

Examiners' Report

June 2014

GCSE Business Studies 5BS03 01

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Introduction

This year's 5BS03 paper acted as a good discriminator between candidates, providing opportunities for those candidates who had prepared thoroughly to do well.

There was limited evidence of candidates being unable to complete the examination paper and it was clear that centres have increasingly taken heed of the advice contained in documents such as this to prepare their candidates for the following year's examination. As a result, many answers demonstrated a robust understanding of the written skills required by each style of questioning and a clear focus on the command word.

In Section A there were some very pleasing examples of candidates thinking about the context provided in questions 2 to 4 inclusive. An increasing number of 3 mark '*explain with context*' questions scored full marks and there was clear evidence of candidates writing using linked strands and providing context that went beyond repeating words that were provided in the question. Question 4(d) proved to be problematic for some candidates since a sizable minority confused reducing cost with lowering price and as a result scored 0 marks since they had not answered the question.

In Section B, question 5(a) was poorly answered with a significant number of candidates not being able to offer a definition of profit, more often than not confusing it with elements of cash flow, e.g. '*money in, take away costs going out*'. In most cases it appeared that large numbers of candidates did not know the formula for the break-even level of output and had resorted to using trial and error in order to find a situation where total revenue equalled total costs. Question 6(d) was also notable for the very small number of answers that were able to access level 3. Lack of context pegged most answers to the top of Level 2 and 5 marks.

Section C was well answered with many candidates finding question 10 reasonably straightforward. Most candidates accessed Level 2, with an increasing number progressing to level 3 since their responses contained balance and use of the Primark context. Common errors included turning the question into ways in which Primark/clothing could improve its ethical responsibility and mixing up ethics with ethnic minorities.

Question 1 (b)

This question required candidates to demonstrate their understanding of the term 'salary'. Many candidates were able to identify that it is a fixed payment, paid monthly. Some candidates decided to cover every base by stating that it is a payment made per hour/per item/per week/per month. Candidates who did this received 0 marks.

Other methods of remuneration include salaries and commission.

(b) What is meant by the term **salary**?

(2)

Salary is the amount paid to an employee by the employer.



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Examiner Comments

There is nothing in this answer that relates specifically to a salary. What has been written could relate to virtually any form of remuneration. 0 marks are awarded.

(2)

An amount paid monthly to workers but is usually expressed as an annual figure.



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Examiner Comments

This response is awarded 2 marks. The candidate has recognised that it is an 'amount paid monthly' (1 mark) 'but is usually expressed as an annual figure' (1 mark).



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Examiner Tip

Every examination paper will contain 'What is meant by the term...' questions. They are designed to test knowledge. All of the key terms are contained in the 'what students will need to learn' section of the specification. Some centres have provided definition lists for their candidates in order to cover every conceivable question that can be asked

Question 1 (c) (i)

This was a simple knowledge question. Candidates had to identify any two fringe benefits. Since no context was provided in the question, candidates could offer generic fringe benefits to score the marks on offer.

1 staff discount.

(2)

2 company car.



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Examiner Comments

This is typical of many answers. 2 marks are scored in a very short space of time through writing four words.



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Examiner Tip

'Identify' questions require no development whatsoever. Some candidates started their answers with '*One fringe benefit a business could offer its workers is...*'. This is unnecessary and could ultimately result in a candidate not being able to complete higher-value questions later on in the paper due to lack of time.

Question 1 (c) (ii)

This question was very well answered. Candidates had to identify an effect (positive or negative) and then build two linked strands that result from the effect identified. The question is generic since the word '*business*' is used in the question rather than the name of an actual company. Most candidates decided to select '*increased motivation*' as the effect and linked it to '*increased productivity*' and '*lower unit costs*' to score 3 marks.

- (ii) Explain **one** possible effect on a business of providing fringe benefits for workers.

(3)

one possible effect is that it might increase the motivation of the workers leading to higher efficiency and productivity which will then lead to higher profits for the company



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Examiner Comments

This is typical of the responses seen. '*Increase the motivation*' (1 mark) is the effect which is linked to '*higher efficiency*' (1 mark) which is linked to '*higher profits*' (1 mark). 3 marks are awarded.

- (ii) Explain **one** possible effect on a business of providing fringe benefits for workers.

(3)

It could cost them a lot of money and this could effect the company as it will give them less of a profit.



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Examiner Comments

This response approaches the question from a different angle, identifying a negative effect on the business. '*Cost them a lot of money*' (1 mark) is the identified effect which is linked to '*less of a profit*' (1 mark). 2 marks are awarded in total since there is no second linked strand of explanation.



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Examiner Tip

Before selecting an '*effect*' try and think through whether or not you can develop two further linked strands to score full marks. Some effects are easier to develop linked strands from than others.

Question 2 (b)

This question was an '*outline question in context*'. Candidates were required to identify a 'way' and then provide one strand of development which has to be in context since the question refers to a specific business (Tyrells) and product (crisps). Many candidates only scored 1 mark since their development lacked context that went beyond repeating words that were contained within the question. Some candidates did not notice the term '*repeat purchase*' at the end of the question. Therefore answers relating to '*product trials*' or '*getting consumers to try the product for the first time*' were not awarded any marks.

(b) Outline **one** way that Tyrells could increase repeat purchase of its crisps.

(2)

Occasionally, have discounts on the crisps so that people would buy it again.

Also have a variety of different flavours. ~~etc~~



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Examiner Comments

This response scores 1 mark. The candidate has provided two ways. The first 'way' is generic since the words '*crisps*' appears in the question and there is no development. The second 'way' has context '*different flavours*' but no development.



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Examiner Tip

Just providing context on its own does not generate a mark. In this case it has to be part of a 'way' or the subsequent linked strand of development. For example a candidate who simply writes down the word '*packet*' or '*potato*' in isolation would score 0 marks.

(b) Outline **one** way that Tyrells could increase repeat purchase of its crisps.

(2)

Because Tyrells product is new people may be hesitant to buy it, having cheaper prices encourages people to buy the products and if the price remain relatively cheap and the crisps taste good, repeat purchases shall occur.



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Examiner Comments

This response scores 2 marks. The candidate identifies a 'way' via 'lower prices' and the response is developed. Context is provided through the phrase 'taste good'.



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Examiner Tip

The words 'Tyrells' and 'crisps' are provided in the question so cannot be used to provide evidence of contextualisation. One way to demonstrate context is to think of words associated with the product or the market Tyrells operate in. Context could be provided through the use of the words 'Walkers', 'salt and vinegar', 'bags', etc. as part of either the 'way' or the subsequent linked strand of development.

Question 2 (c)

This question was well answered, with many good examples of high-scoring responses. Some candidates tended to provide sufficient linked strands following the identification of a reason but then undid all of their hard work by failing to provide any context. This resulted in some potentially good responses only scoring 2 marks.

(c) Explain **one** reason why branding is important to Tyrells.

(3)

Consumers trust brands and are therefore more likely to trial their new products. This means Tyrells will get more trial purchases of the 'Furrows', leading to repeat purchase and increased revenue.



This response scores 3 marks. The reason is identified '*consumers trust brands*' (1 mark) which is linked to '*more trial purchases*' (1 mark) which is linked to '*increased revenue*' (1 mark). Contextualisation is provided through the use of the word '*Furrows*', so all 3 marks can be scored.



Try and make your context stand out by focusing around the product or market that the business operates in. Note that in this question '*new product*' was deemed to be insufficient evidence of contextualisation, whereas '*new crisps*' or simply '*crisps*' clearly phrase the answer in the context of the case-study which accompanies the question.

(c) Explain **one** reason why branding is important to Tyrells.

(3)

Tyrells need ~~a~~ good branding to create a brand image which would then lead to customer loyalty. This ~~ex~~ customer loyalty would lead to a ~~constant~~ ~~revenue~~ ~~consistent profit~~ therefore Tyrells would gain profit.



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Examiner Comments

This response scores 2 marks. The reason is identified '*brand image*' which is linked to '*customer loyalty*' which is linked to '*constant revenue*' which is then linked to '*gain profit*'. The candidate provides more than enough linked strands to score 3 marks, but lack of contextualisation results in only 2 marks being awarded. The word '*Tyrells*' appears in the question so does not count as evidence of context.

Question 2 (d)

This was the only '*describe in context*' question on this year's paper. In a '*describe*' question candidates can offer a definition at the start of their response to score 1 mark or approach the question by making a series of unrelated points or by providing less points which have been developed. To gain all of the marks, context must be provided as part of a point or strand of development. Thus, this question offers a greater degree of flexibility than an '*explain*' question in the way in which it is marked.

This question was either answered well or very badly. The responses that scored 0 marks focused on revenues, costs and profit and had no reference to cash-flow whatsoever.

Tyrells Furrows are currently in the introduction phase of the product life cycle.

- (d) Describe how *Tyrells' cash flow* is likely to change as *Tyrells Furrows* move from the introduction to maturity phase of the product life cycle.

(4)

Stage

In introduction, there are negative cash flow but it goes through growth stage and this is where the sales will be rising. At maturity stage the sales will be at the peak time where the cash flow is positive and they are profitable. With support of promotion they can easily achieve this and like some business do, they can use extension strategy to maintain the company product as long as it can.



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Examiner Comments

The candidate makes a point '*In introduction stage cash flow is negative*' (1 mark). Then in the middle of the response '*at the peak time where cash flow is positive*' (1 mark) which develops through '*with the support of promotion they can achieve this*' (1 mark). The answer is purely generic and there is no contextualisation at all. Therefore a maximum of 3 marks can be awarded.

Tyrells Furrows are currently in the introduction phase of the product life cycle.

- (d) Describe how Tyrells' cash flow is likely to change as Tyrells Furrows move from the introduction to maturity phase of the product life cycle.

(4)

At the introduction stage, cash flow will be negative as there will be no customer awareness of the product yet. The next stage (Growth) will have a little more cash inflow than outflow as more people will try the new crisps as they are different to others. At the maturity stage the cash inflow will be positive and generating more sales due to customer satisfaction

(Total for Question 2 = 10 marks)

and repeat purchase. In the decline phase, the product will be causing a larger outflow; perhaps a newer product has taken its place on the market and less customers buy this product.



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Examiner Comments

'In the introduction stage cash-flow will be negative'(1 mark) is developed through 'there will be no customer awareness of the product yet' (1 mark). A further point is then made 'the next stage will now have more cash inflow than outflow' (1 mark) which is developed through 'as more people will try the new crisps as they are different to others' (1 mark). Therefore, the candidate has provided two points with a strand of development for each and crucially one strand of development is contextualised through the use of the phrase 'new crisps'. 4 marks are awarded.



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Examiner Tip

Candidates must understand the difference between cash flow and profit. The terms are different (although related) and the lack of understanding in this area is resulting in questions on cash-flow becoming a significant discriminator between candidates in the examination room.

Question 3 (b)

This question required candidates to identify any two methods KFC could use to differentiate its products. Any responses were applicable so long as they could be sensibly applied to KFC.

1 Creating different ~~for~~ advertisement.

2 Advertising it somewhere different but somewhere
Pouple and Populated.



ResultsPlus Examiner Comments

This response scores 1 mark. Both methods are essentially just 'advertising', therefore only 1 mark can be awarded.



ResultsPlus Examiner Tip

Candidates need to make sure that their responses are sufficiently different to score both marks on offer.

(b) Identify **two** methods KFC might use to differentiate itself from rival fast food chains.

(2)

1 New unique food.

2 different advertising.



ResultsPlus Examiner Comments

This is more typical of the responses encountered. 2 marks are awarded for two different methods.

Question 3 (c)

This question was characterised by large amounts of context with many candidates referring to '*chicken*', '*fast food*' and '*McDonalds*'. However, candidates who failed to score full marks did so because they failed to develop sufficient linked strands in their answer following the identification of a reason, or linked strands were provided which had nothing to do with the question, e.g. '*therefore profit will fall*'.

- (c) Explain **one** reason why it might be difficult for KFC to increase its sales in the breakfast market.

(3)

KFC are not well known for selling breakfasts.
This is because ~~of~~ their competition ~~are~~
McDonalds are well known in the breakfast market.
This means McDonalds has a high share of the market and are well known so it will be difficult to encourage customers to go to KFC instead of McDonalds.



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Examiner Comments

This response scores 3 marks. The reason is identified '*KFC are not well known for selling breakfasts*' (1 mark) which is linked to '*because their competition McDonalds are well known*' (1 mark) which is linked to '*high share of the market*' (1 mark) which is linked to '*difficult to encourage customers to go to KFC*'. Therefore, the candidate has provided more than enough links, but most importantly context has been provided through the use of the reference to '*McDonalds*'. Note that references to '*KFC*' and '*breakfast market*' do not count as contextualisation since these words appear in the question.

chicken isn't a popular breakfast choice
So getting sales may be difficult.

(3)



ResultsPlus

Examiner Comments

This response scores 1 mark. The candidate identifies a reason '*chicken is not a popular breakfast choice*' but the remainder of the response simply repeats the final part of the question.



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Examiner Tip

Make sure that linked strands differ from what is included in the question. In this question candidates need to explain **why** it would be difficult to make sales rather than simply state '*therefore it will be difficult to make sales*'.

Question 3 (d) (i)

This question should have been straightforward. The question stem stated that '*the market for fast food breakfasts was growing*' and that '*KFC were unsure whether its breakfast menu would be successful*'. Logically this should have led to a cross being placed in the '*problem child*' box. A minority of candidates failed to place a cross in any box and presumably thought that the inclusion of the Boston matrix diagram was a visual aid for question 3(d) (ii).

Question 3 (d) (ii)

This question was characterised by many candidates providing responses which had nothing to do with '*managing its product portfolio effectively*'. Instead some candidates wrote about the benefits of having a high quality product, the benefits of having lots of choice etc. Those candidates that did answer the question tended to score 2 marks due to the lack of contextualisation either in the identification of a benefit or in the subsequent linked strands.

KFC provides a range of different products, including its breakfast menu, as part of its product portfolio.

- (ii) Explain **one** benefit to KFC of managing its product portfolio effectively.

(3)

I t means they can ~~have~~ have a range of products so there's more selection for customers. As a result more customers will come as KFC can offer lots of different types of products. At this could increase their revenue and then their profits.



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Examiner Comments

By way of contrast to the previous response, this answer scores 0 marks. This is because the candidate has not answered the question and has no understanding of what '*managing its product portfolio*' means.



ResultsPlus

Examiner Tip

Make sure that you read the question carefully. Many candidates did not pick up on the words '*managing'* and '*portfolio*'.

KFC provides a range of different products, including its breakfast menu, as part of its product portfolio.

- (ii) Explain **one** benefit to KFC of managing its product portfolio effectively.

(3)

By KFC managing its product portfolio it means they can identify which products are in the growth of their life cycle and which are in saturation and decline to see what the best strategy is to make the products better by either taking them off the market or investing in them.



This answer is typical of the candidates that answered the question. A benefit has been identified '*can identify which products are in the growth of their life-cycle*' and offered some development '*to see what the best strategy is to make the products better*' which is then developed through '*by either taking them off the market or investing in them*'. This answer could have scored 3 marks, but is only awarded 2 marks due to lack of context.

Question 4 (b)

This was another relatively straightforward '*Identify*' question that gave scope for candidates to provide reasons that were specific to Portakabin, e.g. '*cut costs*' or '*improve branding*' or more generic reasons such as '*Portakabin wanting to be more environmentally friendly*'. Most candidates scored 2 marks in this question.

(b) Identify **two** reasons why Portakabin Limited might want to focus on recycling.

(2)

- 1 To reduce the amount of waste produced by the business.
- 2 good publicity.



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Examiner Comments

This is typical of many 2 mark responses. Both points identified are possible reasons why Portakabin might want to focus on recycling.



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Examiner Tip

In '*Identify*' questions there is no requirement to go beyond a simple point. You will receive the marks if your point made is realistic to the business under consideration.

Question 4 (c)

This question was a further 3 mark 'explain with context' question. Most candidates focused on the problems of coping with a surge in demand or the difficulties faced if suppliers were late. Most candidates scored 2 marks since despite providing sufficient linked strands following the identification of a drawback, their responses lacked any evidence of contextualisation. Some of the best answers linked an unexpected surge in demand to the recent winter floods meaning that Portakabin would not be able to keep up with demand for portable classrooms.

- (c) Explain **one** drawback to Portakabin Limited of using a 'Just In Time' method of stock control.

(3)

It costs a lot of money to keep stock in. ~~but~~ and they can be a chance it can get stolen or damaged.



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Examiner Comments

The candidate has no understanding of 'Just in Time' at all. 0 marks are awarded.

- (c) Explain **one** drawback to Portakabin Limited of using a 'Just In Time' method of stock control.

(3)

The products and items needed might not be delivered on time. This causes the work on making temporary offices and classrooms to come to a standstill. This will ~~mean~~ lead to a loss in profit and a bad reputation.



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Examiner Comments

This is an example of a 3 mark response. The drawback is identified 'might not be delivered on time' (1 mark) which is linked to 'causes work on making temporary offices and classrooms to come to a standstill' (1 mark) which is then linked to 'loss in profit' (1 mark). Contextualisation is provided within the first linked strand through the use of the phrase 'temporary offices and classrooms'.

Question 4 (d)

This question was well answered, but many candidates who chose to examine a decrease in costs often scored 0 or very few marks (depending on what else they had written) because they assumed that a reduction in costs was the same as a reduction in price. Candidates who stated that '*a reduction in costs allows prices to be reduced*' were awarded marks accordingly because this is perfectly accurate. Most candidates managed to reach the top of Level 2, but to enter Level 3 an answer required balance. Some candidates had clearly been taught to use the word '*however*' or the phrase '*on the other hand*' as a precursor to making a counter-balancing argument - this is good technique. However, some candidates explained the benefits of increasing quality and then the drawbacks of reducing costs. This does not provide balance for the option of increasing quality, it is just further support as to why the candidate chose to increase quality over decreasing costs.

To reach the top of Level 3 both contextualisation and a conclusion is required. Many candidates failed to attain 6/6 due to lack of contextualisation.

(d) Which of these two methods do you think would be more effective in allowing Portakabin Limited to improve its competitiveness? Justify your answer. (6)

I feel that reducing costs is more likely to improve its competitiveness as customers would rather go to a shop that is offering a lower price for a good high quality product because it is more cost effective for them, also as customers will tell others about the low prices meaning they will gain a better reputation than their competitors as more people will be buying products from their shop rather than on their competition so the competition competition will rise..



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Examiner Comments

This response scores 0 marks. The candidate has confused reducing costs with reducing prices.



ResultsPlus

Examiner Tip

Make sure you know the difference between '*price*' and '*cost*'. The terms are very different.

(d) Which of these two methods do you think would be more effective in allowing Portakabin Limited to improve its competitiveness? Justify your answer.

(6)

Improving quality would lead to higher customer satisfaction and repeat purchases as customers know the high quality of their portable building. This means ~~as~~ customers are more likely to be loyal, and also new potential customers can see these great ratings and so are more likely to buy from them. On the other hand reducing costs would mean that for each sale made more profit would be gained but also customers can see their products are cheaper and so will buy them. However, customers may also see the lower prices as lower quality products compared to the more high-end, high quality products and so may not purchase the buildings from them, especially as they

(Total for Question 4 = 12 marks)

are larger products and are bought less often. In conclusion I believe that although cheaper prices and lower costs are good as they make the business more price competitive, increasing quality is the way to go as it means repeat purchases, due to better customer satisfaction so a more competitive business.

TOTAL FOR SECTION A = 40 MARKS



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Examiner Comments

By way of a contrast, this answer is very good indeed. The candidate provides numerous linked strands of development that support the judgement that improving quality is the best option. Balance is provided through '*however customers may see lower prices as lower quality products*'. A conclusion is provided and context is in evidence through the use of the word 'buildings'. As a result the response can access the top of Level 3. 6 marks are awarded.

Question 5 (a)

Despite the concept of '*profit*' being fundamental to the subject of Business Studies, this question was very poorly answered. Many candidates confused profit with cash flow or made vague or inaccurate references to '*money from selling stuff*'. Again, centres are advised to create a definition list for their candidates to use, covering all of the key terms in the '*what students need to learn*' column in the specification.

5 (a) What is meant by the term **profit**?

(2)

The term profit means money.
This could be like how much money
is coming in the business -
e.g. Share capital, bank loan.



This is sadly typical of many answers to this question.
0 marks are awarded.

5 (a) What is meant by the term **profit**?

(2)

Profit is $\text{Sales revenue} - \text{total cost}$.

This profit, it's the money made after
the sales revenue is deducted from cost.



The candidate offers an accurate formula for profit.
2 marks are awarded.

Question 5 (b)

This question was poorly answered with part (ii) being significantly better answered than the arguably easier part (i).

In part (i) many candidates resorted to time consuming trial and error and it appeared that some candidates did not understand the break-even formula and had relied on '*break-even occurs when total revenue=total costs*'. As a result, candidates made repeated calculations of revenue and cost to try and discover, by chance, the number of units that had to be sold in order to break-even. Invariably most candidates who did this still got the question wrong but crucially this time consuming process perhaps resulted in later answers being incomplete or rushed.

As a contrast, part (ii) was answered much better despite the candidate having to go through more mathematical processes to arrive at the correct answer.

(b) Ecovation's monthly fixed costs are £930, and variable costs are £1.80 per birdfeeder.

- (i) Calculate the break-even point when each birdfeeder is priced at £8. Show your workings and the formula used.

(3)

$$\text{BEP} \quad 930 \times 3 = 2790 \quad | \begin{array}{r} 2790 \\ \hline 1.8 \\ 1550 \end{array}$$

1550

Breakeven point = 2790.

- (ii) Calculate the profit or loss that Ecovation will make if it sells its entire stock of 400 birdfeeders in one month. Show your workings and the formula used.

(3)

Ecovation will make a profit
of £2800.

$$400 \times 12 = 4800$$



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Examiner Comments

This is typical of the majority of answers to this question. Both answers are incorrect and there is nothing of merit in either section, since no formula has been stated and the workings are incorrect. Notice that the candidate has calculated '1550' but unfortunately this was for the wrong question. 0 marks are awarded in total.

(b) Ecovation's monthly fixed costs are £930, and variable costs are £1.80 per birdfeeder.

- (i) Calculate the break-even point when each birdfeeder is priced at £8. Show your workings and the formula used.

(3)

$$\text{Break-even BEP} = \frac{\text{Fixed cost}}{(\text{price per unit} - \text{variable cost})}$$

$$\frac{930}{(8 - 1.80)} = 150 \text{ birdfeeders.}$$

- (ii) Calculate the profit or loss that Ecovation will make if it sells its entire stock of 400 birdfeeders in one month. Show your workings and the formula used.

(3)

$$\text{Total costs} = £930 + (1.80 \times 400) = £1650$$

$$\text{Total revenue} = 400 \times 8 = £3200$$

$$\begin{aligned}\text{Profit}/\text{loss} &= \frac{\text{Total revenue} - \text{Total costs}}{3200 - 1650} \\ &= £1550 \text{ profit}\end{aligned}$$



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Examiner Comments

This response scores 6 marks. Both parts (i) and (ii) are clearly set out, with the correct formula and workings which then result in the correct set of answers.



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Examiner Tip

There are relatively few mathematical formulae to learn in this specification. To cope with this kind of question make sure that you have at least learnt your formulae. If you did nothing else you would have scored 2 marks in this question.

Question 5 (c)

This question proved to be troublesome in that many candidates did not do enough to attain full marks. More often than not, there were insufficient strands of development in the 'explain' section to justify full marks. This mainly occurred because most of the 'explain' section was a repetition of what had already been stated in the 'identify' section. Even if there were sufficient linked strands of development candidates then failed to add context, limiting their answers to a maximum of 6 marks (2 x 3 marks).

A minority of candidates misread the question and examined the advantages and disadvantages to the environment, rather than the business (Ecovation). These candidates scored 0 marks.

- (c) State **one** advantage and **one** disadvantage to Ecovation of trying to minimise its impact on the environment.

For each, explain the effect on the business.

Advantage

(1)

Appeal to larger audience

Explanation

(3)

Customers with ethical beliefs will be more likely to buy their product simply based on the fact they are eco-environmentally friendly.

Disadvantage

(1)

May cost more.

Explanation

(3)

More money may have to be spent to ensure minimal impact on the environment. This could cause the business to lose out on a lot of money.



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Examiner Comments

This answer scores 4 marks (2 x 2 marks). Both the 'identify' sections are correct (2 x 1 mark), however the 'explain' section only offers simple support (2 x 1 mark).

(c) State **one** advantage and **one** disadvantage to Ecovation of trying to minimise its impact on the environment.

For each, explain the effect on the business.

Advantage

(1)

differentiate its products to be more appealing

Explanation

(3)

It will be more a USP of its products because customers like to feel like they are not damaging the environment leading to more sales and therefore more profit and more money to expand their business. Their product is more appealing than large businesses like B&Q who build in bulk and are less environmentally friendly

Disadvantage

(1)

Higher costs

Explanation

(3)

It might be more expensive to build eco friendly bird feeders because the ~~raw~~ commodities cost more to get or make, leading to a higher cost and lower contribution per unit and therefore the need to charge a higher price which may lose customers and so ~~lose~~ revenue and lose profits because people buy cheaper ~~products~~ made bird feeders from places like B&Q

Total for Question 5 = 16 marks



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Examiner Comments

This is an example of a response that scores full marks. Both sections have got enough fully developed linked strands (as per the mark scheme) and contain context through reference to either 'birdfeeders' or 'B&Q'.



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Examiner Tip

Before choosing the advantage/disadvantage to identify, think through whether there will be enough linked strands of explanation to allow you to score full marks. For instance, many candidates chose 'increased costs' for their disadvantage. They then struggled to develop sufficient linked strands. Perhaps a better choice would have been 'lower margin of safety' since links could then be developed through 'rising costs', 'lower contribution per birdfeeder' and 'higher break-even level of output' to gain all of the marks on offer.

Question 6 (a)

This was not well answered and most candidates scored 0 marks. Candidates believed that share capital had something to do with profit sharing, revenue, taking out bank loans etc. This again highlights the need for candidates to know the key terms as laid out in the 'What students need to learn' column in the specification.

6 (a) What is meant by the term **share capital**?

(2)

The amount a Share holder will receive.



ResultsPlus

Examiner Comments

The candidate is on the right lines, but has confused 'share capital' with 'dividend', therefore 0 marks are awarded.

6 (a) What is meant by the term **share capital**?

(2)

Money made from the selling of shares to people.



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Examiner Comments

This is sufficient to score 2 marks.

Question 6 (b)

This question was well answered with many candidates using their knowledge of different sources of finance from 5BS01 to answer this question. Note that this question was generic and did not refer to Ecovation and its legal status (company), therefore any internal source of finance would be awarded a mark, e.g. personal savings etc.

(b) Identify **one** internal source of finance a business could use to fund its growth.

(1)

Secondary research and primary research.



The candidate does not answer the question.
Therefore 0 marks are awarded.

(b) Identify **one** internal source of finance a business could use to fund its growth.

(1)

Personal Savings.



1 mark is awarded. The question simply refers to '*business*' and personal savings would be an internal source of finance that a sole trader could use.

Question 6 (c)

The vast majority of candidates scored 2 marks and were able to recognise that debt brought interest payments that added to costs and reduced profits. Most 2 mark responses had sufficient linked strands to score 3 marks, but lack of context prevented them from doing so. Again, failing to add something as simple as the word 'birdfeeders' to a response proved to be very expensive.

(c) Explain **one** drawback to Ecovation of using debt as a way of financing its growth.

(3)

if the business takes out a loan it will add to its fixed costs. This in turn will make it harder to create a profit.



ResultsPlus

Examiner Comments

The drawback is '*harder to create a profit*' and the linked strand is '*add to its fixed costs*'. This response scores 2 marks. To reach 3 marks the answer would need an extra linked strand and some evidence of context.

(c) Explain **one** drawback to Ecovation of using debt as a way of financing its growth.

(3)

Debt means you are borrowing money ~~which~~ in which you have to pay back. This means you have to pay interest leading to a decrease ~~to~~ of funds to buy products such as wood to make the birdfeeders. Leading to effects on the cash flow as well as net profit. Meaning a risk of failure could as a decrease of revenue.



ResultsPlus

Examiner Comments

There are 0 marks for the definition of debt, since there are no knowledge marks available in '*explain with context questions*'. The overall drawback is '*risk of failure*' and the candidate adds the linked strands through '*have to pay interest*' which leads to '*decrease of funds to buy products such as wood to make the birdfeeders*'. Mentioning the words '*wood*' or '*birdfeeder*' adds the context so 3 marks are awarded.

Question 6 (d)

Very few candidates managed to reach Level 3 in this question. The combination of the fact that the question tested a previously unexamined topic (freelancers) allied to widespread misinterpretation of the question resulted in some very low marks. Many candidates turned the question into an 'Assess the benefits to Ecovation from improved motivation' which resulted in 0 marks. Those candidates that did answer the question tended to examine the reasons why freelancers would be more motivated and then went on to look at the reasons why sales teams would be demotivated. This did not generate balance it simply re-iterated why freelancers would have greater motivation than sales teams (a similar comment to this was made on question 4(d)). This resulted in answers being pegged at 4 marks (as per the mark scheme). The more able candidates linked their reasoning to Maslow's Hierarchy of Needs, but many good answers struggled to achieve Level 3 due to lack of contextualisation.

- *(d) In your opinion, will freelance sales teams be more motivated than sales teams employed by Ecovation? Justify your answer.

(8)

I think that a freelance sales team will be more motivated than one employed by Ecovation because people at Ecovation (sales) already have a basic wage and job security so they only work for a small commission and whereas a freelance sales team don't have the job security so they know that they have to sell their products in order to make their wages as they have no job security & or basic package they need to work harder for a bigger slice of commission



ResultsPlus

Examiner Comments

The candidate has offered developed reasons as to why freelancers would have greater levels of motivation than sales teams employed by Ecovation. There is no balance provided, therefore the highest it can get to in the mark scheme is mid-Level 2. 4 marks are awarded.

- * (d) In your opinion, will freelance sales teams be more motivated than sales teams employed by Ecovation? Justify your answer.

(8)

In my opinion, I don't believe freelance sales teams will be more motivated than sales teams employed by Ecovation because they're not an actual part of the business as ~~there~~ their freelancers. Meaning they won't care if the business is a success or failure because they've other customers and so whatever happens to Ecovation isn't going to drastically effect the freelance sales team. Furthermore, because Ecovation is a new company, it's likely to only be a small company which might make the freelancers not really take them seriously and they won't be there priority. However they might be more motivated because it is their job and if it is done to a poor standard then it will harm ~~their~~ reputation. Additionally, they need the money from the job and so will ^{be motivated for financial} **(Total for Question 6 = 14 marks)** reasons.



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Examiner Comments

The candidate has offered reasons why freelancers would be less motivated than sales teams and has provided balance. This occurs towards the end of the response in the section that starts with the word 'However'. The answer can access Level 3 since some attempt is made to contextualise the response by stating that Ecovation is 'new' and 'small'. To go further into Level 3 the candidate could provide more sophisticated evaluation, perhaps in a conclusion using the 'it depends rule'.

Question 7

This question was well answered with many candidates referring to the crucial word 'moral' within their answers. Even those candidates who did not offer a precise definition often scored 2 marks by adding an example. Reference to 'Fairtrade', 'not exploiting workers' and 'reducing pollution' were commonly used examples.

Some candidates confused the word 'ethics' with the word 'ethnic' and thought that the term had something to do with racial discrimination. Centres should ensure that candidates know the meaning of the term 'ethics' since it is a key part of topic 3.5 in the specification.

- 7 What is meant by the term **ethics** in business?

the right thing to do.



ResultsPlus

Examiner Comments

The candidate has some idea of what 'ethics' means. In this case an example could have elevated this definition to 2 marks. 1 mark is awarded.

- 7 What is meant by the term **ethics** in business?

A business that does things that are morally right and doesn't just focus on reducing costs. For example, using Fairtrade, so paying its suppliers a fair amount of money.



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Examiner Comments

The candidate clearly understands the term, but also offers an example to ensure that they secure full marks. 2 marks are awarded.



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Examiner Tip

Adding an example can ensure that 2 marks are awarded in 'What is meant by the term' questions. In this case it was unnecessary, but nevertheless the candidate is demonstrating good exam technique.

Question 8

This question was badly answered. Many candidates did not understand what import protection was despite it being explicitly stated in the specification on page 37. As a result many of the incorrect answers focused on the word 'protection' and as a result responses frequently referred to 'better packaging', 'using sniffer dogs', 'scanners' and 'making sure that workers were not exploited'. One common misconception was that an 'export subsidy' is a form of import protection. It is not, but the term does appear next to import protection in the specification. Centres should ensure that their candidates understand the distinction between the two terms.

- 8 Identify **two** methods of import protection that could be used by the EU.

1 Sale of goods Act

2 Trade description Act



ResultsPlus

Examiner Comments

This is typical of a number of incorrect answers to this question. In this case the candidate has confused 'consumer protection' with 'import protection'. 0 marks are awarded.

- 8 Identify **two** methods of import protection that could be used by the EU.

1 Quotas - this limits the amount of imports into a country. For example only 5000 televisions in Denmark.
2 Tariffs - This is a tax on imports set by governments to either encourage or discourage imports.

(Total for Question 8 = 2 marks)



ResultsPlus

Examiner Comments

This response is awarded 2 marks. However, in an 'Identify' question there is no need for any explanation. Simply writing the words 'quota' and 'tariff' would be enough to secure the 2 marks on offer.

Question 9

This question was relatively straightforward in that candidates could identify benefits to Primark of selling clothes for low prices. However, some candidates did not notice the plural '**benefits**' and therefore focused on only one well developed benefit. This error limited their ability to progress up the mark scheme. Furthermore, some candidates failed to act on the command word '*Discuss*' and as a result their responses lacked balance and could not access Level 3 (5-6 marks).

A minority of candidates did not notice the key phrase in the question '*to Primark*' and as a result examined the benefits to consumers. These answers sadly scored 0 marks since the candidates had not read the question closely enough.

- 9 Discuss the benefits to *Primark* of selling clothes at very low prices.

The benefits are that they sell so much. They don't need to worry about room because it will be gone soon after its made. Their profit margin will be high. All of these relate back to charging so low prices with the product.



ResultsPlus

Examiner Comments

This is an example of a less able response. The candidate makes a valid point '*sell so much*' and then drifts off into irrelevant material that does not answer the question. Therefore only 1 mark is awarded.

- 9 Discuss the benefits to Primark of selling clothes at very low prices.

More customers will be attracted to the business, because it offers clothes at much cheaper rates than other clothing shops. If the customers like the price of the clothes, they are likely to repeat their purchase, therefore becoming loyal. The customer may also recommend the business to their friends and family because it's a much cheaper place to go. This is the word-of-mouth promotion, which doesn't cost the business any money, so they are being promoted without them using any money from their business. The low prices will attract majority of the population because most are working-class people.



ResultsPlus

Examiner Comments

This response scores 4 marks but is in danger of maybe only scoring 2 marks. The candidate clearly develops at least one benefit to Primark from selling clothes at low prices. However, the question is whether there is more than one benefit in the answer. The use of the word 'also' suggests that there are two benefits and there is some development of both benefits - hence 4 marks are awarded.



ResultsPlus

Examiner Tip

The structure of your answer can help you to gain marks and allow your response to progress up the mark scheme. On a 'Discuss' question such as this why not adopt a three paragraph approach. The first two paragraphs could contain two explained benefits, whereas the third paragraph could contain balance.

Question 10

This question proved to be a very good discriminator between candidates, with the modal mark being 0/10 and the average mark a touch below 5/10. Most candidates managed to reach Level 2 and were able to articulate explained benefits as to why a strict ethical policy might be important to Primark. The best candidates were able to add balance and were able to do this whilst writing in the context of Primark/clothing. The mistakes that were made came from candidates not understanding what was meant by the word '*ethical*' with some candidates mixing it up with '*ethnic*' and thus writing an answer about Primark '*employing ethnic minorities in its stores*'. Some candidates thought that an ethical policy had something to do with import protection and incorrectly linked the policy to the EU and subsequently tariffs and quotas.

Some candidates misunderstood how to add balance to their answer and thought that they could demonstrate this skill by writing about the benefits of having a strict ethical policy and then the drawbacks of **not** having a strict ethical policy. Therefore the drawbacks were simply the opposite of the benefits that had been explained in the response. These candidates were unable to go beyond 6 marks (assuming the other conditions within the mark scheme were met).

*10 Using your knowledge of business, assess the importance of a strict ethical policy in helping Primark to increase its profits.

When a business is ethical it means that it assesses whether its actions are morally right or wrong. It is important for Primark to be ethical in order to improve the steps suspicions that they are not, due to there low prices which indicates low costs. Being ethical would appeal to customers as customers would want to shop where they can gain self-satisfactions of using an ethical business. They are also likely to tell other people about it through word of mouth; a free method of advertisement - which would help to improve Primark's sales, revenue and profits. Being strictly ethical would also decrease the chance of a bad reputation from pressure groups who are concerned about ethical issues. This will make Primark look good and differentiate from competitors. However, despite these advantages, it would cost Primark a lot more to be ethical. This may be because they have to pay a more appropriate price for supplies, or they may have to pay to adapt their products to make them more ethical. In order to gain more profit to pay for the extra costs, Primark could advertise the fact that they are ethical and use it as a unique selling point against competitors, which will increase customers, sales, revenue and profit.

(Total for Question 10 = 10 marks)



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Examiner Comments

The candidate develops the benefits of having a strict ethical policy, i.e. it appeals to customers and it reduces the chances of pressure group activity. This is then balanced by the problem of 'increased costs'. However, the response is generic and there is nothing within the answer that contextualises it around Primark. Therefore the answer cannot access Level 3 and so 7 marks are awarded.

*10 Using your knowledge of business, assess the importance of a strict ethical policy in helping Primark to increase its profits.

On one hand, having a strict ethical policy may seem important as some customers may value ethics in Primark's business. For example, if customers are aware that Primark doubled its overseas inspections, then customers may feel that it is acceptable for Primark to sell its T-shirts at a price of £2. Additionally, having a strict ethical policy will stop pressure groups exploiting Primark in the media, which would consequently damage Primark's brand image.

On the other hand, some may argue that having a strict ethical policy will not help increase Primark's profits. Being ethical can be expensive, for example the cost of overseas inspections. Additionally, many customers will not value ethics in Primark's business, so will purchase their goods regardless of its ethical policies. Therefore, some may argue that having an ethical policy is unnecessary as it is not regarded as important to many customers.

Whether having an ethical policy will help Primark increase its profits depends on whether its customers regard ethics as important in business. If they do, then it will help Primark raise its profits. However, if customers do not, then the policy will be expensive and will not raise profits in the long-term.



ResultsPlus Examiner Comments

This response considers the benefits of a strict ethical policy and the drawbacks of one. The answer is in context since it makes reference to 'T-shirts' and 'overseas inspections' (mentioned in the accompanying case-study) and makes use of the 'it depends rule' in the final conclusion. Therefore 10 marks are awarded.



ResultsPlus Examiner Tip

Always re-read your answer to ensure that there is sufficient contextualisation within your response. Without it you cannot score more than 7 marks. In the case of this question, have you gone beyond simply mentioning the words 'Primark' and 'ethical policy'?

Paper Summary

Based on their performance, candidates are offered the following advice:

- Do not rely on certain concepts being tested regularly. In any given year, any element of the specification could be tested. There is no pattern as to what topic(s) will appear on an examination paper.
- In questions that include reference to a business (in italics to make it stand out), ensure that your answers contain sufficient use of context. This must go beyond mentioning words that appear in the question.
- Make sure that you read the question closely. Always ask yourself '*Am I answering the set question or my own interpretation of the set question?*'
- Make sure that you can define all of the key terms in the '*What students need to learn*' column in the specification document.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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