

Examiners' Report
June 2013

GCE Business Studies 6BS01 01

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Introduction

On the whole, candidates were well prepared for this paper and continued to show sound approaches to answering both supported multiple choice questions in Section A and the structured questions found in Section B. Questions in both sections were designed to test knowledge and understanding, application, analysis and evaluation.

Candidates' performance on this paper generally showed an effective grasp of business/economics concepts and theory, together with a good understanding of business behaviour.

Successful candidates were able to make effective use of the stems and data in Section A questions, as these provide a context for candidates to explain their answers to part (b) of the questions. Likewise, candidates who wrote answers in context in Section B scored better than those who did not; this approach enabled access to higher marks for levels of response questions 11, 12 and 13.

The more exposure candidates have to a variety of businesses as part of the teaching and learning, (through use of case studies, real business problem solving activities, company reports, newspapers, websites and educational visits/visitors from business in to school), the more likely they are to develop and transfer their contextual understanding - which is quite often the key to success.

Section A

Examiners expected to see that candidates at least offered an answer to part (a) of these questions; but this was not always done. As with previous papers, the ability of candidates to gain the three marks for 'explain your answer' (show your workings), distinguished more able candidates, particularly in questions 2, 3, 5, 6, 7 and 8, which required candidates to explicitly apply their knowledge, analyse and/or evaluate. Most candidates were able to score at least 1 mark out of 3 for part (b) in answers to questions 1 to 8 by giving appropriate definitions/descriptions/formulae to help them support their responses to part (a); for example by describing what was meant by qualitative market research in answer to question 2.

Section B

The Jammy Geezer case study appeared to be accessible to most candidates across the ability range. However, some candidates did appear to misinterpret questions. A surprisingly large number of candidates explained demand factors in question 9 and, likewise, discussed the pros and cons of being a limited company compared to being a Plc in response to question 12.

Question 1

Most candidates scored well with this question, usually by being able to provide a formula for operating profit and then inserting the appropriate data.

This is because operating profit is worked out by using total revenue - total costs. Therefore $1,250,000 - (600,000 + 350,000) = \text{£}300,000$



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Examiner Comments

Correct answer to part (a) - 1 mark

Part (b)

Gives formula for operating profit - 1 mark

Inserts data correctly - 2 marks

Operating profit is gross profit take away expenses.

$$\begin{aligned} \text{Revenue} - \text{cost of sales} &= \text{Gross profit.} \\ 1250000 - 600000 &= 650000 \end{aligned}$$

$$\begin{aligned} \text{Gross profit} - \text{F.C} &= \text{Operating profit.} \\ 650000 - 350000 &= 300000 \end{aligned}$$



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Examiner Comments

Part (a) Answer correct (D) - 1 mark

Part (b) Describes what operating profit is - 1 mark

Inserts data correctly - 2 marks

Contribution - Fixed costs = operating profit⁽³⁾

$$650\,000 - 350\,000 = 300\,000$$



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Examiner Comments

Part (a) correct (D) - 1 mark

Part (b) An alternative approach is taken, using the formula:
Contribution - Fixed Costs = Operating Profit - 1 mark

Inserts data - 2 marks

Operating profit = Total revenue - Total costs

$$\text{Operating profit} = 1\,250\,000 - (350\,000 + 600\,000)$$

$$\text{Operating profit} = 1\,250\,000 - 950\,000$$

$$\text{Operating profit} = 300\,000$$



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Examiner Comments

Part (a) correct (D) - 1 mark

Part (b) - a range of appropriate formulae used - 1 mark

Data inserted correctly throughout - 2 marks



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Examiner Tip

A stepped approach is taken in part (b) which is easy to follow and so makes examining easier.

Question 2

Answered well by the majority of candidates who were able to explain the essential difference between quantitative and qualitative questions used in market research, often stating that the former are closed questions - the latter open-ended. Those who explained C did so on the basis that a variety of opinions might result, such as 'to lose weight' or 'to keep fit' or 'to socialise'. More able candidates gave examples to show that a distracter (A, B or D) were not the correct answer, such as 'three times a week' or '£40 per month'.

~~B~~ Qualitative data is written data, while quantitative is numerical data. The answer is "What motivated you to join a gym" as this will have a almost unlimited amount of different answers. It could not of been "How often do you visit a gym" as that is going to be a set numerical value such as 5 or 6 as opposed to ~~the~~ ~~question~~ question C which could of been "to get fit" or "to lose weight"



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Examiner Comments

Part (a) correct answer (C) - 1 mark

Part (b)

Describes the difference between qualitative and quantitative - the key word here is 'numerical' - 1 mark

States that qualitative responses will 'lead to almost unlimited amount of different answers...' such as 'could have been to get fit or lose weight' - 1 mark

Explains distracter A - 1 mark



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Examiner Tip

This candidate made effective use of the context.

Qualitative research is market research based on opinions and judgements of the respondent. They will not produce numerical results. The If Martin asked 'what motivated you to join a gym?' he would get opinions from them. The other questions would give answers that are more quantitative results as they can be put into figures e.g. how often they visit the gym could be 4 times a week.



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Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) describes qualitative research - 1 mark

Explains answer - 1 mark

Uses example to support explanation '4 times a week' - 1 mark

Because A will lead to a number which is quantitative as it's based on quantity, as will B and D, whereas by asking them what motivated them you will receive an answer based on the quality of the gym. Qualitative research is when something is created based on its quality whereas quantitative is when something is created in large amounts due to quantity.



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Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) vague attempt to distinguish between quantitative 'lead to a number', but nothing else of value - 1 mark

Question 3

Most candidates correctly chose B - Debentures, and went on to refer sources outside the businesses, such as banks or other companies. Few were able to fully define debentures, often failing to state that they are long term methods of raising finance. Less able candidates simply tried to score marks by stating that selling assets, retained profits and sales revenue are all examples of internal finance without explaining why. For example, sales revenue/retained profits is/are generated by the business itself from trading or selling to customers.

Eternal finance is any finance obtained outside of the business. The answer is B, a debenture which is in the form of a long term loan and often secured against property. Selling assets and retained profit are examples of internal sources of finance, and therefore incorrect. Sales revenue is just the total amount of sales or turnover.



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Examiner Comments

Part (a) correct (B) - 1 mark

Part (b) identifies that external finance is obtained from outside the business - 1 mark

Describes debenture - 1 mark

Does not explain answer or distracters

Question 4

Definitions of market segmentation were often weak or failed to show a confident understanding, which could have been illustrated by candidates using examples such as types of consumer characteristic (eg. gender, age, income, occupation). Some candidates did recognise that the point of market segmentation is to target products or services, in this case fast food.

More able candidates were able to say that market segmentation can enable a business to become the first mover/provide a competitive advantage, which may have applied to Johngir Saddiq when he established his business back in 2000. A number of candidates misinterpreted contribution in distracter A. However, a good number did relate margin of safety (B) to break-even analysis and costs rather than marketing. Many candidates simply paraphrased answer C in part (b) in an attempt to gain a mark. Less able candidates thought this was a question about niche markets or niche products, which it was not. Few were able to define market niche as 'gap in the market'. More able candidates referred to Theo Paphitis and his 'but there may not be gap in the market' quote, which was encouraging to read.

By Segmenting the market Sig & Johns could hope to find a potential niche in the market.



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Examiner Comments

A poor response

Part (a) Correct (C) - 1 mark

Part (b) the candidate simply rephrases answer C - 0 marks

Market Segmentation is a way of separating the market into like for like groups such as age, race, ethnic groups. Therefore Segmentation can help identify a niche. A margin of safety can be achieved by selling more products than is needed to break even. Gross profit and operating profits are finance terms not necessarily marketing.



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Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) describes what is meant by market segmentation, referring to examples - 1 mark

Explains why distracter B is incorrect - margin of safety - 1 mark

No marks for last sentence - not explained

Market segmentation means subdividing a market according to distinctive characteristics. For example, a market can be segmented in terms of income, age or gender.

"C" is correct because niche market involves selling a distinctive and specialised product. Market segmentation can help to spot identify a smaller market in a larger market.



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Examiner Comments

Part (a) correct (C) - 1 mark

Describes market segmentation, with reference to income, age, gender - 1 mark

Confuses market niche with niche market in explanation - 0 marks

Market segmentation involves subdividing a market into different sectors according to characteristics of the market, e.g. consumer's level of income.

C is correct because Big Fish might discover a sector of the market which competition is low and therefore reposition itself to trade in the niche market.

D is incorrect because gross and operating profit is linked to revenue and costs of the products, not sectors of the market.



ResultsPlus

Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) describes market segmentation, with reference to income as a category - 1 mark

Explains answer C - 1 mark

Explains why distracter D is incorrect - 1 mark

Question 5

Performance varied significantly on this question, with the cohort of candidates gaining a fairly even spread of marks between 1 and 4. Most candidates were able to either define product trial or repeat purchase. Likewise, a number of candidates were able to select a distracter to explain why it did lead to a repeat purchase.

Fewer candidates could explain why high operating profits might not lead to repeat purchases, despite have indicated this was the correct answer B in part (a). Those that did; suggested that these high profit margins could be gross profit margins to cause prices to be high, which would put customers off buying a product again.

Product trials are where you offer your products to potential customers for free to promote your product and/or receive feedback. By having high operating profit margins, you are less likely to receive repeat purchase as it shows you have a high markup on products and therefore selling price is too high, or you are not selling enough. Differentiating your product will give you a Unique selling point and is therefore likely to encourage repeat purchase.



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Examiner Comments

Part (a) correct (B) - 1 mark

Part (b) describes product trials - 1 mark

Explains why B is the answer - 1 mark

Explains distracter C - 1 mark

Because by having high operating profit margins people aren't likely to be put off by purchasing the product again, ^{and} ~~whereas~~ product differentiation will attract a variety of customers as they will be intrigued to see what else the business offers. Word of mouth always attracts a variety of people as they want to see 'what the fuss is about'.



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Examiner Comments

Part (a) incorrect (A) - 0 marks

Part (b) Explains answer B - 1 mark

Explains distracter C - 1 mark

Explains distracter D but no third mark is allowed because the response to part (a) was incorrect.

Question 6

This was the lowest performing question across the Section A part of the paper. As this was a challenging question positioned at those candidates aiming for higher grades, few candidates understood what calculated risk taking might involve. The poor performance by some candidates may be explained by the fact that they hoped to gain marks by defining entrepreneurs as risk takers, which was not rewardable as this was, in effect, in the actual question.

Many candidates incorrectly chose distracter C as their correct response, offering explanations which implied that risks are more important than judgement, failing to understand the significance of 'calculated risk-taking' which is the term used in the specification.

A few candidates failed to realise that an entrepreneur might rely on other sources of finance such as banks or family and friends.

Not all entrepreneurs use their own money as alot of business have high start up costs and will require external finance usually in the form of a bank loan which means it is not involved in calculating risk taking. The answer could not be ~~on~~ on the economic climate may change as the economic climate is constantly changing



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Examiner Comments

Part (a) correct (B) - 1 mark

Part (b) explains answer - 1 mark

Does not explain why distracter D is incorrect - 0 marks

An entrepreneur is anyone who has their own ideas and creates these by setting up and running a business. B is incorrect because if you are to use your own money, then you risk losing it all especially as 90% of new businesses fail. A is also incorrect because you do not know what the market is going to be like and a new competitor has the potential to come in and dominate and steal sales.

(Total for Question 6 = 4 marks)



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Examiner Comments

Part (a) incorrect (C) - 0 mark

Part (b) defines entrepreneur effectively - 'own ideas and creates these...' - 1 mark

Explains distracter A - 1 mark

Comment regarding B cannot be awarded as this was the correct answer. Furthermore, an incorrect answer in part (a) means a maximum mark of 2 for part (b).

An entrepreneurial characteristic is a trait and part of a business owner's personality that shows the want to take risk to achieve success. Being aware that there may be unanticipated competition or a poor economic climate like a recession shows examples of risk.

However, not all entrepreneurs may have the ability to invest their own money and instead borrow

(Total for Question 6 = 4 marks)

capital, like a loan. It cannot be 'C' either as judgement shows the risk is calculated.



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Examiner Comments

Part (a) correct (B) - 1 mark

Part (b) defines entrepreneurial characteristic as a trait - 1 mark

No marks awarded for attempted explanations of distracters A and D

Explains answer B - 1 mark

Explains answer C - 1 mark

Question 7

This question was answered better by the Economics and Business candidates. A number of this cohort scored full marks for being able to explain that from the choice of four responses. Only A - the weaker pound - could explain why Mulberry's demand was 'soaring, despite the poor UK economic climate'. The key here was recognising that only the UK's economic climate was described as poor.

Therefore, given a fall in the value of the pound, the demand from overseas visitors or foreign buyers might help explain why the demand for Mulberry as a whole was soaring.

Some candidates even went on to explain that the demand for overseas luxury brands such as Gucci might suffer as imports become more expensive when the pound depreciates, causing the demand for UK alternatives to rise.

The use of the acronym SPICED (Strong Pound - Imports Cheaper, Exports Dearer) reversed to WPIDEC (Weak Pound - Imports Dearer, Exports Cheaper) often appeared to support candidates in explaining their answer A.

-

Demand is the amount that consumers are willing to buy at a given price. Increase in unemployment and high levels of inflation decreases consumers' real income, so the demand of luxury goods will fall. High interest rates means cost of borrowing is more expensive, so less consumers borrow money and purchase luxury goods. The pound is weak, so consumers from other countries will find Mulberry's product cheaper, thus, increasing demand according to law of demand.



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Examiner Comments

Part (a) correct (A) - 1 mark

Part (b)

A model approach answer to part (b), which starts with a full definition of demand - an acceptable term as it is in the specification and used in the stem of the question - 1 mark

Explains why unemployment and inflation will reduce the demand for luxury goods - 1 mark

Explains answer A - 1 mark

A weaker pound means that each unit of the pound can now be exchanged for less units of a foreign currency, e.g. 1 pound which may previously have been able to exchange for 2 euros ~~was~~ now be worth 1 euro for foreign ~~markets~~ ^{countries} who import luxury goods from the British fashion brand. This makes the products suddenly cheaper. Jumpers costing £80 would have costed ~~foreign~~ ^{EU} countries €160 to import but now only €80. This makes demand increase.



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Examiner Comments

Part (a) correct (A) - 1 mark

Part (b) - here the candidate explains the answer (A) fully, by developing the idea and using a numerical example to demonstrate a clear knowledge and understanding of the effect of exchange rate changes. As the candidate offers his/her own example which very much relates to the context, all three marks were awarded.

This was a full three mark example which is refreshing in that it does not include a definition and/or explanation of a distracter.

Demand is the amount of good or service people are willing and able to buy at a given price at a given time.

A is correct because when the pound becomes weaker (depreciates) then our exports become cheaper \therefore increased sales to other countries

Who would see this luxury as affordable

B would mean people would have less disposable income and therefore buy less - making sales decrease.

(Total for Question 7 = 4 marks)



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Examiner Comments

Part (a) correct (A) - 1 mark

Part (b) defines demand - 1 mark

Explains answer - 1 mark

Explains distracter B - 1 mark

Question 8

On the whole a well answered question, with many candidates recognising that sales volume is about the number or quantity of goods sold. Nonetheless, a number of candidates did confuse sales volume with sales revenue and so went on to provide a formula which proved to be contradictory: Sales volume = quantity sold X price (incorrect). However, these same candidates often gained a mark by explaining a distracter.

Sales volume is the number of goods sold in a certain period of time. C is the correct answer as profit is the amount of money Bubble has gained from the sales, and therefore won't affect how many items have been sold. D is not the correct answer as they can determine sales volume, as if the production is too slow and there are not enough goods, then sales can't be made.

(Total for Question 8 = 4 marks)



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Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) defines sales volume - 1 mark

Explains answer C - 1 mark

Explains distracter D - 1 mark

Sales volume is the number of sales the business receives over a period of time.
C is the answer as profits are unlikely to have an effect on the number of sales the business receives. The answer isn't B because if customers were loyal they will keep buying from the business, which would affect their sales volume.



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Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) defines sales volume - 1 mark

Explains distracter B - 1 mark

No marks for explanation of actual answer C

Profit is total revenue - Total costs, therefore if the business has high sales volumes, it would lead to an increase in their profit levels, meaning that profit is a result of high sales volumes and does not determine high sales volumes.



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Examiner Comments

Part (a) correct (A) - 1 mark

Part (b) defines profit - 1 mark

Candidate uses this to explain answer C - 1 mark

Sales volume is the amount or number of goods that you sell. The number of clients would increase. Thus as more clients will buy more stock. If production rates are high there is nothing stopping the company selling large amounts ~~as long as~~ if they can supply the demand. If consumers are loyal they are much more likely to return and buy your products again, increasing the amount of



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Examiner Comments

Part (a) correct (C) - 1 mark

Part (b) defines sales volume - 1 mark

Explains distracter A - 1 mark

Explains distracter B - 1 mark

Question 9

As with question 7, this question was better answered by candidates entered for GCE Economics and Business; with many of them gaining 5 or 6 marks. However, there were many instances where candidates confused demand factors with supply factors. Nonetheless, the vast majority were able to explain at least one supply factor given that the case study provided a number of opportunities. For example, the more able candidates analysed why poor weather conditions would lead to poor harvests of fruits which might therefore increase Fraser's costs of production and given a lower anticipated profit might lead Super Jam to reduce supply for a given period.

Credit was given to those candidates who used supply and demand diagrams, showing shifts in supply - if accurate; these candidates were usually credited with knowledge, application and/or analysis.

This question was marked on a points basis, where 2 marks were available for knowledge of supply factors (in some cases 1 mark was awarded for a full definition of supply); 2 marks for application, by candidates referring in context to Super Jam; 2 marks for analysis - explaining why Super Jam's supply of jam could be affected.

Natural phenomenon would be a supply factor that could effect the supply of SuperJam's products. With the supplier ^{for} Fraser's company 'SuperJam' coming from Sri Lanka's tropical rainforests, the raw materials, such as blueberries and crabapples, could be effected by a natural phenomenon such as an earthquake, or hurricane etc. as these could wipe the rainforests destroying Fraser's supply of Super fruits.

Another supply factor that could affect the supply would be new technological advances. If a new technological equipment is introduced it could speed up the process of the supply for Superfruit. For example, if a berry picker were designed it could speed up the process of supply as it is ^{going to be convenient and} ~~in the~~ ^{substantially} ~~general~~ faster than it being hand-picked. However, the new technology, if created, could be expensive for transportation.



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Examiner Comments

Knowledge - Natural phenomena and technology - 2 marks

Application - Sri Lanka and Berry Picker - 2 marks

Analysis - earthquake would destroy rain forests and the supply of super fruits (benefit of doubt given here - as this is not a geography/science exam); speed up the process - 2 marks.

Supply is the amount businesses are willing to supply at a given price. Exchange rates would affect the supply of the super jam products. If the £ fell in value then the costs of imports increases. This means that the ~~imports~~ supplies they get from Sri Lanka would increase in price. So the supply decreases as they are able to buy less with the money they have. If the £ grew stronger then they would be able to buy more with the money they have.

~~If inflation increases then the costs of imported supplies go up this means that costs are increased.~~

A bad harvest in Sri Lanka would lead to a decrease in supply of Super Jam products. This is because the price would go up due to low yield and high demand for Tropical forest products. This price increase means that the company would not be able to buy as much supplies as before causing supply ~~to~~ curve to shift to left.



ResultsPlus Examiner Comments

Knowledge - Defines supply and identifies one other theory factor - exchange rates - 2 marks

Application - Sri Lanka and Berry Picker - 2 marks

Analysis - earthquake would destroy rain forests and the supply of super fruits (benefit of doubt given here - as this is not a geography/science exam); speed up the process - 2 marks



ResultsPlus Examiner Tip

In paragraph two the candidate immediately writes in context by stating 'bad harvest in Sri Lanka' without stating in theory what had caused it, for example was it natural phenomena, poor weather conditions, pests, etc. Had this candidate not defined supply the second knowledge mark would have been lost. For question 9 candidates should make a point of presenting knowledge, application and analysis twice to gain the full 6 marks available.

The supply of Fraser's Jam could be affected by the cost of product. If his raw materials increase he may be then forced to increase the price of his jam in turn decreasing demand. Also if the prices of raw materials decrease or there is a cheaper alternative way to produce the jam then he could gain more of a profit. The high demand for Fraser's ^{Jam} profit could also act as an incentive to supply more, this could lead to an increase in production of Jam products. However this incentive could also lead for him to try a wider range of products such 'exotic fruit jams' which may appeal to a wider audience.



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Knowledge - cost of product/technological - 2 marks awarded

Application - 0 marks because the context appears (exotic fruit jams) in an answer which is describing demand

Analysis - for the effect of increasing costs of raw materials 'forced to increase price' - 1 mark

Second factor identified is demand - no marks



ResultsPlus Examiner Tip

For the purpose of questions like this, candidates should think of demand and supply as separate. Of course, there is a relationship between supply and demand and price, but when asked to explain supply factors (or demand factors) candidates should focus their answers on the following:

Demand: price, price of substitutes, price of complements, marketing/advertising, consumer incomes and other aspects demographics, such as the number of males to females, or the age distribution of a population or population growth rates; season/ weather, external shocks, such as war, terrorism, earthquakes.

Supply: price; costs of production, technology, internal constraints, such as availability of resources; external factors, such as government (legislation, taxation, subsidies, grants) and weather or climate; anticipated profits.

Question 10

Well answered by most candidates. Those who did not score well on this question probably misread the question or confused differentiation with diversification. The most popular reason identified for differentiation was to compete. More able candidates then went on to write in context by stating something like 'with rivals like Hartleys, because SuperJam's jam would now stand out, in order to gain customers to boost sales and so provide the income necessary to cover costs and hopefully enable Fraser to make a profit'. A statement as simple as this would have been awarded the remaining 3 marks; one application mark and two analysis marks to complement the knowledge mark awarded for 'to compete'. There was sufficient information in the case study to provide opportunities for candidates to demonstrate how Fraser differentiates his jam:

100% pure fruit jams; sweetened with grape juice - no added sugar; made with 'super fruits' like blueberries and cranberries; made with grandmother's secret recipes; 'iconic Scottish Food Brand'; recruiting volunteers to help with his SuperJam Tea Parties.

The marking for this four mark question was done on the basis of awarding

Knowledge - 1 mark

Application - 1 mark

Analysis - 2 marks

Differentiation is making business unique from competitors by adding new feature or taste. It is important to Fraser to differentiate as there is lot of competition out in the market and if he make his juices unique by adding some extra tastes it would help him to stand out in the market. Customers will prefer buying from him which will lead to repeat purchase so therefore he will end up in a profitable business. Fraser has a unique point in his business as he uses his grandmother recipe but to keep up with competitors he should think of different ways to differentiate his business. (Total for Question 10 = 4 marks)



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Examiner Comments

A clear 4 mark answer:

Knowledge - Defines differentiation - 1 mark

Analysis - help him to stand out in the market/keep up with competitors - 1 mark; this is developed 'customers will prefer...this will lead to repeat purchase' - 1 mark

Application - Fraser uses his grandmother's recipe - 1 mark

~~It~~ Differentiation means when a business makes its product differently from those of rivals for example by adding a feature to make it unique in this case, Fraser can differentiate its products through the ingredients he uses. (using from tropical forests). It is important for Fraser to differentiate its ~~business~~ ^{product/business} because there are lots of companies and businesses that produce jams and he is new to the market. He must have a competitive advantage and emphasise why people must buy his products. The product must be attractive to the customers so they can develop loyalty and buy it over a long period of time.

(Total for Question 10 = 4 marks)

He must show the consumers the difference between his product and the others. ~~to~~ He may do this by adding value so he ~~can~~ can gain a competitive advantage, also by a pricing strategy. ~~He should~~ In order to be successful he should emphasise the difference of his products may be through quality.



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Examiner Comments

Knowledge - describes differentiation - 1 mark

Application - different ingredients from tropical rain forests - 1 mark

Analysis - he is new to the market; must be attractive to customers so they can develop loyalty - 2 marks

Question 11

A well answered question, probably explained by the fact that so much evidence for product trials was contained in the case study - Fraser had already used them in Scotland with his neighbours.

Most candidates achieved at least level 3, if not level 4 for this question. However, too many candidates did not develop their answers sufficiently to be awarded analysis or evaluation marks because they simply made assertions like 'it is time consuming' or 'too expensive to carry out' without explaining why. More able candidates wrote about the opportunity costs involved in product trials or the need to sacrifice higher profits in the short term for the longer term once the product is fully available on the market.

This was a levels of response question, which was marked on the following basis:

Level 1 - knowledge and understanding - up to 2 marks

Level 2 - application - from 3 up to 4 marks

Level 3 - analysis - from 5 to 6 marks, where typically 5 marks were awarded when a candidate analysed or evaluated but failed to write in context

Level 4 - evaluation - from 7 to 8 marks; 7 marks awarded when only ONE side was clearly written in context, 8 marks when BOTH sides were written in context.

Product trial is launching a product into small market in order to repeat purchase.

Having product trial would benefit supermarket as evidence shows that Fraser gave them out ~~for~~ for free to his neighbours.

This way he made his customers aware of his product so they liked it and bought it from him. It ~~is~~ is important as having product trial you would know which market to target and will help to find a gap in the market.

As evidence shows Fraser's business expanded because after tasting the Jam people bought it and also it helped with word of mouth advertisement too.

Having product trial will make customers aware and ~~as~~ might lead to repeat purchase.

This way business will have idea how many people want the product.

On the other hand it will cost the ~~business~~ business as they will be giving their products out for free but it will have long term benefit of repeat purchase which will lead to more revenue and therefore profit.



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Examiner Comments

Level 4: 7 marks awarded as candidate failed to write the argument against (cost the business...give product out for free) in context.

Product trials is getting consumers to test the product in order to assess the likely demand. This is evident when he began giving free jars to his neighbours, this would help sell them because first time round they may not want to pay for something they won't necessarily like, therefore it attracts more customers which was a huge benefit for Super Jam. Also, due to many competitors people may just buy the other companies products but because he has given people the chance to taste they know whether they like it or not, also one fact that he holds free tea parties for the elderly could be classed as a product trial as others around are able to try and will benefit as they may start to buy and pass on that it tasted nice. However this can be expensive and time consuming.

(Total for Question 11 = 8 marks)



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Examiner Comments

Level 3 - 6 marks awarded because the last point about 'expensive and time consuming' is not explained.

Product trials are testing a product to a small region of consumers to gain feedback on the product, before releasing it to the market. With SuperJam's products only being ~~cheap~~ low priced, people may not worry about testing it as it's not valuable to them although health risks have to be acknowledged in the trial. Product trials can be useful for SuperJam as if the product is to fail it saves the business a lot of money and can also give an insight into how many products to produce. This is good for SuperJam as it reduces costs and saves them money meaning the firm can predict demand and if it's to fail as a product, money can be spent elsewhere for the business. Product trials may not benefit SuperJam as this delays the product's entry to the market reducing revenue and can also alert competition to products SuperJam are producing. This is bad for SuperJam as rival businesses can see a product is being trialled successfully and just put a similar product straight into the market facing consumers from SuperJam, reducing their revenue and consumers.



ResultsPlus

Examiner Comments

Level 4 - 7 marks awarded

The only real reference to context is 'with SuperJam's products only being low priced'. Therefore, despite clear arguments for and against and a good grasp of knowledge and understanding of product trials, this candidate's answer gained 7 marks.

Question 12

As with question 11, this was a levels of response question, which was marked on the following basis:

Level 1 - knowledge and understanding - up to 2 marks

Level 2 - application - from 3 up to 4 marks

Level 3 - analysis - from 5 to 6 marks, where typically 5 marks were awarded when a candidate analysed or evaluated but failed to write in context

Level 4 - evaluation - from 7 to 8 marks; 7 marks awarded when only ONE side was clearly written in context, 8 marks when BOTH sides were written in context.

Sadly, a significant number of candidates either confused limited with unlimited liability or interpreted this question as being about whether Fraser should become a Plc rather than remain a private limited company. The case study does not state the current form of ownership for SuperJam. Examiners did allow context when candidates stated that SuperJam is a new business.

This question was essentially focusing on liability and related to finance for business. Candidates were awarded marks for demonstrating any arguments for and against SuperJam being an Ltd (or Plc) compared to sole trader which therefore extended to the benefits of wider ownership, such as more capital for investment, more ideas, etc.

The advantages of this is that accounts for it is easy for Fraser to raise finance which he could use to reinvest into new jam recipes or machines for production of his jam/marmalade. Therefore he can expand his business and increase profits in the long run. Fraser will also have benefits of size as there are more people involved in the business. Furthermore, Fraser will have limited liability because the company has a separate legal identity. Therefore his personal goods are protected.

However it is difficult to sell shares because you have to have to consent of all of the other shareholders, because they ^{internal} are stakeholders. Therefore decision making takes longer which consumes valuable time. Accounts also have to be audited and published for the stakeholders, which also takes time. There are legal contracts involved which takes time. Therefore Fraser may not want ~~responsibility~~ this responsibility because he is used to working on his own with freedom and he can do what he wants with the profits, and make his own decisions.

(Total for Question 12 = 8 marks)



ResultsPlus

Examiner Comments

Opening sentence not entirely accurate.

However, this was awarded Level 4 - 8 marks because what followed showed evaluation, with both sides in context:

Advantages - raise finance for investment for his new jam recipes, limited liability

Disadvantages - decisions take longer, which Fraser may not like because he is used to working on his own

A limited company benefits Fraser because he will have limited liability. Which means his personal assets will not be in jeopardy if the business becomes bankrupt. It also eases pressure for Fraser if he is in need of a loan for the business, if he cannot pay back his loan immediately ~~at~~ his belongings will not be repossessed.



ResultsPlus Examiner Comments

Level 3 - 5 marks awarded because the candidate analyses the benefit of being limited but not in context

Limited company means when you get more inputs in the company that means ~~that~~ you get more unlimited supply in as much as you want which can give the company good sale revenues because the more inputs that ~~for~~ come in to your business the more your products will sell. which will ~~give~~ which will give you more profits and profits can mean that SuperJam can expand the business more and sell it other bigg big ret and hugely successful retailers ~~the~~ ~~so~~ the more they expand their business ~~the~~ it means the more famous and popular you going to get.



ResultsPlus Examiner Comments

Candidate shows no knowledge or understanding of limited (liability) or Ltd or Plc - 0 marks

If Fraser turns ~~the~~ SuperJam into a limited company, this means ~~that~~ the company will be mainly run by shareholders and there will be many shareholders. If SuperJam have more shareholders that means more people to invest into the business and this could lead to an expansion in the business ^{and new} new flavours, products and ranges. Another value of this is that there are more ideas SuperJam could take onboard as there are more shareholders and investors helping out with the business. On the other hand if Fraser doesn't turn SuperJam into a limited company this could mean that it could be harder to come to a conclusion of an idea as all shareholders must agree, this makes the decision making process longer for Fraser. Also, being a limited company may mean you don't earn as much as people own shares in your business. This means that Fraser may not be earning as much as he would if he ~~hadn't~~ ~~wasn't~~ at a time didn't make SuperJam a limited company.



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Examiner Comments

Level 4 - 7 marks awarded because the argument against is not in context.

Question 13

As with questions 11 and 12, this was a levels of response question, which was marked on the following basis:

For both part (a) and part (b)

Level 1 - knowledge and understanding - up to 1 mark

Level 2 - application - up to 2 marks

Level 3 - analysis - from 3 to 4 marks, where 3 marks were awarded when a candidate analysed or evaluated but failed to write in context

Level 4 - evaluation - from 5 to 6 marks; 5 marks awarded when only ONE side was clearly written in context, 6 marks when BOTH sides were written in context.

Part (a) a rise in the level of unemployment in Scotland was generally better answered by candidates than part (b) an appreciation in the value of sterling.

For part (a) a significant number of candidates took the Marxist view that if unemployment was high then this would suppress wage demands from workers for companies like SuperJam. Although this theory is not stated in the specification or indeed in the mark scheme, this argument was awarded as it is logical and therefore acceptable.

For part (b) a number of candidates confused appreciation with depreciation and the effects of changes in exchange rates on imports and exports. Worse still, some less able candidates considered that Fraser's purchase of mango, passion fruit and papaya as exports from Scotland.

As with question 7 in Section A, more able candidates appeared to make use of SPICED, which proved useful to candidates answering part (b).

Use of demand theory also proved useful in response to part (a) where candidates indicated that unemployment tends to reduce disposable incomes because those who are unemployed receive benefits or Job Seekers Allowance which is typically less than wages or salaries.

A rise of the level of unemployment in Scotland may mean that people do not have as much ~~money~~ cash to spend on food and may have to negate things such as SuperJam Jams from their shopping list. This means that as a consequence, the business may see a significant drop in ~~unemployment~~ ^{sales and revenue} and may therefore have to make people redundant themselves which adds to the unemployment in Scotland but also means that the business may suffer as a ~~result~~ result of a smaller demand in their products and staff having an increased workload and staff may be demotivated as the threat of redundancy looms in the business.

An ~~excess~~ ~~excess~~ appreciation in the value of sterling would mean that the price of the fruits that the company imports would be cheaper as ~~the~~ according to 'SPICED': Strong Pound Imports Cheap, Exports dear. This means that the variable costs ~~of~~ ^{for} the company would decrease meaning a higher contribution per unit. This does however mean that if the company was planning to sell overseas this would become more expensive for the company as Exports would become more expensive. Because of cheaper imports, the business can make higher ~~profits~~ profits, but may choose to ~~lower~~ lower the price of their product to ~~increase~~ increase sales volume.



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Examiner Comments

Part (a) Analyses effects of an increase in unemployment in context - 4 marks

Part (b) Evaluates effects of an appreciation of the £ sterling, but only one side is written in context 'the price of fruits that the company imports would be cheaper' - 5 marks

A rise in unemployment is a category of individuals that are currently out of work but currently seeking work. A rise in unemployment can affect the success of SuperJam in many ways. One way is that as unemployment is so high, SuperJam may ~~not be able to choose the best individuals~~ be able to choose from a large pool of workers that require work. Different skills can be obtained because of the availability of workers. This allows SuperJam to select workers which improve efficiency and performance for SuperJam in the future. Also, as unemployment rises this means SuperJam can pay their workers at a lower cost because of the increased demand for jobs. ~~Lower~~ Lower costs ^{are} good for any business because it raises revenue and profit which ~~is~~ in turn determines long term success.

increase in sales which provides higher profit so that it can perform more efficiently and be more productive in order to gain a competitive advantage which then determines their overall future success. If the £ sterling is strong, foreign businesses are less likely to purchase because of the increased appreciation. This makes foreign businesses costs rise which makes foreign businesses reluctant to ~~sell from~~ purchase from SuperJam.

Exchange rates are the price of one currency expressed in terms of another. If the £ sterling is stronger this weaker this encourages trade abroad through the items sold. If the £ is weaker, other currencies may purchase more goods from SuperJam which in turn provides an increase in sales which provides higher profit so that



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Examiner Comments

Part (a) Level 3 - 3 marks - analysed, but shows no use of context

Part (b) Level 3 - 3 marks - analysed, but again shows no use of context

Unemployment is the number of people out of and able to work. Being a homemade, exotic Jam currently priced at £1.80 there are plenty of ~~sub~~ substitute or inferior alternatives that would be cheaper to the unemployed. The unemployed would have less disposable income and therefore unable to afford Fraser's exotic range of Jams. They would largely swap to substitute goods, or not buy from the market at all. Subsequently leading to Fraser having to drop his prices to stay competitive. This in turn would diminish his profits and possibly leave him unable to recreate current supply. Possibly leading to him having to drop certain flavours due to their small profit margin.

If the £ (pound) appreciated then he would be able to import larger quantities of Mango, passion fruit and papaya from Sri Lanka for a cheaper price. Therefore giving him ^{purchasing} economies of scale. This in turn would enable him to lower his prices and maintain the surplus to ensure stable profit margins. This would be good for Fraser as it could by dropping prices acquire higher demand, and therefore gain a larger market share, again increasing profits. Especially in the current recession his Juans would appear more affordable as due to their innovate and exotic flavours ~~attract~~ adhere more appealing to the market. Consequently increasing revenue.



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Examiner Comments

Part (a) Level 3 - 4 marks. Excellent analysis, making very effective use of context, but fails to evaluate

Part (b) Level 3 - 4 marks. Again, excellent analysis (although the point about economies of scale was not explained), but fails to evaluate.

Paper summary

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

- Remember to answer all part (a) sections in Section A.
- Use definitions or written formulae in part (b) of Section A since this often attracts a knowledge mark; the concept defined should normally be in the question or found in the correct response.
- Remember to explain why one distracter is wrong in part (b) when the supported multi-choice question in Section A reads 'most likely' or 'least likely' because these questions are asking the candidate to make a judgement which they can very often strengthen by not only explaining the answer they chose in part (a) itself, but also one of the alternatives dismissed.
- Read the case study in Section B carefully – candidates are advised to spend 5 minutes reading this and, if necessary, highlighting key words or points which might enable them to answer the questions that follows.
- Read questions carefully and attempt to answer the question actually set. On a number of occasions - evidence has shown, particularly in Section B, that candidates can waste valuable time struggling with an answer to a question that was not on the paper or trying to gain marks through an 'all I know about approach' which rarely scores any marks.
- Candidates should spend time planning their answers to levels of response questions 11, 12 and 13. These carry the most marks (8, 8 and 12, respectively) so writing a balanced answer can make all the difference to the awarded grade.
- Candidates are advised to work on the basis of approximately '1 minute per 1 mark rule' given that this paper is for 75 minutes, with 70 marks and the recommended 5 minutes reading time for the case study.

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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