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Examiners' Report June 2010

GCE Economics and Business (6EB01/6BS01) Paper 01

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PE Report on Examination Paper 6EB01/01 & 6BS01/01

General Comments

On the whole candidates' performance on this paper showed an effective grasp of business / economics concepts and theory together with a good understanding of business behaviour. As with January 2010 and summer 2009, answers suggested that candidates had been well prepared and have developed sound approaches to answering both supported multiple choice questions in Section A and traditional questions in Section B.

Comments on Individual Questions

Section A

As with previous series, examiners were presented with a full range of approaches, from what appeared to be candidates carefully coached on how to handle supported multiple choice questions, to others where there still appeared to be little evidence of preparation. A surprising number of candidates still fail to even guess answers to part a). Like previous papers, the ability of candidates to gain the three explanation /working out marks proved good discriminators, particularly for questions 2, 3, 4 and 7, which required candidates to explicitly apply their knowledge, analyse and/or evaluate.

Questions

Q(1) Most candidates answered this question correctly, though some explanations in part b) often lacked development. Candidates were able to gain a knowledge mark in part b) for a definition of entrepreneur. Resilience in some cases was a characteristic clearly not understood, despite the specific reference to this in the Specification in section 1.3.1, page 18. Better answers tied their response to characteristics of successful entrepreneurs and to the stem, i.e. Anita Roddick

Q(2) A significant number of candidates incorrectly chose response D for part a), which whilst plausible was not as secure an answer as A - Autocratic. This is because there is no evidence whatsoever that Lee McQueen was this type of leader. Here careful judgment was required and so the question proved a very effective discriminator.

Q(3) Most candidates were able to clearly identify that the growing emergence of Polish food shops and restaurants is evidence of niche marketing and went on to provide a definition of niche marketing in part b) and often an explanation as to why at least one of the distracters was not the correct response to part a).

Q(4) Candidates generally struggled with this question. Admittedly, the stem took some careful reading and processing:

From the 2007 information price was not given - we can only *assume* that it was higher than 117 euros. The quantity sold was not given and the sales revenue was 296m euro with profit at 57m euros.

Using 2008 information, (price: 117 euros, quantity sold 2m units, sales revenue 234m euros and profit at 9m euros only B can be calculated. There is not enough information to calculate mark-up because we are not told the gross profit so neither A or D can be calculated. It can't be C because we don't know the 2007 price, only that it was higher than in 2008.

Q(5) On the whole, this question was tackled easily by candidates. Most were able to recognise that a bank statement would not be appropriate as this was about a business start-up and therefore no trading would have taken place to render any bank statement. Further marks were easily gained by candidates explaining a distracter, e.g. by explaining that a cash-flow forecast was necessary in a business plan in order to convince financiers that liquidity and therefore repayments would not be an issue.

Q(6) A question answered reasonably well by candidates, with many recognising that increasing prices would simply make the hairdresser's service more expensive and therefore not provide anything extra to customers.

Q(7) Although the majority of the candidates chose the correct option of part a (C), the quality of responses in part b was varied with many simply repeating the answer rather than providing a clear definition of product trials and relating their answers back to the case in question, i.e. Sunny Delight's soft drinks.

Q(8) This was a very accessible question, generally answered well by most candidates. Many showed a good knowledge of the break-even and/or margin of safety in part b) and most candidates correctly identified 400 as the margin of safety by using the formula planned output (900) minus break even level of output (500). A surprising number of candidates confused sales with output; this is, in fact, one of the drawbacks of break-even analysis - that all output is assumed to be sold.

Section B

The Cebu Home case study appeared to be accessible to most candidates. Given the direction and guidance provided to centres by Edexcel for this unit through 'Getting Started' and, examiners reports and Ask the Expert, it is clear that candidates were generally well prepared for the topics which featured, for example entrepreneurial characteristics/motives and exchange rate movements and factors which pricing. As with previous series, some centres have commented that there may be a time issue with this paper, on the basis that candidates did not complete this section of the paper. Examiners did not find this to be a significant number of candidates. Indeed there are a growing number of candidates who are continuing to write on supplementary answer sheets.

Questions

Q(9) This was answered well. Students applied their responses clearly to the context by referring to Maria's hard work and ethical stance. In most cases marks of 4 were awarded, given that most candidates were able to distinguish well between characteristics (traits) and motives (drives, objectives, aims). Candidates developed their answers using textbook examples, e.g. determination and higher income, respectively.

Q(10) Candidates answered this well, with a good understanding of the what determines the location of a business, in this case complimentary business (expensive boutiques nearby) or in the 'right area' where people are likely to have the higher levels of disposable income to afford the furniture. Weaker candidates appeared to think that Islington was a dock area and therefore a good location for unloading imported goods!

Q(11) There was a big divide between those who knew what was meant by 'retained profits' are and those that did not. Those that did tended to answer in context quite well and so went on to achieve 5 or more marks, whereas others were stuck at very low levels. A few candidates are answering the question 'should Maria expand her business?' and not really showing an understanding of why retained profits should be used, in which case a maximum mark of 3 was allowable, providing answers are contextualised, e.g. candidate mentions 'shop' or 'furniture'.

Furthermore, even strong answers tended to be one-sided, with candidates assuming that 'retained profits are the best way to finance expansion' not mentioning that they would be limited, particularly in the early years of the businesses history.

Q(12) Several answers showed that there was a misunderstanding of cost plus pricing. However, examiners were advised to read all of a candidate's response in order to ensure that a fair and reliable mark was awarded and not be put off by weak openings. Whilst many candidates were able to argue for cost-plus pricing in the context of Cebu Home, for example suggesting that Maria could guarantee a gross profit on each furniture item sold, a number of candidates naively thought that customers would know that the 300% mark up had been applied and so would refuse to buy the furniture as it would be 'too expensive'

Q(13) A significant number of candidates achieved a mark of 8, partly because of the way the mark scheme was ordered. Many candidates were able to analyse the effects of both changes in exchange rates and interest rates but few were able to evaluate. For the both aspects of the questions many simply felt that by developing answers which looked at appreciation then depreciation of the pound or increases and then decreases in interest rates counts as discussion. Better candidates recognised the need to consider things such as the amount of products bought from the Philippines, the timing of purchases, the amount spent, the type of customer, the nature of the product - Cebu Homes sell small household ornaments as well as large items of furniture.

Grade Boundaries

GCE2008 AS Unit grade boundary model

Grade	Max Mark	A	B	C	D	E	N	U
Raw mark boundary	70	48	44	40	36	32	28	0
Uniform mark scale boundary	100	80	70	60	50	40	30	0

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