

Mark Scheme (Results)

January 2014

International A Level Business
Studies (WBS03/01)

Unit 3: Strategic Business Decisions

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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.

Section A: Mark scheme

Question Number	Question	Marks
1a	What is meant by the term 'conglomerate'? (Evidence line 1)	2 marks
	Answer	Mark
	Knowledge up to 2 marks: <ul style="list-style-type: none"> • A business that consists of different types of businesses (1 mark). They will be unrelated to each other but part of the whole group (1 mark) • 1 mark for partial or vague definition but a valid example lifts to 2 marks • Any other suitable alternative 	1-2 marks

Question Number	Question	Marks
1b	What is meant by the term 'takeover'? (Evidence C line 1)	2 marks
	Answer	
	Knowledge up to 2 marks: <ul style="list-style-type: none"> • A takeover is when one business gains control over another (1 mark) the business that has been taken over ceases to exist (1 mark) • 1 mark for partial or vague definition but a valid example lifts to 2 marks • Any other suitable alternative 	1-2 marks

Question Number	Question	Marks
2	<p>Sustainability means the ability to replace and replenish scarce resources as they are used in order to preserve them for future generations.</p> <p>Explain one possible reason why Tata Group's long term strategy is focused on sustainability (Evidence B)</p>	6 marks
	Answer	Mark
	<p>Knowledge/understanding: up to 2 marks are available for what is meant by long term strategy e.g. A long term strategy is the direction or focus of the business projected into the future (1 mark) it helps determine and guide the business' operations over a period of time (1 mark)</p> <p>Application: up to 2 marks are available for contextualised answers e.g. Tata emphasises the importance of social, environmental and economic factors as part of their corporate culture (1 mark) They also believe in returning wealth back to society via their charitable trust (evidence A) (1 mark)</p> <p>Analysis: up to 2 marks are available for developing a possible reason for Tata's focus on sustainability e.g. Given their desire to return wealth via the charitable trust Tata feels an obligation to all of its stakeholders and needs to ensure that all benefit from future growth (1 mark) Only by being sustainable in its strategy can this happen rather than say concentrating on shareholder returns at the expense of other stakeholders (1 mark)</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p> <p>Total 6 marks</p>

Question Number	Question	Marks
3	Analyse why Ratan Tata places so much importance on the right corporate culture when considering a takeover (Evidence C)	8 marks
	Answer	Mark
	<p>Knowledge/understanding: up to 2 marks are available for what is meant by corporate culture, e.g. it is the ethos of a business and the way in which it conducts itself (1 mark) Corporate cultures can differ on grounds of ethics, stakeholder inclusion, management styles, CSR, treatment of employees (1 mark)</p> <p>Application: up to 2 marks are available for contextualised answers e.g. Tata has taken over a wide range of companies such as Cambric and Tetley Tea from very different markets and countries (1 mark) the common thread is that their corporate cultures were compatible with the Tata Group (1 mark)</p> <p>Analysis: up to 4 marks are available for developing the importance of the right corporate culture e.g. A clash or mismatch of corporate culture is a common reason for mergers and takeovers to run into problems (1 mark) this can lead to financial problems and even losses which can be a serious problem for Tata (1 mark)</p> <p>This is even more important for Tata as they extend operations away from their own country and into foreign markets (1 mark) therefore they need to be as certain as possible that the takeover will work (1 mark)</p>	<p>1-2</p> <p>1-2</p> <p>1-4</p> <p>Total 8 marks</p>

Question Number		Question	
4		Assess the potential conflict between Tata Group's commitment to social responsibility and other business objectives. (10 marks)	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Knowledge/understanding of basic Terms	e.g. Social responsibility is a widening of business objectives beyond self-interest to include a responsibility towards all stakeholder groups e.g. Other business objectives could include maximising returns to shareholders. It can be seen as the stakeholder vs. shareholder model
Level 2	3-4	Application: basic points developed to show awareness of potential conflict in terms of Tata	e.g. Evidence A emphasises Tata Group's commercial success and profitability e.g. Evidence B emphasises the importance of sustainability and social responsibility, which may conflict with business objectives
Level 3	5-7	Candidate analyses using reasons/causes/consequences/costs to show how potential conflict might arise NB if analysis is present but no context limit to Level 2.	e.g. If much of Tata's profits are going to good causes this must mean less is available by way of retained profits for growth and expansion e.g. this may also lead to less investment which again impacts the shareholder in the future
Level 4	8-10	Evaluation must be present i.e. a candidate balances his/her answer NB if evaluation is present but no context limit to Level 3	e.g. A commitment to social responsibility is what the company is all about and is integral to its culture as set out by its founder Jamsetji Tata e.g. A commitment to social responsibility can yield tangible benefits in terms of employee motivation, customer loyalty and even encourage ethical shareholders, all of which can counterbalance or exceed the cost of social responsibility

Question Number		Question	
5		Assess the benefits of inorganic growth to the Tata Group. (12 marks)	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	<p>Knowledge/understanding of what is meant by inorganic growth</p> <p><i>Material presented is often irrelevant and lacks organisation.</i></p> <p><i>Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</i></p>	e.g. Inorganic growth involves taking over or merging with another business in order to increase output and sales
Level 2	3-4	<p>Application must be present, i.e. the answer must be contextualised and applied to show awareness of inorganic growth in terms of Tata</p> <p><i>Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.</i></p>	e.g. Candidate use examples from the evidence or their wider knowledge to illustrate how Tata has used inorganic growth e.g. Tetley Tea, Cambric, Corus JLR
Level 3	5-7	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences to show how inorganic growth has benefited Tata</p> <p>NB if analysis is present but no context limit to Level 2.</p> <p><i>Material is presented in a generally relevant and logical way but this may not be sustained throughout.</i></p> <p><i>Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</i></p>	<p>e.g. Risk can be spread between different products and different markets.</p> <p>e.g. Economies of scale may be possible.</p> <p>e.g. Valuable brand names can be acquired (JLR)</p> <p>e.g. Entry can be gained into foreign markets or trade blocs without all the time and cost of setting up from scratch</p>

<p>Level 4</p>	<p>8-12</p>	<p><u>Low Level 4: 8-10 marks</u> Evaluation must be present i.e. a candidate balances his/her answer by showing possible drawbacks to inorganic growth</p> <p><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</p> <p>NB if evaluation is present but no context limit to Level 3.</p> <p><i>Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.</i></p>	<p>e.g. Many mergers and takeovers fail to yield the anticipated benefits</p> <p>e.g. They can be expensive</p> <p>e.g. Diseconomies of scale are a risk if growth is too much or too rapid</p> <p>e.g. As evidence E shows external events/influences can spoil the best of plans</p>
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Question Number	Question																	
6	Evaluate the usefulness of ratio analysis from 2012 to 2013 to Tata Steel when formulating strategy. (20 marks)																	
Level	Mark	Descriptor	Possible Content															
Level 1	1-2	Knowledge/understanding of what is meant by ratio analysis.	<p>e.g. candidate defines ratio analysis - involves using information from the financial statements and turning it into numbers which are easy to understand and can be used to compare the performance of a business over time or with similar businesses.</p> <p>e.g. Gross Profit Margin, Operating Profit Margin, ROCE, Current Ratio, Acid Test Ratio are defined/ formulae given</p>															
Level 2	3-6	<p>Application must be present, i.e. the answer must be contextualised and applied to the Tata example.</p> <p><u>Low Level 2: 3-4 marks</u> Candidate accurately calculates 1 or 2 ratios.</p> <p><u>High Level 3: 5-6 marks</u> Candidate accurately calculates 3 or 4 ratios.</p>	<table border="1"> <thead> <tr> <th></th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>PYM</td> <td>17.5%</td> <td>14.9%</td> </tr> <tr> <td>ROCE</td> <td>19.3%</td> <td>16.2%</td> </tr> <tr> <td>CURRENT</td> <td>0.69</td> <td>0.76</td> </tr> <tr> <td>ACID TEST</td> <td>0.38</td> <td>0.47</td> </tr> </tbody> </table>		2012/13	2011/12	PYM	17.5%	14.9%	ROCE	19.3%	16.2%	CURRENT	0.69	0.76	ACID TEST	0.38	0.47
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Level 3	7-10	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of ratio analysis to Tata</p> <p><u>Low Level 3: 7-9 marks</u> Candidate will attempt very basic analysis of the results of ratio calculations. Either profitability or liquidity.</p> <p><u>High Level 3: 10-12 marks</u> Candidate looks at both profitability and liquidity ratios and makes accurate analytical points.</p> <p>NB if analysis is present but no context limit to Level 2.</p>	<p>e.g. Can yield extra information from published accounts and indicate areas for action such as decreasing liquidity</p> <p>e.g. Tata's profitability as measured by the PYM and ROCE has improved</p> <p>e.g. this means that Tata is turning sales/ capital into profits more effectively</p> <p>e.g. liquidity as measured by the current and acid test ratio has not improved</p> <p>e.g. liquidity was below 1 as measured by the acid test ratio in both years and it may be that Tata is unable to meet its current liabilities and must take action</p> <p>e.g. Bigger difference in acid test ratios suggests build-up of inventory and need to reduce it</p>															

<p>Level 4</p>	<p>13-20</p>	<p>Evaluation must be present and in context showing the extent to which ratio analysis is useful to Tata when formulating strategy</p> <p><u>Low Level 4: 13-14 marks</u> Some basic evaluative points are made, about the usefulness or otherwise of ratio analysis. . A conclusion is unlikely</p> <p><u>Mid-Level 4: 15-17 marks</u> Candidate gives a range of arguments, identifying some of the issues surrounding the extent to which ratio analysis is useful to Tata when formulating strategy. A judgement may be attempted</p> <p><u>High Level 4: 18-20 marks</u> Candidate gives a wide range of arguments discussing the extent to which ratio analysis is useful to Tata when formulating strategy. A balanced conclusion is drawn the answer is clear and articulate leading to a convincing conclusion</p> <p>NB if evaluation is present but no context limit to Level 3.</p>	<p>e.g. financial performance of the business is only one aspect that influences strategy e.g. further historical data from Tata would also be useful e.g. the steel industry has been affected by difficult external economic factors (recession) and it would be useful to compare Tata's information to a range of competitors e.g. information about other factors such as future demand for steel (evidence H) would be useful to help judge the wider performance of the business. e.g. Tata may be more concerned with long-term profitability of the business and will be less worried about short-term decreases as long as long term trends are resumed e.g. financial information is only a 'snapshot' of performance and may be inaccurate; therefore judgements made on this should be kept in context.</p>
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Question Number	Question		
7	Evaluate the likely impact external influences may have on Tata Group's strategy. (20 marks)		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	<p>Knowledge/understanding of what is meant by external influences.</p> <p><i>Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</i></p>	<p>e.g external influences are events that happen in the environment around the business and have an impact on the business. They include political, economic or social. They may be characterised as PESTLE</p>
Level 2	3-6	<p>Application must be present, i.e. the answer must be contextualised and applied to the Tata example.</p> <p><u>Low Level 2: 3-4 marks</u> Application to Tata is limited.</p> <p><u>High Level 3: 5-6 marks</u> Application to Tata is clear.</p> <p><i>Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.</i></p>	<p>e.g The world recession has dented the Tata Group's revenues see evidence F</p> <p>e.g Tata Steel has suffered from fall in demand for steel</p> <p>e.g. Different areas have different % rates of change – evidence H</p>
Level 3	7 -12	<p>Analysis in context must be present, i.e. the candidate must give reasons/causes/costs/consequences of contingency planning to Tata</p> <p><u>Low level 3: 7–9 marks</u> Analysis limited: only one or two reasons/causes/costs or consequences are outlined.</p> <p><u>High level 3: 10–12 marks</u> Analysis is more developed: two or more reasons/causes/costs and/or consequences are outlined and developed.</p> <p>NB if analysis is present but no context limit to Level 2.</p>	<p>e.g. Economic external factors are clearly important to certain sectors of Tata. The fall in demand for Steel in Europe has had an impact on them - \$1.6 billion dollar write-down</p> <p>e.g. The strategy of inorganic growth in the shape of the takeover of Corus has been badly affected by the economic downturn</p> <p>e.g. The economic factors in different areas means differing future demand for steel and will determine strategy</p>

		<p><i>Material is presented in a generally relevant and logical way but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.</i></p>	<p>e.g. NAFTA shows little sign of increased demand and Tata may halt expansion plans or reduce capacity there but India may require additional investment to meet an anticipated tripling of demand between 2012 and 2014 (evidence H)</p>
Level 4	13-20	<p>Evaluation must be present and in context showing the extent to which external influences might impact on Tata's strategy</p> <p><u>Low Level 4: 13–14 marks</u> Some basic evaluative points are made of the impact of external influences. A conclusion is unlikely</p> <p><u>Medium Level 4: 15-17 marks</u> A judgement may be attempted with some effort to show how external influences might impact on Tata's strategy</p> <p><u>High Level 4: 18–20 marks</u> Convincing evaluation on the impact external influences might have on Tata's strategy Several strands may be developed; the answer is clear and articulate leading to a convincing conclusion</p> <p>NB if evaluation is present but no context limit to Level 3.</p> <p><i>Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.</i></p>	<p>e.g. external influences may have only a temporary impact on Tata and not affect strategy greatly</p> <p>e.g. Tata is a huge conglomerate the impact on one sector such as steel may have little or no impact on others areas such as IT services</p> <p>e.g. Elsewhere the political, social and economic factors are affecting Tata in a positive fashion. Eastern Europe is clearly a potential growth market and hence the takeover of Cambric with a strong presence there</p> <p>e.g. Tata is concerned with long term sustainability and will ultimately be guided by that</p>

Assessment grid

Question	knowledge	application	analysis	evaluation	TOTAL
1a	2	-	-	-	2
1b	2	-	-	-	2
2	2	2	2	-	6
3	2	2	4	-	8
4	2	2	3	3	10
5	2	2	3	5	12
6	2	4	6	8	20
7	2	4	6	8	20
TOTAL	16	16	24	24	80

