



Mark Scheme (Results)

Summer 2022

Pearson Edexcel International Advanced Level
In Business (WBS13) Paper 01
Unit 3: Business decisions and strategy

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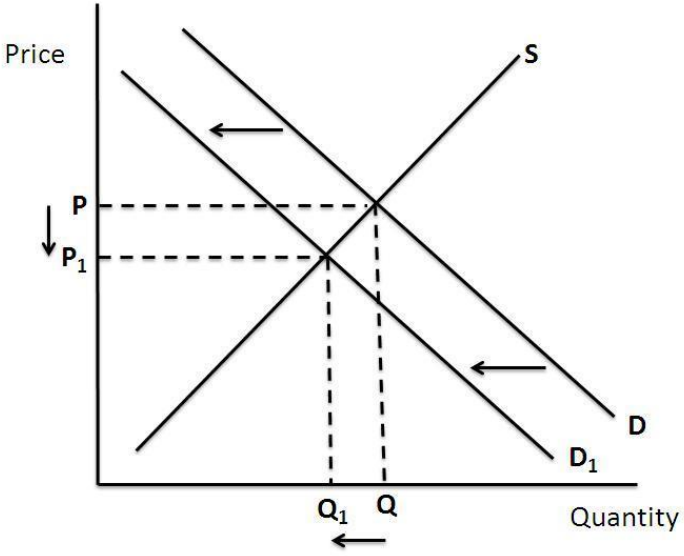
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General Marking Guidance

- 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 judgment 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.

Question Number	Construct a supply and demand diagram for traditional gyms to show the impact of an increase in online fitness workouts. (4)	Mark
1(a)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS3: Construct and interpret a range of standard graphical forms</p> <p>Knowledge 1 mark for correctly constructing a supply and demand diagram with correctly labelled axes as 'price' and 'quantity' (1)</p> <p>Application Up to 2 marks for: Showing supply and demand curves with original equilibrium price and quantity correctly labelled (1) Shifting the demand curve to the left (1)</p> <p>Analysis 1 mark for showing the new equilibrium price and quantity (1)</p> 	(4)

Question Number	Using Extract B, calculate to two decimal places, the operating profit margin for <i>Peloton</i> in March 2021. You are advised to show your working. (4)	Mark
1(b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS2: Calculate, use and understand percentages and percentage changes.</p> <p>Knowledge 1 mark for knowledge and understanding of how to calculate operating profit margin:</p> $\text{Operating Profit Margin} = \frac{\text{operating profit}}{\text{revenue}} \times 100 \quad (1)$ <p>Application Up to 2 marks for correct application of figures to formula:</p> $\frac{\$115\text{m}}{\$3\,085\text{m}} \times 100 \quad (1)$ <p>Analysis 1 mark for showing correct answer: 3.73% (1)</p> <p>NB: If no working is shown, award marks as follows:</p> <ul style="list-style-type: none"> • If the answer given is 3.73% award 4 marks • If the answer given is 3.73 award 3 marks 	(4)

Question Number	Using Extract C, discuss the possible benefits for <i>Peloton</i> of having a mission statement. (8)
1(c)	<p>Answer</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • A mission statement is an expression of corporate aims describing the overall aspirations of a business • <i>Peloton's</i> mission sets out what the business does by stating that they want to connect the world through fitness and how they are going to meet the needs of the customer by empowering people to be the best versions of themselves • <i>Peloton's</i> mission statement is simple and clear and could act as a motivator within the business • This simple mission statement could encourage employees at <i>Peloton</i> to work together towards one common goal of increasing productivity • <i>Peloton's</i> mission statement could act as a signal to all stakeholders that <i>Peloton</i> knows what it is doing and is on the right track • However, often mission statements are too vague or unrealistic to be of use • Resources spent developing <i>Peloton's</i> mission statement could be better used in other areas of the business such as lowering the price of fitness subscriptions rather than being a simple PR exercise and a waste of time and money • An unrealistic mission statement can be demotivating as employees struggle to meet its demands

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.

Question	Using Extract D, assess the advantages of inorganic growth for <i>Peloton</i> . (12)
1(d)	<p data-bbox="323 277 437 309">Answer</p> <p data-bbox="323 320 735 351">Indicative content guidance</p> <p data-bbox="323 360 1410 510">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.</p> <p data-bbox="323 544 1281 575">Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul data-bbox="371 591 1418 1697" style="list-style-type: none"> • Inorganic growth is the expansion of a business by takeovers and mergers • Extract D states that <i>Peloton</i> has taken over <i>Precor</i>, a fitness equipment manufacturer in the US • Horizontal inorganic growth of this type is a rapid means of expansion and can allow <i>Peloton</i> to grow faster in the global commercial market rather than by organic growth alone • This can be important when expanding in dynamic markets such as the growing online workout market • Inorganic growth reduces the competition from <i>Precor</i> that is already established in the US commercial fitness market • By taking over <i>Precor</i>, <i>Peloton</i> instantly had access to the supply and distribution networks in <i>Precor's</i> 90 countries including new locations such as hotels and universities • This saves <i>Peloton</i> time and costs in setting up its own distribution networks • However, inorganic growth is thought to lead to improvements in only 50% of all mergers and takeovers • There may well be clashes of corporate culture between <i>Peloton</i> and <i>Precor</i> employees as some may be resistant to change • There could be diseconomies of scale from problems in coordination and communication as the business grows • This takeover could increase the risk for <i>Peloton</i> as it moves away from its core competency of bikes and treadmills and online fitness classes • The takeover was \$420m so there could be an opportunity cost from the takeover which could have been spent on growing organically • Even the best planned of takeovers and mergers may be fraught with problems in the short term

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	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.

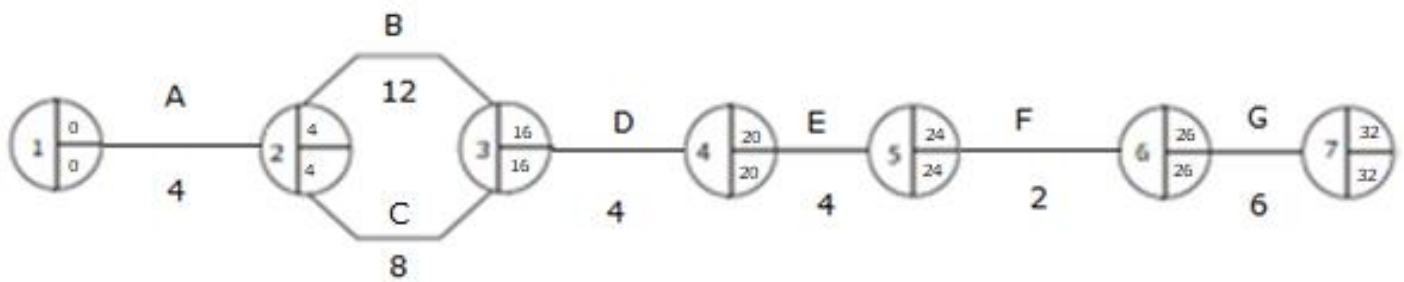
Question	Assess the possible impact on <i>Peloton's</i> internal stakeholders from the recall of its treadmill. (12)
1(e)	<p>Answer</p> <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below 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.</p> <p>Quantitative skills assessed:</p> <p>QS9: Interpret, apply and analyse information in written graphical and numerical forms</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Stakeholders are people or groups who have an interest in the actions of a business • Internal stakeholders include employees, managers, board of directors and the owners of the business • Due to the negative publicity, the share price decreased by 15% and wiped \$4.1bn from <i>Peloton's</i> market value • This may result in some <i>Peloton</i> shareholders wanting to sell shares as the market value has decreased and they lose faith in the board of directors • <i>Peloton's</i> CEO John Foley admitted to not responding quickly to the initial discussions with the CPSC which may result in negative consequences for him and the board of directors who are responsible for important strategic decisions such as this • Employees might be negatively affected as the business could see sales fall in the future which could impact on job security, wages and promotional prospects at <i>Peloton</i> • However, although the share price did fall after this announcement, the chart in Extract E shows that this was temporary, and the share price did increase in the months after the recall • Demand for <i>Peloton's</i> products continues to grow as does the business in a range of international markets • Extract B indicates <i>Peloton</i> has over \$3bn in revenue and its operating profit from 2020 to 2021 has significantly increased indicating it can withstand any short-term financial implications from the recall • The online virtual fitness industry is set to continue to expand so all the internal stakeholders at <i>Peloton</i> should see relatively little impact in the long-term from the recall of the treadmills if managed well by the board of directors

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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.

Question Number	Using the data in Extracts F and G, and appropriate critical path analysis (CPA) calculations, evaluate the benefits of CPA to a business such as <i>Coca-Cola</i> . (20)
2	<p>Answer</p> <p>Indicative content guidance</p> <p>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.</p> <p>Quantitative skills assessed:</p> <p>QS3: Construct and interpret a range of standard graphical forms</p> <p>QS8: Use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>QS9: Interpret, apply and analyse information in written graphical and numerical forms</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Critical path analysis (CPA) identifies the most efficient sequence of activities that need to be completed within a strict time-frame • This project needs to be completed within a short time frame if <i>Coca-Cola</i> is going to be able to launch its redeveloped recipe for Coca-Cola Zero Sugar in the US and Canada by September 2021 • By carrying out CPA, <i>Coca-Cola</i> can see that the project will need 32 weeks to complete all the activities in the redevelopment project • By knowing this, it can help <i>Coca-Cola</i> to reduce the risk and costs of the redevelopment by encouraging careful assessment of the requirements of each activity in a project • CPA helps to spot which activities have some slack/float and could therefore transfer some resources so that there is a better allocation of resources for the launch of the new recipe • For example, Activity C has a float of 4 weeks ($16-8-4 = 4$ weeks) which means designing the new drinks can be delayed without making the overall project longer • CPA is a decision-making tool and a planning tool and can provide <i>Coca-Cola</i> managers with a useful overview of the redevelopment • However, the quality of the network will depend on the accuracy of the data entered into it • For example, Activity E (designing final recipe) may take longer than the projected 4 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 32 weeks • This is the first time <i>Coca-Cola</i> have redesigned Coca-Cola Zero Sugar so it might be very difficult to make accurate predictions about the length of each activity

- CPA does not guarantee the success of Coca-Cola Zero Sugar, only the time taken to redevelop the drink
 - Each activity might have to be broken down into mini-projects and this adds to the complexity of it
 - CPA relies on the skills of the person constructing the critical path network
- 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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	0	No rewardable material.
Level 1	1–4	<p>Isolated elements of knowledge and understanding.</p> <p>Weak or no relevant application of business examples.</p> <p>An argument may be attempted, but will be generic and fail to connect causes and/or consequences.</p>
Level 2	5–8	<p>Elements of knowledge and understanding, which are applied to the business example.</p> <p>Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question.</p> <p>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.</p>
Level 3	9–14	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question.</p> <p>Arguments are well developed.</p> <p>Quantitative and/or qualitative information is introduced in an attempt to support judgments, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</p>
Level 4	15–20	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>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.</p>

Question Number	Evaluate the importance of financial rewards to recruit and retain employees for a business such as <i>Levi's</i> . (20)
3	<p>Answer</p> <p>Indicative content guidance</p> <p>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.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Financial rewards include piecework, commission, bonuses, profit sharing and performance related pay • <i>Levi's</i> offers a range of financial rewards including bonuses and retirement benefits • These financial rewards may provide an incentive for potential employees to apply for jobs at <i>Levi's</i> rather than rival businesses such as <i>Amazon</i> • <i>Levi's</i> may need to use financial rewards to attract employees due to the lack of available workers in the US because according to FW Taylor many employees are motivated by money • <i>Amazon</i> pays up to \$20 per hour even though the US minimum wage is \$7.25 per hour with a starting wage of \$15 • <i>Levi's</i> may need to increase its hourly rate if it is to recruit and retain employees particularly if the work is of a similar nature • Paying above the minimum wage gives a better standard of living to employees and could help not only recruit and retain employees but improve productivity levels in <i>Levi's</i> retail and distribution centres • However, not every employee is motivated by money and Herzberg disagreed about the effectiveness of pay as a motivator and may not lead to the retention of employees • There is an increased financial cost to <i>Levi's</i> of offering financial rewards which may reduce overall profits for the business • Many employees want more than just financial rewards such as flexible working hours and a positive work environment rather than just money • There are other ways <i>Levi's</i> could adopt to improve retention such as empowerment strategies and consultation, which might be more effective and do not require higher wages to be paid to employees • Extract H states that <i>Levi's</i> is an iconic business to work for so this may be enough to attract and retain its employees rather than pay higher wages • A combination of financial and non-financial human resource strategies might be the best way to improve overall retention as employees are often motivated by different things

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Level 2	5–8	<p>Elements of knowledge and understanding, which are applied to the business example.</p> <p>Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question.</p> <p>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.</p>
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