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Mark Scheme (Results)

Summer 2024

Pearson Edexcel International Advanced Level In Business (WBS13) Paper 01
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) margin for *Bosch* in 2022. You are advised to show your working. (4) **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: Operating Profit / Capital Employed x 100 **(1)** **OR** Operating Profit / Total Equity + Non-Current Liabilities x 100 **(1)** **Application** Up to 2 marks for correct application of figures to formula: €3.4bn **(1)** / €46.7bn + €24.4bn **(1)** x 100 **OR** €3.4bn **(1)** / €71.1bn **(1)** x 100 **Analysis** 1 mark for showing correct answer: 4.78% (**1)** **NB: If no working is shown, award marks as follows:** • If the answer given is 4.78% award 4 marks • If the answer given is 4.78 award 3 marks	**(4)**

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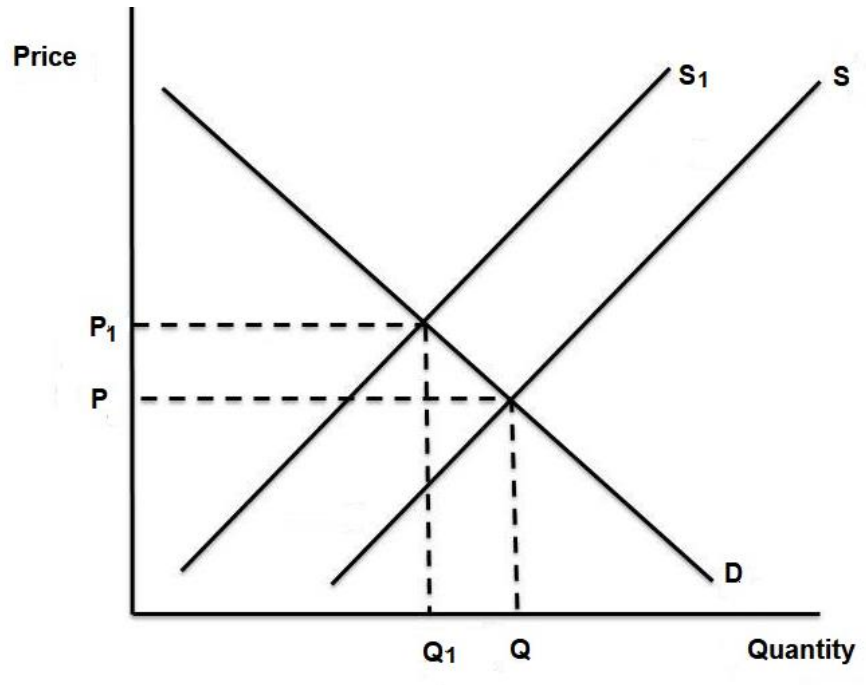
Question	Construct a supply and demand diagram to show the likely impact on the market for consumer goods from an increase in the cost of raw materials. (4) **Answer**	Mark
1(b)	**Knowledge 1, Application 2, Analysis 1** Quantitative skills assessed: **QS3:** construct and interpret a range of standard graphical forms. **Knowledge** 1 mark for correctly constructing a supply and demand diagram with correctly labelled axes as 'Price' and 'Quantity' **(1)** **Application** Up to 2 marks for: Showing supply and demand curves with original equilibrium price and quantity correctly labelled **(1)** Shifting the supply curve to the left **(1)** **Analysis** 1 mark for showing the new equilibrium and its effect on price (increasing) and quantity supplied (decreasing) **(1)**  	(4)

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Question	Discuss if this expansion programme is likely to result in internal economies of scale for *Bosch.* (8) **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** • Economies of scale refer to the cost reduction experienced by a firm when it increases its level of output • Internal economies of scale include purchasing, technical, marketing, managerial, financial and risk-bearing • *Bosch* intends to open a new manufacturing factory in China to increase its supply of parts and systems for the electric car market • This may result in *Bosch* gaining purchasing economies of scale by being able to negotiate cheaper input costs of the material for the car parts • The increase in the number of employees at the new manufacturing factory could result in managerial economies as it is able to afford to pay for more specialists, such as marketing and IT personnel • However, the new factory may not result in internal economies of scale and could in fact lead to diseconomies of scale • An increase in the number of employees might result in poor communication and coordination, resulting in higher average costs for *Bosch* • The new factory could have higher running costs and therefore *Bosch* may not see the cost savings as it expected	
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 benefits for *Bosch* of using a SWOT analysis when developing its business strategy. (12) **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** • A SWOT analysis involves analysing the internal strengths and weaknesses of a business and the external opportunities and threats that it faces • Strengths describe what the business excels at and what separates it from competition • A business strength of *Bosch* is its innovation which may allow it to make advances in the manufacturing and technology market. This may create a competitive advantage for *Bosch* • Opportunities refer to favourable external factors that can be taken advantage of to generate revenue and profits for a business • The growth of the electric car market gives an opportunity to *Bosch* to use its experienced employees and its leading position in the market to profit from this growth • Threats refer to factors that have the potential to harm a business • *Bosch* faces threats from competition in the automotive supplier market plus other threats from rising costs and supply chain problems. *Bosch* must keep these threats in mind when making strategic decisions • However, categorising aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is a great degree of uncertainty in the market especially with the recent global health crisis • SWOT analysis may have limited value to plan strategically. *Bosch* is not in control of external factors such as material price increases and supply chain delays which can have a significant impact on its success • Although opportunities of the growing electric car market can be identified, *Bosch* may not have the necessary capital to take full advantage of the opportunities • The process needs to be repeated on a regular basis and is time consuming. As *Bosch* operates in fast moving and dynamic markets, the pace of the changes may make a SWOT analysis unfeasible • A SWOT analysis is useful to provide an overview of a business but should be used in conjunction with other strategic research tools, such as a PESTLE analysis which looks closer at external influences on a business • There are other methods such as Ansoff and Porter's Strategic Matrix which are used to assist with strategic decision making • A combination of these models would help *Bosch* make decisions on its future strategy

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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	Assess the possible impact of remaining a private limited company on the growth of *Bosch*. (12) **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** • Private limited companies are generally owned by family and friends. Shareholders must agree the transfer of shares and shares cannot be advertised publicly for sale • Shareholders of *Bosch* include family and a charitable foundation. This means that the control of the business cannot be lost to outsiders • *Bosch* is dominant in the supply of automotive parts. If it was a plc it could be in danger of a takeover by another business • The charitable foundation does not have voting rights which means the *Bosch* family can make decision regarding the investments in the growth of the business or amounts donated to charitable causes • Most of the profits of *Bosch* are invested back into the business. This may not be an option if it was a public limited company that has pressure from outside shareholders seeking regular dividends • However, large amounts of money can be raised from the sale of shares to the public • *Bosch* is investing heavily in the automotive market and funds from outside shareholders may help the business to remain dominate in the market and retain its market share • Financial institutions are often more willing to lend to plc's and larger plc's have a wider range of capital sources to choose from • Outside investment into *Bosch* could lead to growth and lower production costs as it gains from economies of scale. This may help its competitiveness in the consumer goods market resulting in higher sales and profits in the long-term • It depends on the long-term growth ambitions of *the Bosch* family • The form of ownership does not appear to have hindered the growth as *Bosch* remains a market leader and allows it to reinvest profits back into the business to grow

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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 extent to which *Wells Fargo*'s corporate social responsibility (CSR) programme is likely to affect its success as a business. (20) **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** • Corporate social responsibility (CSR) is a form of self-regulation. It involves a business ensuring that its activities consider the interests of its stakeholders and the environment • *Wells Fargo* donates large amounts of money to charitable causes such as housing projects • This may improve the reputation of the bank and encourage more people to deposit their money at *Wells Fargo* • Many people today are concerned about the environment. The fact that *Wells Fargo* has received awards for its environment action may attract new customer and retain existing loyal customers • *Wells Fargo* encourages its employees to take part in community work which may attract new recruits and retain existing employees • The fact that *Wells Fargo* is acting in a sustainable way to use renewable energy and increase efficiencies may bring long term benefits to the bank in terms of cost savings. This may improve its profitability or allow it to charge lower banking fees to its customers • Acting in a sustainable way is less likely to lead to litigation or intervention from pressure groups • However, CSR programmes can be costly to implement. Using renewable energy may be costly in the short term • *Wells Fargo* donates 1.5% of its revenue each year to charitable causes. This may lead to dissatisfaction of shareholders who are seeking to maximise their investment returns in the form of dividends. This may discourage new investors • The CSR programme of *Wells Fargo* may not be a factor in its success. Although *Wells Fargo* is one of the top five banks in the US, its customer deposits fell between 2020 and 2022 from $1 464bn to $1 442bn. During this period all other major banks saw an increase in customer deposits • The impact of the programme depends on whether bank customers care about sustainability or are even aware of the *Wells Fargo* CRS Programme. Some customers may be influenced by bank fees charges to customers rather than its CSR policy • If all banks have a similar CRS policy, the *Wells Fargo* CSR policy may not differentiate them from its competition • The overall success will depend on if stakeholders are influenced by ethical considerations or are more concerned with price/returns on investments

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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	Using critical path analysis (CPA) calculations and the data in Extracts G and H, evaluate the benefits to *Burger King* of using CPA for its renovation programme. (20) **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: QS3, QS8 and QS9** **Knowledge, Application, Analysis, Evaluation – indicative content** • Critical Path Analysis (CPA) is a decision-making tool and planning tool and can provide *Burger King* and its franchisees with a useful overview of the renovation programme • CPA is a tool that helps to schedule and manage projects. It helps to identify the minimum length of time needed to complete a project • By carrying out CPA, *Burger King* can see that renovating a restaurant will take 11 weeks • Knowing this, it can help *Burger King* to reduce the risk and costs of the redevelopment by encouraging careful assessment of the requirements of each activity in a project • The CPA will allow the scheduling of builders and kitchen fitters to ensure outside contractors are utilised effectively • Delivery of furniture and equipment can be scheduled to be delivered just-in-time to ensure capital is not tied up unnecessarily • CPA helps to spot the activities that have some slack/float and could therefore transfer some resources so that there is a better allocation of resources • For example, Activity C has a float of 1 week which means installing the new technology could be delayed without making the overall project longer • By knowing how long it will take, it can budget for the discounts on royalties • However, the CPA may not be effective for all restaurants as they may have different layouts and building requirements. The availability of local contractors to undertake the renovations will be different in different locations • The quality of the network will depend on the accuracy of the data entered into it • For example, Activity B (complete building work) may take longer than the projected 3 weeks so would delay the whole project as this lies on the critical path • This could mean that all subsequent activities will be delayed, and the redevelopment will take longer than the projected 11 weeks resulting in lost revenue for the franchisees • This may be the first time *Burger King* has renovated these restaurants so it might be very difficult to make accurate predictions about the length of each activity

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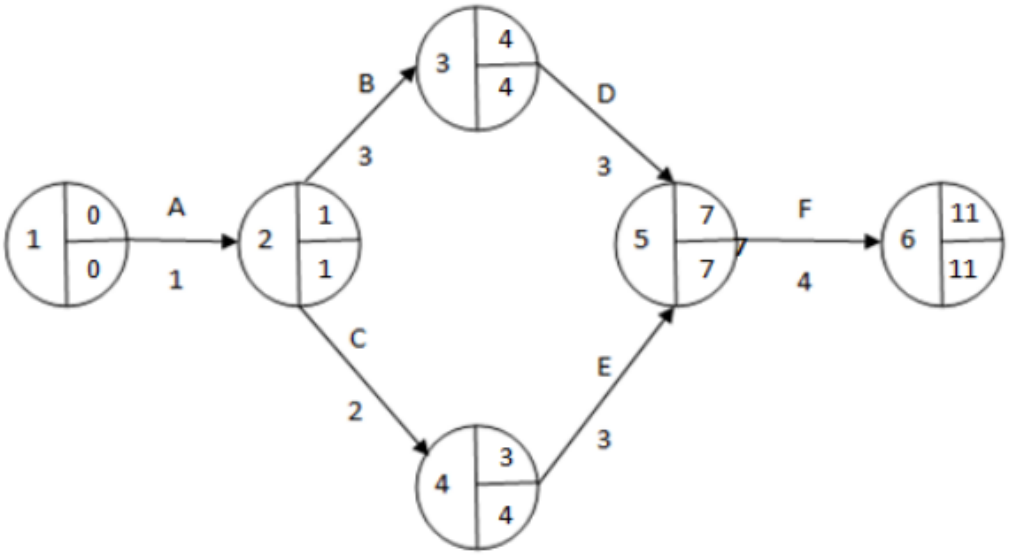
	• The success depends on the skills of the person constructing the critical path network and the timely delivery of furniture and new technology • CPA is a management and decision-making tool that must be used in conjunction with other decision-making tools to increase its effectiveness Completed CPA network 

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