Five Guys*' food production is organised differently from other fast-food burger outlets. Discuss the impact of this on its human resources. **Answer**	
1(c)	**Indicative content guidance** 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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Human resources are the set of people who make up the workforce of a business • Employees are trained to judge the food's readiness instead of using timers • This could result in *Five Guys* having to spend much more money on training its employees to be able cook the food correctly • The many different combinations of burgers, hotdogs, sandwiches and milkshakes will require employees to be able to cater to a much wider range of orders • Employees therefore may need higher skills in comparison to other fast-food restaurants and therefore could demand higher wages to reflect this • This could result in an increase in overall labour and training costs for *Five Guys* thereby reducing profitability • However, the impact on *Five Guys'* human resources could be minimal • The increase in training costs could be offset by an increase in sales • This is because the food is fresher and therefore gives *Five Guys* a competitive advantage over other fast-food restaurants that rely on timers to cook the food • More experienced employees might be able to cope with the many different combinations and allow *Five Guys* to give customers exactly what they want • Investing in employee training could result in better customer service resulting in customer loyalty, higher sales and profits in the long term	
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.

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Question	Assess the likely effectiveness for *Five Guys* of using financial rewards to reduce labour turnover. **Answer**
1(d)	**Indicative content guidance** 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. **QS: QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Financial rewards include the use of bonuses, commission and piecework and performance-related pay • *Five Guys* rewards its best 200 performing restaurants every week with between $900 to $1 300 when visited by a mystery shopper • The money is split amongst the people working when they were mystery shopped • FW Taylor stated that money motivates and for many employees the opportunity to earn additional financial rewards on top of a wage is very attractive • The fast-food industry is well known for high labour turnover so this strategy may in fact help to reduce the number of employees wanting to leave *Five Guys* due to the higher reward • The amount shared between employees can be a significant amount and is awarded weekly therefore giving a regular incentive to remain at *Five Guys* • However, the financial bonuses are only awarded to the top 200 restaurants and with over 1,600 locations around the world, not every employee will be able to gain the bonus • The total cost of providing the financial bonuses at the 200 restaurants could be as high as $13 520 000 per year which is which very expensive to maintain • This money could be better spent on other ways to retain its employees. For many employees good working conditions and promotion prospects are more important than financial rewards to persuade them to stay at a business • There are other ways to improve retention such as empowerment strategies and consultation, which might be more effective and does not require additional financial rewards to be given to employees • A combination of financial and non-financial human resource strategies might be the best way to reduce labour turnover as employees are often motivated by different factors

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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.

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Question	*Five Guys* new clothing merchandise can be classed as product development according to Ansoff's Matrix. Using Ansoff's Matrix, assess the possible benefits to *Five Guys* from launching its new clothing merchandise. **Answer**
1e	**Indicative content guidance** 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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Ansoff's Matrix identifies four strategies and the relative risks associated with these strategies • The clothing merchandise is a new product targeted at *Five Guys* existing market • This strategy could be seen as a good way to expand the *Five Guys* name to its existing target audience who are already familiar with the fast-food brand • American-themed clothing has been very popular on the high street in 2022 in the UK therefore this could enable *Five Guys* to capitalise on its American heritage and founding in Arlington, Virginia • If the clothing merchandise is implemented successfully, this strategy may result in increased business revenues for *Five Guys* • However, product development can be extremely risky in comparison to market penetration • This is because knowledge of the new products might be limited • *Five Guys* has specialised in fast-food and therefore could lack the necessary knowledge and expertise needed to ensure the clothing merchandise is successful • Launching the clothing merchandise will have required *Five Guys* to carry out extensive research and development into both products and markets • This will have required finance to fund and design the clothing merchandise • The range itself consists of socks priced at £10 and £75 for the college jacket which could be considered to be very expensive for an unknown clothing brand • The clothing may date if trends and fashions change in the UK resulting in an excess of unsold inventory • The extent to which this is a good decision will depend on how well received the clothing merchandise is and if there is room in the clothing market for fast-food branded items

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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.

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Question	Evaluate the likely advantages of *Air India* and *Vistara* merging. **Answer**
2	**Indicative content guidance** 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. **QS: QS8, QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • A merger is when two businesses join together and operate as one • *Air India* and *Vistara* are both airlines and are set to merge to form a single larger business • By merging together, this will give the new *Air India* a combined market share of 16.8% and rank it as second in terms of market share in India • This could give the new *Air India* increased power within the Indian marketplace, particularly in Delhi where it can double its capacity • *Air India* could gain economies of scale through its increased number of 218 aircraft which it could then pass onto consumers in the form of lower prices • The merger could result in strategic benefits for the newly merged airline because the Indian aviation market is set to grow to over $4bn by 2025 • Therefore, the increase in size of *Air India* could help it to gain market share and brand recognition by eliminating competition and consolidating the resources of both airlines • However, the merger could result in diseconomies of scale for the newly formed airline • This is due to potential communication issues between the two different parts of the airlines • Culture clashes could occur with existing employees becoming demotivated by the merger particularly if the merger results in the rationalisation of aircraft employees • *Air India* and *Vistara* are currently both unprofitable. Existing aircraft need to be overhauled and new aircraft purchased • This will add even more financial pressure, resulting in further financial difficulties and it may be unable to compete effectively with *IndiGo* • *IndiGo* has a 48% market share which gives it enormous power to set prices and outperform *Air India* in terms of the number of seats it has available for passengers • There is no guarantee the merger will happen because it must be approved by the competition regulators in India • The merger between *Air India* and *Vistara* could be blocked if it considers the merger against the interests of consumers and is not set to complete until March 2024 • Crucial market share could be lost to *IndiGo* if there are delays in the merger • The overall success will depend on how the merger is managed by *Air India* and *Vistara* and whether it can turn loss making businesses into profitability in the longer term

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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 causes and/or consequences.
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 causes and/or consequences 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 causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/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 relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause 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.

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Question	Evaluate the extent to which there might be resistance to change at *Disney*. **Answer**
3	**Indicative content guidance** 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. **QS: QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Resistance to change often occurs in businesses when stakeholders are fearful of the changes being made • Bob Iger is planning to change the organisational structure and how things operate at *Disney* to make the business more efficient and reduce costs • This could result in some *Disney* employees being unhappy with the changes being made if this results in redundancies or a change to familiar working practices to reduce costs • The size of the organisation could have an impact on the level of resistance met by Bob Iger • *Disney* is a very large business with over 220,000 employees in a variety of departments • This could result in the changes being implemented taking a long time to spread throughout *Disney* further creating resistance from employees • Bob Iger has stated that he wants to make the changes quickly • The speed of the change could create resistance to change by employees if they think this is happening too fast for them to adapt • However, Iger may not face much resistance to his changes or might be able to manage the situation to reduce any negative impact on *Disney* • Resistance usually occurs when the change is not shared or understood by employees • Bob Iger has informed employees well ahead of schedule about his planned changes therefore this could encourage stakeholders to be open about any concerns that they have • Giving employees an opportunity to voice their concerns could help Bob Iger implement the restructuring with little resistance if the changes are fully explained • Bob Iger has previously been the CEO for 15 years at Disney therefore has great understanding of the organisational culture within the different areas of *Disney* • Bob Iger was cheered by employees which shows that many employees trust his leadership and welcome his return • He stated that he wants to restructure *Disney* to honour and respect the creativity of the business demonstrating a real understanding of what motivates *Disney* employees • His experience and familiarisation with *Disney* and its employees could result in much less resistance from employees • Share prices in *Disney* rose by 9% after the announcement of Iger's reinstatement showing that the markets believe he has the ability to regenerate *Disney* and its vision • The overall resistance to change will depend very much on Iger's management ability to motivate employees and whether employees share the same vision to help change be successful

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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 causes and/or consequences.
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 causes and/or consequences 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 causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/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 relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause 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.

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