

Markscheme

November 2018

Business management

Standard level

Paper 2

21 pages

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The markbands and assessment criteria on pages 3–5 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

Assessment criteria for Section C

Criterion A: Knowledge and conceptual understanding

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of the given concepts and relevant business management content (theories, techniques or tools, depending on the requirements of the question).

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of the given concepts is demonstrated. Business management content is not selected or the content selected is irrelevant.
2	Satisfactory understanding of one or both of the given concepts is demonstrated. Some business management content selected is relevant. The relevant content is satisfactorily explained.
3	Good understanding of one or both of the given concepts is demonstrated. The business management content selected is relevant, though it may not be sufficient. The relevant content is generally well explained, though the explanation may lack some depth or breadth.
4	Good understanding of both of the given concepts is demonstrated. The business management content selected is relevant, sufficient and well explained.

Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the given concepts and the relevant business management content (theories, techniques or tools, depending on the requirements of the question) to his or her chosen real-world organization(s). **The real-world organization(s) must not be the organization featured in the prescribed case study for paper 1.**

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The given concepts and/or any relevant business management content are connected to the real-world organization(s), but this connection is inappropriate or superficial.
2	The given concepts and/or relevant business management content are connected appropriately to the real-world organization(s), but this connection is not developed.
3	The given concepts and relevant business management content are generally well applied to explain the situation and issues of the real-world organization(s), though the explanation may lack some depth or breadth. Examples are provided.
4	The given concepts and relevant business management content are well applied to explain the situation and issues of the real-world organization(s). Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the candidate makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting reasonable evidence or other support for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

Criterion D: Structure

This criterion assesses the extent to which the candidate organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individuals and societies

This criterion assesses the extent to which the candidate is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.

Section A

1. (a) Define the term *capital expenditure*. [2]

Capital expenditure refers to the purchase by a business of long-term assets (assets that have a useful life longer than one year).

Award [1] mark for partial understanding and knowledge and [2] for a complete definition as the above (though candidates do not have to use the precise wording above).

- (b) Using **Table 1**, calculate for *PI*:

- (i) gross profit (**X**);

Gross profit is \$10 000 000. Candidate is not required to show workings.

Award [1] for the correct answer.

- (ii) tax (**Y**).

Tax is \$860 000.

Candidate is not required to show workings. Award [1] for the correct answer.

If a candidate provides NR or some other answer that appears incorrect but then calculates tax correctly in (c) below, award [1].

- (c) Using **Table 1** and your calculations in (b)(i) and (ii), construct a profit and loss account for *PI*. [2]

	All figures in 000s	
Sales revenue	25 000	
Cost of goods sold	15 000	
Gross profit	10 000	X
Expenses	4700	
Net profit before interest and taxes	5300	
Interest	1000	
Net profit before tax	4300	
Tax	860	Y
Net profit after interest and tax	3440	

If the candidate has some idea what a profit and loss account is, award an additional [1] mark. If the candidate produces a profit and loss account that is correct and conforms to the IB format (as above), award [2].

Maximum award: [2].

N.B. *The candidate must follow the IB format. However, be flexible if candidates use slightly different wording, such as "Pre-tax profit" rather than "Net profit before tax," as long as the correct meaning is conveyed.*

- (d) Using **Table 2**, calculate the net cash flow (**Z**) for *PI* for 2019 (*show all your working*). **[2]**

Net cash flow is \$1 500 000 calculated as follows:

\$24 000 000 total receipts
\$22 500 000 total payments
\$1 500 000 net cash flow

Award [1] for the correct answer and [1] for workings. Accept alternative methods provided they are correct methods.

- (e) Explain the difference between profit and cash flow. **[2]**

Profit is typically calculated on an accrual basis (when revenue or expense actually accrues to the business) but does not reflect the actual movement of funds. Cash flow reflects the actual movement of funds – when a business receives payment and makes a payment. Thus, a timing difference can exist between the accrual of a revenue or an expense and the actual receipt of funds.

Award [1] for partial understanding and explanation and [2] marks for a complete understanding and explanation. A candidate does not have to use the word accrual, but they must convey understanding of a timing difference between the profit and loss account and the cash flow.

An alternative way that a candidate can earn [2] is by defining profit (revenue minus expenses) and then explaining that cash flow is the movement of funds such as external financing (an inflow) or debt service (an outflow) or some other specific examples of inflows and outflows.

2. (a) Define the term *batch production*. [2]

Batch production involves making a group of identical items together, and each stage of operation is performed on the whole group before it moves on to the next stage.

Candidates are **not** expected to word their definition **exactly** as above.

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full, clear definition that conveys knowledge and understanding, such as stating that batch production involves a group of identical items made at the same time and then moving on to the next stage together.

- (b) (i) Calculate the break-even level of output for *PF* for 2019 (show all your working). [2]

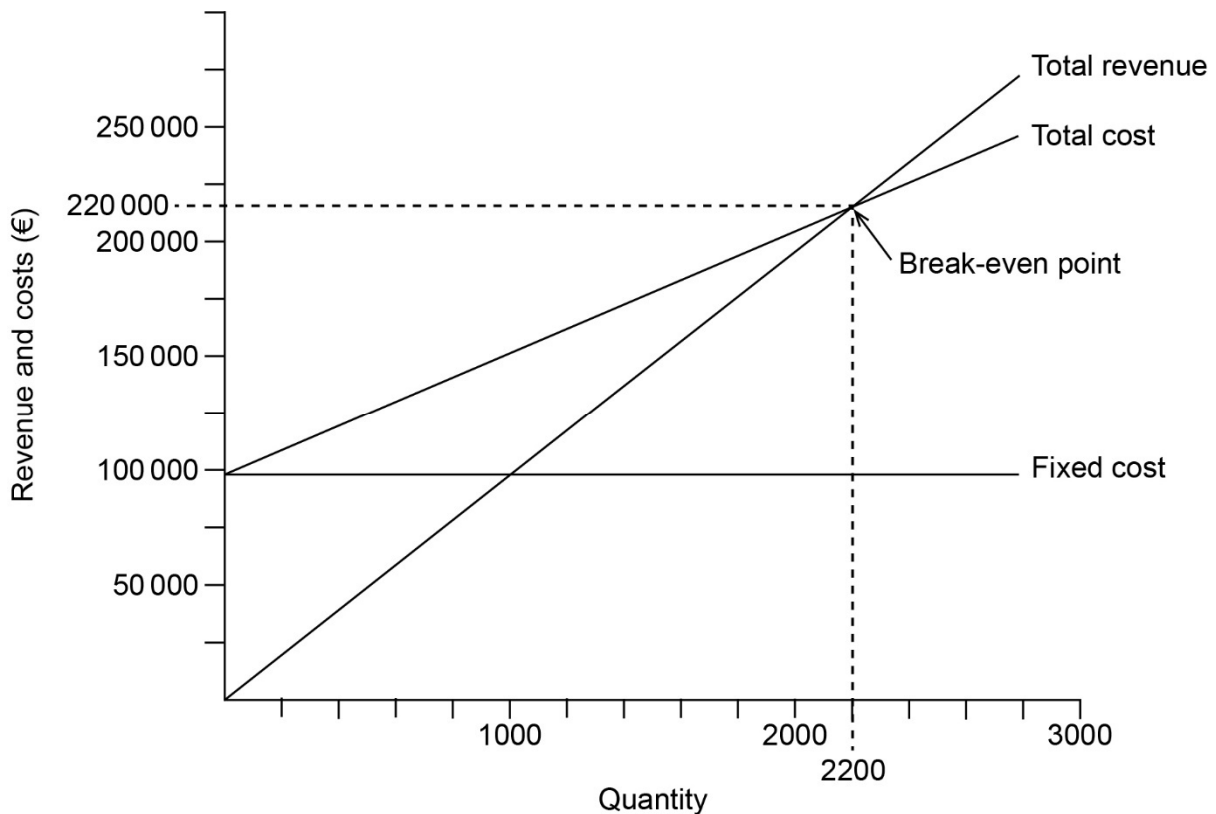
$$\text{Fixed costs: } \text{€}24\,000 + \text{€}6\,000 + \text{€}11\,000 + \text{€}40\,000 + \text{€}18\,000 = \text{€}99\,000$$

$$\text{Contribution: } \text{€}100 - \text{€}50 - \text{€}5 = \text{€}45$$

$$\frac{\text{€}99\,000}{\text{€}45} = \mathbf{2200 \text{ chairs}}$$
 must be sold to break-even.

Award [1] for working or formula and [1] for the correct answer. Award up to a maximum of [2].

- (ii) Construct a fully labelled break-even chart, to scale, for *PF* for 2019. [4]



Award marks as follows:

- **[1]** for both appropriately labelled axes.
- **[1]** for an accurately drawn and labelled total revenue curve.
- **[1]** for an accurately drawn and labelled total costs curve.
- **[1]** for the identification of the break-even level of output.

Award **[0]** if a candidate produces a table, and award no more than **[2]** if the chart is not neat, not drawn with a straight-edge, or is not to scale. Ideally, the candidate will draw an arrow pointing to the break-even point and label the arrow. However, accept as an “appropriately labelled” break-even point a vertical line from the x-axis to the break-even point.

- (iii) Calculate the forecasted profit if PF sells 2400 chairs in 2019 (show all your working). **[2]**

2400 x €100 = Sales revenue	€240 000
Less: Variable costs (€50 + €5) x 2400	<€132 000>
Less: Fixed costs	<u><€99 000></u>
Forecasted profit	€9000

Another possible response is:
 $(2400 - 2200) \times 45 = 9000$

Reward other acceptable methods of calculating forecasted profit on sales of 2400 chairs.

Award **[1]** for working or formula and **[1]** for the correct answer. Award up to a maximum of **[2]**.

Section B

3. (a) Define the term *multinational company (MNC)* [2]

A multinational corporation is a company that operates in two or more countries. A multinational company needs to have a base in those countries, not just sell goods and services there.

Award [1] for a partial understanding that conveys some understanding and [2] for a complete response that shows full understanding. Candidates do not have to word exactly as above. If candidates equate being a multinational corporation with being a global organization without any further qualification or explanation, maximum award: [1].

- (b) Explain the importance to *JS* of:

- (i) brand value; [2]

Brand value refers to the premium customers or potential customers are willing to pay for a product compared to the competition. For example, if jeans roughly comparable to Jacob Strutz's products sell for \$10 less, some dollar amount can be specifically attached to the value of the *JS* brand.

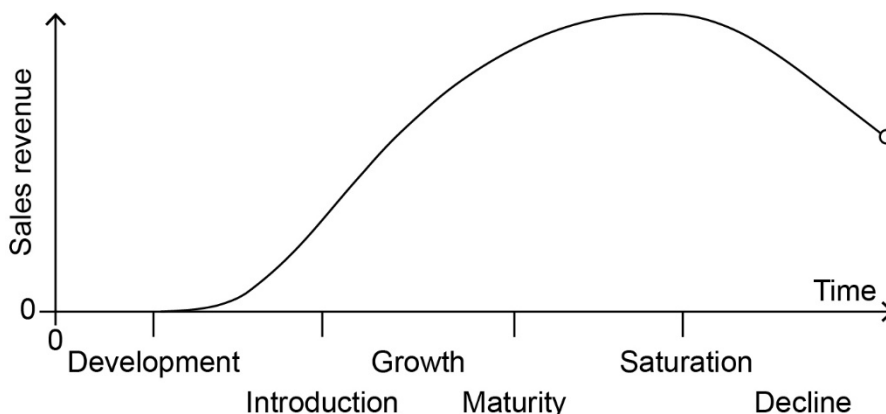
For [2], candidates must define, explain, and apply the concept of brand value to JS. Award [1] for some partial response.

- (ii) brand loyalty. [2]

Brand loyalty refers to the loyalty that customers attach to a particular brand, whether for repeat purchases of the same product (jeans) or the purchase of new products traded under the brand name (jeans jackets, for example). In the case of *JS*, it has strong brand loyalty based upon on 100 years of successful marketing. Many customers are loyal to *JS* even though they could buy other jeans for less or buy jeans that have a certain trendiness now.

For [2], candidates must define, explain, and apply the concept of brand loyalty to JS. Award [1] for some partial response.

- (c) (i) Draw and label a product life cycle for Strutz’s No.5 jeans. [2]



Award [1] mark for some idea of the product life cycle. Award [2] if a candidate draws a product life cycle and correctly provides at least four stages. Maximum award: [2].

N.B. *If the candidate has not labelled the axes or has incorrectly labelled the axes, maximum award: [1]. Please be flexible if the candidate uses wording slightly different than in the markscheme: sales or revenue rather than sales revenue is fine. However, for the Y-axis, do not accept “market value” or “value of the product” or other wording that suggests some limited understanding but is otherwise inaccurate.*

- (ii) Explain the position of Strutz’s No.5 jeans on the product life cycle [2]

JS’s position is in the decline stage of the product life cycle. Despite strong brand loyalty, an ageing baby-boomer population is buying fewer jeans (thus, JS’s sales are down) while, presumably, young people are buying cheaper jeans made outside the US or more “fashionable” jeans made by designers. Regardless, JS’s sales are down considerably from their peak.

For [2], candidates must explain and apply the concept of product life cycle to JS. Award [1] for some partial response.

- (d) Discuss the role **and** impact of globalization on the growth and evolution of JS. [10]

The role and impact of globalization on JS has been considerable and includes:

- sales growth to \$7.6 billion dollars, which, the stimulus implies, was based upon sales around the world
- the opportunities for offshoring, which has led to the closure of all of JS’s manufacturing facilities in the US and, presumably, allowed JS to cut costs and remain competitive
- foreign competition, which has proven significantly challenging for JS, whose sales have decline considerably
- the nature of JS’s program of corporate social responsibility (CSR), which has a very globally fashionable “triple bottom line” focus, especially its Strutz’s chemical-free jeans.

Accept any other relevant point.

In each of these ways, Strutz has been influenced by globalization. Some have been very positive for JS (increased sales for many years and lower costs), and some have taken a toll on JS (foreign competition and pressure for more expensive programmes of CSR).

JS must continue to seek out opportunities and minimize threats from a changing world. Of importance for JS is either to find extension strategies that will makes its core products relevant again in the global market place or find new products to sell under its highly recognized and valued brand.

For a balanced argument, a candidate must have two arguments showing the benefits of globalization and two arguments showing how globalization has posed some challenges. At least one of the arguments for and against can be purely theoretical, while at least one argument for and one argument against must be based upon application to the stimulus. If the candidate does not make judgements on conclusions, maximum award: [6].

Maximum Mark award	Positive Impact	Negative Impact	Judgments/conclusion
3	Either one positive impact or one negative impact		N/A
4	Addresses either: 1. one positive impact and one negative impact 2. two positive impacts or two negative impact		N/A
5	Addresses either: 1. two positive impacts and one negative impact 2. two negative impacts against and one positive impact		N/A
6	Positive impacts and negative impact		No judgments/conclusions.
7-8	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response.
9-10	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response.

4. (a) Identify **two** features of a private limited company. [2]

Features of a private limited company include:

- shareholders have limited liability.
- ownership of shares is restricted to a small number of investors (varies from country to country but in general is a low number).
- information does not have to be shared publicly.
- it is less costly to manage shareholders because of lesser disclosure and other legal requirements.
- it is a separate legal entity distinct from the owners of its shares.

Accept any other relevant feature. Award [1] for each feature identified up to [2].

(b) Calculate:

(i) the net profit margins for *DH* for 2016 **and** 2017; [2]

2016	2017
$\frac{1370}{28\,000} = 4.89\%$	$\frac{1300}{29\,000} = 4.48\%$
=====	=====

Award [1] for each correct answer. Showing working is not required.

Accept 4.9% (2016) and 4.5% (2017), but do not accept 5% (2016) or 4% or 5% (2017).

(ii) net current assets (working capital) for *DH* for 2016 **and** 2017. [2]

In 000s of dollars:

2016	2017
$5000 - 3000 = \$2000$	$5200 - 3500 = \$1700$
=====	=====

Award [1] for each correct answer. Showing working is not required.

- (c) Explain **one** method of above-the-line promotion **and one** method of below-the-line promotion that *DH* could use to raise consumer awareness that it is a socially responsible company.

[4]

Methods of above-the-line promotion that *DH* could use include:

- television advertising
- radio advertising
- advertising in newspapers, journals, magazines, or trade journals
- cinema advertising
- billboards.

Methods of below-the-line promotion that *DH* could use include:

- direct mailing
- exhibitions and trade fairs
- sponsorship
- public relations
- celebrity endorsement
- personal selling.

Do not accept word of mouth as a form of below-the-line promotion.

Accept any other appropriate form of above-the-line or below-the-line promotion.

Mark as a 2 + 2.

*Award [1] for an appropriate above-the-line method identified and an additional [1] for development of the explanation illustrating the appropriateness of the method with respect to *DH*.*

*Award [1] for an appropriate below-the-line method identified and an additional [1] for development of the explanation illustrating the appropriateness of the method with respect to *DH*. Maximum award: [4].*

If the answer has methods but no application (or just mentions the name of the business) then award a maximum of [2] overall.

- (d) Discuss *DH*'s decision to develop a policy of corporate social responsibility (CSR).

[10]

DH's decision to develop a policy of corporate social responsibility (CSR) fits well with trends in business today, whereby many companies are doing so. Indeed, sometimes today stakeholder groups exert powerful pressure on companies to practice CSR. The pressure to follow triple-bottom line reporting is also influencing companies to act in a more socially responsible way (despite some criticism of CSR by certain economists).

DH has adopted several approaches that are popular today: giving profits, lending employees, and being more environmentally friendly. All these methods have garnered *DH* favourable media attention, though less clear is if *DH*'s brand identity has benefited. Sales growth has not improved. The gross profit margin decreased from 50 % to 48.28 %, and the net profit margin declined from 4.89 % to 4.48 %. The costs of donating profits, lending employees and presumably higher-priced biodegradable materials took a toll on profits. The situation also negatively affected the balance sheet, which saw a deteriorated working capital position, falling from \$2 000 000 to \$1 700 000.

One of the commonly cited reasons for practicing CSR is that it is a form of enlightened self-interest: doing good for others will in the long run lead to greater profits. In the case of *DH*, perhaps that was its intention. Employee morale improved, which can lead to greater productivity and loyalty (labour turnover would probably decline). CSR would enhance *DH*'s reputation, socially responsible consumers would find an additional reason to purchase *DH* products, and, over time, the company would make more profits than it otherwise would have.

Some shareholders, however, are not satisfied with the results so far. At the annual general meeting, they complained about unimproved sales growth and lower margins, which they directly linked to the CSR programme. Several shareholders suggested that *DH* develop consumer awareness that it is a socially responsible company. The favourable media attention in the first year was insufficient to make an impact on the revenue side. Were *DH* to take this approach, reshape its brand identity and raise consumer awareness, it would have to invest in a promotional and public relations campaign, which might be costly. Profits and margins might go down before they go up, and possibly even more shareholders will be dissatisfied.

Accept any other relevant evaluation.

Marks should be allocated according to the markbands on page 3.

For a limited discussion of the financial situation (income statement only or balance sheet statement only), award up to [3]. For limited discussion of financial situation and one relevant non-quantitative consideration, award up to a maximum of [4].

If a candidate evaluates / addresses only the financial situation or only non-financial considerations, award a maximum of [5].

Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgement/conclusion.

Candidates cannot reach the [7–8] markband if they give judgement/conclusions that are not based on analysis/explanation already given in their answer.

Maximum Mark award	For	Against	Judgments/conclusion
3	Either one argument for or one argument against		N/A
4	Addresses either: 1. one argument for and one argument against 2. two arguments for or two arguments against		N/A
5	Addresses either: 1. two arguments for and one argument against 2. two arguments against and one argument for		N/A
6	<ul style="list-style-type: none"> two arguments for and two arguments against 		No judgments/conclusions
7-8	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response
9-10	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response

5. (a) Define the term *innovation*. [2]

Innovation is about putting a new idea or approach into action. It can be described as the process of translating an idea/invention into a service/good that creates value. Innovation can be achieved by improving existing goods, processes or services

*Candidates are not expected to word the definition **exactly** as above. Award [1] if the candidate recognizes that innovation is the creation or invention of something original. Award [2] marks if the candidate also recognizes that the new invention or process has value [2].*

N.B.: no application required. Do not credit examples on their own.

Award [1] for a basic definition that conveys partial knowledge and understanding.

Award [2] for a full definition.

(b) Explain **two** roles of *Benno's* mission statement. [4]

The roles of a mission statement include:

- communicating the purpose of the organization to stakeholders
- informing decision making and strategy development
- developing the measurable goals and objectives by which to gauge the success of the organization's strategy.

For *Benno*, the mission statement has provided a way for the business to differentiate itself from its competitors, especially at a time when competition in the healthy soft drinks market is intense.

The mission statement is also a way to attract new investors who may have empathy with the direction of *Benno*. This is an important role given the need for *Benno* to be committed to innovation and CSR.

Award [1] for a basic answer that shows an understanding of a role of a mission statement.

Award [2] for an answer that shows an understanding of two roles of a mission statement.

Award [3] for an answer that shows a good understanding of two roles of a mission statement and one of these is suitably applied to Benno.

Award [4] for an answer that shows a good understanding of two roles of a mission statement and both of these is suitably applied to Benno.

Do not reward marks for describing/defining a mission statement.

- (c) Explain **one** advantage **and one** disadvantage for *Benno* of using a focus group of loyal customers.

[4]

Advantages of a focus group of loyal customers:

- Can obtain detailed information about your own customers about their feelings, perceptions and opinions.
- Are cheaper than performing individual interviews.
- Provide an opportunity to clarify any issues or problems.

Disadvantages of a focus group of loyal customers:

- They can be hard to control and manage.
- You are only getting the views of loyal customers – it tells you nothing about consumers who prefer rival brands and why they prefer them to your soft drink.
- The results are difficult to analyse, especially if the focus group provides qualitative feedback.
- Members may not reveal their own feelings but are swayed by the majority view.
- May not be representative of the target market as a whole.

Possible application:

For *Benno*, an advantage of using a regular focus group is that they will be aware of the company's products and mission. This will reduce the amount of statistical noise and save time in the discussions when looking at new product ideas, such as the biodegradable rings.

However, having a regular group for *Benno* increases bias and reduces objectivity of the data researched. It might be a useful exercise for *Benno* to ask customers who are not overly familiar with their products to achieve a more balanced qualitative view.

Accept any other relevant advantage / disadvantage.

Accept any other relevant explanation.

Mark as 2 + 2.

Award [1] for a basic answer that shows an understanding of an advantage of using a focus group.

Award [2] for an answer that shows an understanding of an advantage and disadvantage of using a focus group.

Award [3] for an answer that shows an understanding of an advantage and disadvantage of using a focus group of loyal customers and one of these is suitable applied to Benno.

Award [4] for an answer that shows an understanding of an advantage and disadvantage of using a focus group of loyal customers and both of these is suitable applied to Benno.

Mark as 2 + 2.

- (d) Recommend whether *Benno* should replace its plastic drink rings with the new biodegradable drink rings.

[10]

For:

- It fits in well with its mission statement “to produce healthy drinks without damaging the environment” and this may be important in maintaining customer loyalty.
- It fits into its belief in corporate social responsibility, as the current drink rings damage the environment and harm creatures in the seas, such fish.
- Competition in this drinks market is very intense – this could act as a strengthening of its USP for *Benno* and retain loyal customers and attract customers from rivals. It will strengthen its image as a business that has “green” credentials.
- Sales of *Benno*’s drinks have fallen significantly over the last five years– so it is important that *Benno* does something to stem this tide.
- Accept any other reasoned arguments.

Against:

- It will cost \$5m to buy the machinery to produce the new rings and the business has no accumulated retained profits – therefore the funds will need to be raised, probably externally via a bank loan, which will lead to interest charges and an increase in operating costs. It may take time to find a suitable angel investor to help finance this project. Will the angel investor wish to exert some control over *Benno*’s operations?
- The unit cost increase is 50 %, a rise from 10 cents to 15 cents per ring, and the business only has a net profit margin of 10 %. As the market is competitive and reports suggest that consumers are price sensitive, a price rise – passing on the cost of the new rings – is probably not going to be possible. The result is that *Benno*’s net profit margin will fall.
- Sales are falling, particularly to the 12–18 age group – are they going to be energized into buying a product that is more environmentally friendly, particularly when reports suggest purchases of green products are not increasing?
- In terms of a new way forward for *Benno*, the introduction of the new rings has a great deal of merit. There are a large number of marketing opportunities available in a competitive market and this idea will strengthen *Benno*’s brand. However, the forecasted financial implications of this idea are

not ideal and if sales volumes do not increase significantly then *Benno* may find itself financially worse off if profits do not increase. One solution may be to wait until some more objective market research via a new untested focus group have given their thoughts on the new ring.

- Accept any other reasoned arguments.

Marks should be allocated according to the mark bands on page 3 with further guidance below.

A balanced response is one that provides at least two arguments for and two arguments against the option.

For one relevant issue that is one-sided, award up to [3]. For more than one relevant issue that is one-sided, award up to a maximum of [4].

Award a maximum of [6] if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgement/conclusion.

Candidates cannot reach the [7–8] markband if they give judgement/conclusions that are not based on analysis/explanation already given in their answer.

Maximum Mark award	For	Against	Judgments/conclusion
3	Either one argument for or one argument against		N/A
4	Addresses either: 1. one argument for and one argument against 2. two arguments for or two arguments against		N/A
5	Addresses either: 1. two arguments for and one argument against 2. two arguments against and one argument for		N/A
6	<ul style="list-style-type: none"> • two arguments for and two arguments against 		No judgments/conclusions
7–8	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response
9–10	Balanced		Judgments/conclusions based upon analysis and explanation in the body of the response

Section C

Marks should be allocated using the assessment criteria on pages 4 to 5 with further guidance below.

N.B.: examiners should include a breakdown of each mark awarded per criterion and a brief note explaining the mark awarded at the end of each candidate's response.

The main aim of paper 2 (SL or HL) section C is to assess candidates' understanding of the six major concepts (change, culture, ethics, globalization, innovation, strategy) within a business context. Candidates are to demonstrate their understanding through an organization of their choice. The expectation of the use of an organization is to allow assessment of the depth of candidates' understanding through their ability to apply the concepts and their knowledge.

Assessment of candidates' knowledge of the organization itself is not an aim of the assessment. If a candidate makes minor factual errors and these minor errors have no genuine bearing on whether the candidate understands the concepts, examiners should not penalize. For example, a minor error of historical fact (the year when a company was founded, or the year in which a change was implemented) which has no genuine bearing on candidates' understanding of the concepts does not warrant penalty.

- | | | |
|----|---|------|
| 6. | With reference to an organization of your choice, examine the impact of innovation on promotional strategy . | [20] |
| 7. | With reference to an organization of your choice, examine the impact of globalization on change in operations management. | [20] |
| 8. | With reference to an organization of your choice, examine the impact of ethics and culture on human resource management. | [20] |

It is expected that the candidate explains the chosen theoretical direction / content of their response.

Additional guidance in relation to the assessment criteria

For each criterion, the aim is to find the descriptor that conveys most accurately the level attained by the candidate, using the best-fit model. It is not necessary for every single aspect of a level descriptor to be met for that mark to be awarded.

- *The highest-level descriptors do not imply faultless performance and should be achievable by a candidate.*
- *A candidate who attains a high level of achievement for one criterion will not necessarily reach high levels of achievement for the other criteria and vice versa.*

*If only **one** concept is addressed:*

- *Criteria A, B, C and E: award up to a maximum [3].*
- *Criterion D: full marks can be awarded.*

Where the question asks for impacts of two concepts on content, examiners must allow for unbalanced treatment of the two concepts throughout a candidate's response. One concept may be more significant than the other.

In section C, the question rubric explicitly states that “organizations featured in sections A and B and in the paper 1 case study may not be used as a basis” to candidate’s answers to questions 6, 7 and 8. When this happens please award marks as follows:

Criterion A

Award a maximum of [1]. The business management content cannot be relevant if the organization is fictitious.

Criterion B

0 marks – there is no connection to a real-world organization.

Criterion C

Award a maximum of [1]. The arguments cannot be relevant if the organization is fictitious.

Criterion D

Mark as normal.

Criterion E

Award up to a maximum of [1]. The individual and/or group perspective(s) cannot be relevant if the organization is fictitious.

Criterion B

For [2]: “...connection is not developed” should be treated the same as superficial.

Criterion C

- *Questions 6 to 8 require consideration of the impact of one concept on a second concept – therefore accept 2 + 2 arguments for a balanced response.*
- *Justification is through logic or data.*
- *For [2] there is no balance as there are no counter arguments at all, or the arguments are all one-sided then this would be unjustified.*
- *For [3] there is some balanced arguments – some of which are justified.*

Criterion D

- *Introductions need to be concise and related to the question.*
- *The candidate’s response does not to have explicit headings for each structural element.*
- *A body is the area in which the substance of arguments occur. It is usually located between the introduction and the conclusion.*
- *Fit-for-purpose paragraph means that ideas are presented in a clear academic way. For example, one idea per paragraph.*

Criterion E

- *One example of an “individual” could be an individual consumer or an individual manager. However this could not be considered with a “group” of consumers or a management team.*
- *For [4], a balanced response: need to look at the perspectives of both individual and group(s). The chosen individual, group needs to be applicable and relevant to the question with specific explanation.*
- *Candidates need to go beyond stating the stakeholder.*
- *Candidates need not explicitly say “stakeholders”.*