Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

Each answer shows the steps, then the **result**.

2.1

any two: cheaper and faster **transport**; the **internet** and e-commerce; **free-trade** agreements; fewer barriers to trade

2.2

- 40×1.10
- = \$**44**

2.3

benefit (2):

- **jobs** (1): income rises in the area, and local suppliers gain business (1)
- or new skills and technology; tax revenue

drawback (2):

- **local firms** may close (1) because they cannot match the MNC's prices (1)
- or profits leave the country; the MNC may move away later

3.1

B: $50 \times 1.20 = 60$

3.2

A

3.3

(a)

- a business with **operations** (factories or offices) in **more than one country**

(b)

- 90×0.95
- = €**85.50**

(c) two benefits, each outlined (K + App each):

- **new markets**: sells 40 % of boots in Europe
- cheaper **materials** (leather, rubber) bought from abroad
- can produce where costs are low
- ideas and designs from other countries

(d) two effects, each explained (K, App, An each):

- the dollar has **appreciated**, so boots cost Europeans more (€72 to €85.50): European **sales may fall**, and 40 % of sales are at risk
- imported **materials** are cheaper in dollars, cutting costs
- TrekGear may cut its dollar price to stay competitive, so profit per pair falls

(e) for: (An)

- **lower wages** cut costs, so prices can match Asian rivals; closer to Asian markets and suppliers

against: (An)

- **closing** the US factory costs jobs and goodwill; costs of the move; quality and control at a distance; a "made in the US" image may be lost; wages in Vietnam may rise

decision: (Ev) for example, move part of production to Vietnam for European sales and keep the US factory for US customers, because this cuts costs where competition is strongest while keeping its brand and skilled staff at home.

Level 3 (5–6): a justified decision for this business, weighing both sides. Level 2 (3–4): points explained and applied. Level 1 (1–2): points identified.