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Pearson
Edexcel GCE

Centre Number

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Candidate Number

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Business Studies/Economics and Business

Advanced

Unit 3: International Business

Tuesday 14 June 2016 – Afternoon

Time: 1 hour 30 minutes

Paper Reference

6BS03/01
6EB03/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions in Section A and Section B.
- Answer the questions in the spaces provided – *there may be more space than you need.*
- You may use a calculator.

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed – *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- The marks available for spelling, punctuation and grammar are clearly indicated.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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PEARSON

SECTION A

Answer ALL questions in this section.

Evidence A

China helps boost *Berghaus* owner

The Pentland Group, the owner of *Speedo* trunks and *Berghaus* outdoor clothing, recorded a 36% rise in profits, thanks largely to an increase in demand from Chinese swimmers. Directors from the company recently accompanied David Cameron on his trade mission to China. Sales of its products have been strong in China and it has also seen increasing success in other emerging markets such as Brazil, Russia and Turkey.

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Outdoor performance clothing and footwear brand *Berghaus* has confirmed plans to start trading in the US, following a successful two-year trial in a small number of specialist stores. *Berghaus* will be making use of the distribution network of its owners, *The Pentland Group*, which has already been selling several other brands in the US such as *Hunter* boots, *Ted Baker* footwear and *Lacoste* footwear.

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The Pentland Group is a conglomerate company that started in 1932 as a shoe wholesaler in Liverpool. By the next decade the business had transformed itself into a footwear manufacturer, and in 1964 it became one of the first European companies to use global sourcing by getting shoes manufactured in Asia. Fuelled by this access to cheaper resources, the company has grown rapidly over the years through a series of takeovers and licence deals.

15

Today *The Pentland Group* owns a range of sports and fashion brands, including *Mitre* footballs, *Canterbury* rugby kit, *Red or Dead*, *Ellesse* and *Kickers*. The company, which also owns a majority stake in store chain *JD Sports Fashion*, saw total sales grow by 10% to £1.9bn in 2013.

20

(Source: adapted from © Profits hike by Matthew goodman (*Sunday Times*, 22 June 2014))
http://www.thesundaytimes.co.uk/sto/business/Retail_and_leisure/article1425239.ece
<http://www.snewsnet.com/press-release/british-outdoor-brand-berghaus-launches-in-the-united-states/>

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1 Explain **two** possible reasons why China and other emerging economies may have led to increased sales for businesses such as *The Pentland Group*.

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(Total for Question 1 = 6 marks)



2 Analyse **two** reasons why a business such as *The Pentland Group* may have chosen to expand through takeovers.

A series of horizontal dotted lines for writing the answer.

(Total for Question 2 = 8 marks)

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3 Assess the likely benefits of global sourcing for a business such as *The Pentland Group*.

Dotted lines for writing the answer.

(Total for Question 3 = 9 marks)



*4 Evaluate the likely difficulties *Berghaus* might face when entering a developed market such as the US.

Area with horizontal dotted lines for writing the answer to Question 4.

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 35 MARKS

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SECTION B

Answer ALL questions in this section.

Evidence B

We're the family business that loves trees

At *Bettys & Taylors of Harrogate* tea and coffee company we've been planting and protecting trees since 1990. With the help of our customers we've planted 3 million trees worldwide and helped to protect 237,000 hectares of Amazonian rainforest in Peru.

In 2009 we launched an ambitious project to help save an area of rainforest the size of Yorkshire – that's 1.5 million hectares of forest.

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Our other projects have helped to prevent soil erosion and flooding. Such projects have improved livelihoods and increased incomes and they have even helped communities to regain knowledge about the ecological and traditional values of their native species.

(Source: adapted from <http://treesforlife.co.uk/>)

Evidence C

Multinationals head back to UK as lower corporation tax takes effect



The number of multinational companies wanting to move to Britain jumped by 50% in 2013. More than 60 firms were looking at relocating their global or regional headquarters to Britain in the next 18 months.

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A report by the accountancy firm *Ernst & Young* suggested that the influx of multinationals to Britain is due to government policies, including lower corporation tax.

Chancellor George Osborne, who has cut corporation tax from 28% to 23% and plans to reduce it to 20% in 2015, said: "This is very welcome news and it shows our economic plan is working. Global companies used to move away from the UK. Thanks to our reforms to the tax system and our clear signals to the world that Britain is open for business, they are coming back."

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(Source: adapted from <http://www.thisismoney.co.uk/money/news/article-2513658/Back-business-Multinationals-head-UK-lower-corporation-tax-takes-effect.html>)



Evidence D

How global forest-destroyers are turning over a new leaf

Indonesia is one of the world's biggest destroyers of forests and four multinational corporations – *APP (Asia Pulp & Paper)*, *APRIL (Asia Pacific Resources International Limited)*, *Wilmar* and *Golden Agri Resources* – have been responsible for much of it.

APP and *APRIL* are giant paper-pulp corporations. Collectively, they've cleared several million hectares of native Indonesian rainforest and other land to grow fast-growing pulpwoods, destroying the original rainforest in the process. *Wilmar* and *Golden Agri Resources* are the world's two biggest producers of palm oil – a key driver of forest destruction across the tropics, especially in southeast Asia. 5

Until recently these multinationals were considered environmental offenders, but suddenly things seem to be changing, with all four proclaiming 'no deforestation' policies. Under growing pressure from the markets and pressure groups to change, *Golden Agri Resources* led the way, announcing a 'no-deforestation' policy in 2011; its sister company *APP* followed suit in early 2013. Palm oil giant *Wilmar* was next and finally in early 2014 *APRIL* too announced a 'no-deforestation' pledge. 10

(Source: adapted from <http://theconversation.com/how-global-forest-destroyers-are-turning-over-a-new-leaf-22943>)



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5 Apart from environmental damage, explain **two** possible negative impacts a multinational corporation might have on the host country.

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(Total for Question 5 = 6 marks)



6 Explain **two** reasons why the UK Government might have decided to reduce the rate of corporation tax.

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(Total for Question 6 = 6 marks)

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7 Assess the extent of the trade-off between ethical behaviour and profitability for a company such as *Bettys & Taylors of Harrogate*.

Area with horizontal dotted lines for writing the answer to Question 7.

(Total for Question 7 = 8 marks)



8 Assess how important government policies, other than taxation, are to a business when deciding where to locate its operations.

Handwriting practice area consisting of 20 horizontal dotted lines.

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(Total for Question 8 = 10 marks)



***9** Evaluate the extent to which the actions of multinational corporations can be controlled.

Handwriting practice area consisting of 20 horizontal dotted lines for writing an answer to the question above.

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Handwriting practice area with 20 horizontal dotted lines.

(Total for Question 9 = 15 marks)

TOTAL FOR SECTION B = 45 MARKS
TOTAL FOR PAPER = 80 MARKS



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