

Examiners' Report  
June 2014

GCE Business Studies 6BS02 01

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## Introduction

This is the 11th paper in the series. The format is familiar, there being six supported multiple choice questions in Section A and six questions based on a case study in Section 2. The last question is split into two parts. The case study is based on the British supermarket firm, Tesco. Candidates attempted to answer all questions. Although there are occasions when the second part of question 12 has not been answered, this appears no more or less than elsewhere on the paper, suggesting that time was not a major problem for candidates. Candidates in general appear well prepared for the format of the paper, although the standard of written English at times hampers the work of examiners in marking questions.

There were fewer poor scripts overall compared to recent past papers – with candidates often choosing the correct response to all supported multiple choice questions in Section A with the possible exception of question 6.

Candidates struggled with the concept 'supplier credit terms' in question 8 and Question 9 brought the greatest range of answers from candidates. The vast majority of candidates were able to list the four elements of the marketing mix but many struggled to apply these concepts to the specification term 'current social trends'. Despite there being a number of examples of such trends in the specification and reference to at least two of them in the case study, many candidates ignored this aspect of the question, consequently scoring poorly. There were, however, some excellent answers.

Candidates are getting better at realising what is required of them in questions that are marked on levels – in this case questions 10, 11, 12(a) and 12(b). Those candidates who were able to answer in context often did very well and many candidates were able to analyse, if not always in context.

## Question 1

The vast majority of candidates answered part (a) correctly indicating an understanding of the link between lean management and greater efficiency. Many went on to get 3 marks in part (b) by giving a definition of lean management and explaining two distractors. Less common were the answers that cited Dell Computer's use of 'build to order', although when this was done the standard of the answer was high.

- 1 (a) Dell Computers uses a lean management system called 'build to order' in all of its computer manufacturing centres.

Lean management is **most likely** to lead to

(1)

A high stock levels

B long product development lead times

C greater efficiency

D excess capacity

Answer

C

- (b) Explain your answer.

(3)

Lean management is reducing waste throughout the production process. The answer is C as this way of managing ensures products are efficiently produced and waste is minimised as everything is organised in a specific manner. The answer is not A because lean management makes sure stock levels are low as waste is reduced. In addition, lean management are flexibility to ensure less waste via human effort.



**ResultsPlus**  
Examiner Comments

The candidate starts part (b) confidently with an acceptable definition of lean management but in going on to explain why option C is correct only an assertion is provided: i.e. waste is minimised as everything is organised in a specific manner. What needed to be said was that as build to order uses only resources specifically requested for that process – there is no excess stock and therefore little wastage. The second mark is awarded for an acceptable reason why distractor A is incorrect.

- 1 (a) Dell Computers uses a lean management system called 'build to order' in all of its computer manufacturing centres.

Lean management is **most likely** to lead to

(1)

- A high stock levels
- B long product development lead times
- C greater efficiency
- D excess capacity

Answer

C

- (b) Explain your answer.

(3)

Lean management refers to the process in which waste is reduced, this includes processes such as just in time.

It is C because 'build to order' may refer to the lean management technique which Dell uses, therefore orders being made when necessary, therefore efficient workforce. It is not 'A', because stock would be kept to a minimum or waste would be reduced.



**ResultsPlus**

**Examiner Comments**

This candidate appears to have been well prepared. The answer starts off with a definition, moves on to the evidence provided and puts the answer in context (Dell Computers) stating why 'build to order' will increase efficiency and then explains a distractor.



**ResultsPlus**

**Examiner Tip**

Although it is possible to score more than one mark per point made - candidates may include two mark scheme points in one sentence, it is preferable to make three distinct and separate points. Rarely do two sentences lead to 3 marks.

## Question 2

The majority of candidates answered part (a) correctly. The link between delegation and empowerment of employees was well understood and this allowed many candidates to gain marks in part (b) for a definition and for stating that empowerment was a motivating factor. Most candidates were able to see that, for example, distractor D would have been the opposite of a delegated body. A word of warning for candidates - delegation is not about giving employees more tasks; it is giving them more responsibility for decision making.

This candidate's response is included to not only show how not to answer the question but also to show that, whilst it is possible to get part (a) wrong and still score marks in part (b), more often than not it doesn't happen. This is because an incorrect initial answer leads to an incorrect explanation. Occasionally a definition mark is awarded but not in this case.

- 2 (a) Sir Richard Branson, Chief Executive of the Virgin Group, uses delegation to manage his business empire.

Delegation is **most likely** to result in

(1)

- A workers lower down the hierarchy making fewer decisions
- B closer supervision of the workforce
- C empowerment of employees
- D a centralised organisational structure

Answer

B

- (b) Explain your answer.

(3)

Delegation means Managers inform workers what to do and supervise them. B is correct because Richard Branson delegates to his employees and monitors how they are working. C is incorrect because delegation does not empower employees. Instead it makes them rely more on managers.



**ResultsPlus**  
Examiner Comments

The candidate believes delegation refers to informing and supervising workers and whilst delegating doesn't negate the need for supervision it goes against the ethos of delegating, i.e. delegating the responsibility of decision making to employees. No marks are awarded.

- 2 (a) Sir Richard Branson, Chief Executive of the Virgin Group, uses delegation to manage his business empire.

Delegation is **most likely** to result in

(1)

- A workers lower down the hierarchy making fewer decisions
- B closer supervision of the workforce
- C empowerment of employees
- D a centralised organisational structure

Answer

C

- (b) Explain your answer.

(3)

Delegation is where decisions are handed down the hierarchical levels. The answer is C because delegating gives employees responsibility to make decisions, which is one of Herzberg's motivation factors. The answer is not D because delegation will more likely lead to a decentralised organisational structure as decision will be made at the ~~base~~ local branches rather than the HQ.



**ResultsPlus**  
Examiner Comments

This answer is awarded full marks as the candidate provides an acceptable definition and then goes on to write about responsibility and motivation, with Herzberg (correctly) thrown in. A good explanation of why distractor D is wrong is then provided.

### Question 3

The proportion of candidates scoring full marks on this question was disappointingly low. Candidates were often at sea with the concept of price elasticity of demand, many inverting the two parts of the equation. Paradoxically a good number of candidates scored the 3 marks in part (b) quite quickly and easily, usually by providing a definition followed by a simple calculation.

3 (a) In 2012, the Royal Mail announced a 30% price increase for First Class stamps to 60p.

If the price elasticity of demand is -2, demand will

(1)

A rise by 60%

B fall by 60%

C rise by 15%

D fall by 15%

Answer

B

(b) Explain your answer.

(3)

$$PED = \frac{\% \text{ Change in quantity demanded}}{\% \text{ change in price}}$$

$$x = -2$$

30

$$-2 \times 30 = -60$$

$$\frac{-60}{30} = -2$$

30

Price elasticity of demand is the effect the change of price has in correspondence to that of demand. Since the product is inelastic, Demand won't change by too much.



**ResultsPlus**

**Examiner Comments**

This is a good example of a textbook answer. Indeed the candidate had already scored 3 marks before adding the last sentence. The formula for PED is written correctly and the figures provided are then entered into the equation leaving a simple calculation to complete the answer. The score is 1:3.



**ResultsPlus**

**Examiner Tip**

Always show workings. There are not too many equations to remember so this one should be indelibly imprinted on students' minds.

## Question 4

A large majority of candidates answered part (a) correctly but only a much smaller number could identify the purpose of variance analysis. Candidates knew about adverse and favourable variances but relatively few explained how these could be used to not only identify problems but to help Fever Tree prevent them from occurring again.

4 (a) The owners of Fever Tree, a mixer drinks company, compare budgeted overhead figures with actual figures.

Which **one** of the following is **most likely** to be achieved as a result of this?

(1)

- A Credit check prospective clients
- B Identify variance issues
- C Hold more stock than they need to
- D Take on large new orders

Answer

**B**

(b) Explain your answer.

(3)

Overheads are the things a company needs to pay back.

Variance issues will be able to be identified as the owners of Fever Tree will be able to see whether they have more liabilities than expected.

C is wrong as the firms budgeted and actual overheads may not directly relate to stock levels.



**ResultsPlus**  
Examiner Comments

The candidate attempts to define a key concept - overheads, but the answer is far too vague. A mark is gained from the explanation that variance issues will be identified and dealt with. No mark is gained from the final sentence as no reason is given. A mark of 1:1 is awarded.

- 4 (a) The owners of Fever Tree, a mixer drinks company, compare budgeted overhead figures with actual figures.

Which **one** of the following is **most likely** to be achieved as a result of this?

(1)

- A Credit check prospective clients
- B Identify variance issues
- C Hold more stock than they need to
- D Take on large new orders

Answer

B

- (b) Explain your answer.

(3)

Variance is the measure of how actual spending correlates to the initial budget, which can either be favourable (less costs or more profit) or adverse (more costs or less profit).

Comparing budgeted figures with actual figures will help determine if costs had gone up or down from their predictions. A, C and D are completely irrelevant and so are incorrect.



**ResultsPlus**

**Examiner Comments**

This candidate answers part (a) correctly and achieves 2 marks in part (b). A definition of variance should include the words 'difference between', not 'correlation'. There is reward for the explanation/example of the favourable or adverse variances and a further mark for stating comparisons will identify differences.



**ResultsPlus**

**Examiner Tip**

Never group distractors together and never say they are completely irrelevant. Treat each distractor separately and give an explanation of each one.

## Question 5

This question was well answered by a good proportion of candidates, with marks readily gained from explanations of distractors.

- 5 (a) Marc Bolland, Chief Executive of Marks & Spencer, recently said "We could have sold 300,000 items of knitwear, but only sold 100,000 because of a lack of stock".

The **most likely** reason for this situation was due to poor

(1)

- A forecasting of consumer needs
- B promotion of products
- C levels of sales
- D pricing strategy

Answer

A

- (b) Explain your answer.

(3)

Stock is the amount of product a business has available to sell at a period of time. The answer is A because if they did not predict how many items the consumers would want to buy and therefore didn't make enough, consumers would not have been able to buy them. The answer is not B as there was lots of interest in the products from customers, the only issue being a lack of product for them to buy.

(Total for Question 5 = 4 marks)



**ResultsPlus**  
Examiner Comments

This answer scores full marks. A definition of a key concept (stock) from the question is provided together with an explanation of why Marks & Spencer got their prediction wrong. The third mark is awarded for the identification and explanation of distractor B (promotion of products).

- 5 (a) Marc Bolland, Chief Executive of Marks & Spencer, recently said "We could have sold 300,000 items of knitwear, but only sold 100,000 because of a lack of stock".

The **most likely** reason for this situation was due to poor

(1)

- A forecasting of consumer needs
- B promotion of products
- C levels of sales
- D pricing strategy

Answer

A

- (b) Explain your answer.

(3)

forecasting consumer needs refers to anticipating levels of consumer demand and supplying knitwear accordingly. By anticipating a demand of 300,000 marks and spencers could have sold more of the knitwear. This shows that bad forecasting of consumer needs was the reason for the lack of stock.

'D' is incorrect because a lack of stock shows that pricing is good which is why stocks are not there. (due to high levels of buying)



**ResultsPlus**

**Examiner Comments**

A confidently written answer with a mark awarded for another key concept, this time from the correct response, i.e. forecasting consumer demand. This is followed by a good explanation of how Marks & Spencer got it wrong, and then a further explanation of why distractor D is incorrect. Marks awarded 1:3.

## Question 6

Candidates performed relatively poorly on this question primarily because they thought that distractor C – calling staff in at short notice, was not an example of flexible working. Unfortunately, it is very much a characteristic of a flexible work force.

6 (a) The Grand Hotel in Scarborough, England, employs a flexible labour force.

A flexible labour force is **least likely** to be achieved by which **one** of the following?

(1)

- A Part-time contracts
- B Short-term contracts
- C Calling staff in at short notice
- D Sharing profits with staff

Answer

C

(b) Explain your answer.

(3)

Flexible labour force means flexible working times so part-time contracts are for only when staff is necessary. Calling staff in at short notice is bad because staff are unlikely to arrive on time so it wouldn't work. Sharing profits would work as it would increase motivation & decrease turnover of flexible working staff.



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Examiner Comments

A definition that repeats the term that is being defined as part of the answer is almost certainly doomed to failure. Flexible labour being explained as flexible working times gains no reward even though there is a further attempt to make it work. The essence of calling staff in at short notice is completely missed by this candidate, and whilst the candidate realises sharing profits will motivate workers this should have been the correct response and not an explanation of an incorrect one. No marks are awarded.

6 (a) The Grand Hotel in Scarborough, England, employs a flexible labour force.

A flexible labour force is **least likely** to be achieved by which **one** of the following?

(1)

- A Part-time contracts
- B Short-term contracts
- C Calling staff in at short notice
- D Sharing profits with staff

Answer

**B**

(b) Explain your answer.

(3)

Flexible labour means that the workforce are multiskilled and can adapt and respond to the ~~market~~<sup>job at</sup> hand. The hotel wouldn't employ short term workers, otherwise the time they spend training the staff to be multiskilled would be wasted, therefore money would be wasted. C would be wrong because a part of being flexible would mean being able to work whenever, even at short notice.



**ResultsPlus**

**Examiner Comments**

The candidate gets part (a) wrong scoring 0 marks. Two marks are awarded, however, as there is an acceptable definition of flexible working and the explanation of why distractor C is incorrect is sound. Unfortunately, the reasoning behind the given answer of B is flawed. If training is needed it must be given even if the contract is short-term.

## Question 7

Candidates had, in the main, been well prepared for questions on branding with scores of 3 or 4 common. Context was sound and analysis even better at times. Where candidates failed to pick up marks, was in giving acceptable definitions of branding or failing to say why it was important, i.e. to differentiate against rivals.

7 Explain **one** reason why branding is important for Tesco.

Branding is a design, text ~~or~~, symbol or a combination of all these that will identify a seller or maker of a product. Branding is important for Tesco since it will allow customers to identify Tesco's products from its rivals, <sup>like</sup> Lidl and Aldi, this would therefore increase customer loyalty. The advantage of this is that, with higher brand loyalty the consumers trust the quality of the product and ~~buy~~ buy it but also the disadvantage is that since Tesco is a retailer it will have to keep closer checks on its ~~manufacturers~~ <sup>manufacturers</sup> to keep up with quality of the product.



### ResultsPlus Examiner Comments

In this answer the candidate immediately starts gaining marks by stating what branding is and then by stating its purpose. The choice of the word 'identify' is not perfect when the candidate states that branding will help identify Tesco's products from its rivals but it conveys the meaning (differentiates might have been better). The importance of this in gaining brand loyalty when opposed by Lidl and Aldi provides context and the candidate reasons that keeping quality high protects the share price. Four marks are awarded.

## Question 8

The performance on this question was poor. In many cases candidates did not understand the term 'supplier credit terms', and consequently were unable to find a reason why Tesco might want time to pay, e.g. in order to help manage cash flow. Whilst this section of the specification has not been tested as frequently as some other areas, it is clearly identified in the specification.

Those candidates, who were able to score, typically scored 2 marks - one for a description of supplier credit terms and a second mark for identifying the need to manage cash flow. Very occasionally, a candidate pointed out that with such large cash reserves Tesco didn't need to worry about these terms.

8 Explain **one** reason why Tesco might want to manage supplier credit terms.

One reason could be to take advantage of bulk buying discount. Tesco owns approximately 30% of the market, this gives them a lot of power over suppliers because of economies of scale. Therefore if they're managing supplier credit terms they can use this to their advantage by getting the lowest price possible. With their profits going down in 2011 it seems they could do with cutting costs where possible.



**ResultsPlus**

**Examiner Comments**

The answer of this candidate was, unfortunately, a common one. The belief that supplier credit terms is how Tesco obtain bulk buying discounts was shared by many and is indicative of a lack of understanding of financial matters affecting business. No marks were awarded.

## Question 9

This question provided some of the most original answers on the paper. Unfortunately whilst some of those answers were original in a good sense, with a number of candidates identifying online retailing as a recent social trend and noting the benefits of social media as a selling point, there were other so called social trends that beggared belief (e.g. selling beanie hats and the topical idea of the World Cup). Consequently, whilst this question was sometimes difficult to mark, the fact that it provides a spread of marks made it a good discriminator.

9 Analyse **two** ways Tesco could use its marketing mix to respond to current social trends.

1. Price. Price is extremely important to Tesco as they have so many competitors such as similar supermarkets like Sainsbury's, Asda, Morrisons, Aldi & Lidl. And higher end stores such as Waitrose & Marks and Spencer targeting to the same audience as Tesco. With all the supermarket's willing to price match any product you purchase, it is clearly very difficult to keep prices as low as you can & still maintain the lead in the market.

2. Promotion. Promotion is another vital strategy in order to respond to current social trends as Marc Boulan claimed that Sainsbury's advertising has been very successful. Using advertisements, promoting new stores/~~to~~ products and details are vital in ~~a~~ such a competitive environment that supermarkets have to try & survive in. Promoting can be expensive such as advertising, but in the long run if you have promoted well it will pay off in the long ~~run~~ run.



There is not a lot wrong with this answer in general terms of the marketing mix but it does not answer the question. No specific social trends are mentioned or even hinted at. Rivals to Tesco are identified, but for 'price' as a component of the marketing mix to be rewarded there has to be some awareness of why competitors have been gaining ground, so a reference to poor economic times/recession could have been used to highlight why Aldi and Lidl have gained market share. Even more disappointingly, given its feature in the evidence and the specification, is the failure to mention online retailing.

9 Analyse **two** ways Tesco could use its marketing mix to respond to current social trends.

Marketing Mix consists of the '4 P's' which are as follows; Product, Price, Place and Promotion. These four factors can help identify possible improvements.

In order to remain a market leader it is important to remain popular with consumers. Social trends such as fashion, games and technology are constantly changing and Tesco need to use the marketing mix to ensure themselves to succeed.

The case study mentions the increased use of the Click & Collect service along with an increase in the use of internet shopping. To tackle the 'technology' trend which is emerging Tesco could focus on the 'Place' factor. This includes how a product actually gets to a customer and where a business actually is. Tesco could start to deliver more products door-to-door and increase its presence in the online world.

Another 'P' from the marketing mix which would help respond to current trends is Price. The current economic climate is, although improving, rather disappointing. Tesco

have competitors such as Aldi / Lidl which provide much cheaper products which more and more people will choose to buy. However Tesco may need to change price in order to compete.

(Total for Question 9 = 8 marks)



**ResultsPlus**

**Examiner Comments**

Features of the marketing mix are readily identified and the click and collect aspect of Tesco's online retailing is explained under the banner of 'place' as a social trend to respond to. The pricing aspect of the marketing mix is identified in conjunction with Aldi and Lidl and the current economic situation is identified as the social trend. Neither of the arguments fully press home the advantages that Tesco get from this and so the mark is restricted to 6.

## Question 10

It should be understood that there is no right or wrong answer to this question, only well argued responses and poorly argued responses. A large number of answers were not in context which is quite disappointing as it does not take much time to think of skilled jobs in retailing and less skilled jobs. It did not prove difficult for candidates to score 5 marks but taking this up to 7 or 8 proved to be a greater challenge.

10 Assess whether Tesco should focus its recruitment on people with skills or people with a positive attitude.

~~Recruitment~~ Recruitment is <sup>a way</sup> ~~getting~~ you right staff to work for you. It can be internal or external or have certain preferences. Both people with skills and people with a positive attitude help in a workplace environment. People with skills will help to get the job done more efficiently and at a good quality but people with a good attitude will help with positivity in the work source leading to happy consumers. Really a business want the job done with limited waste and done at a good quality. This could mean Tesco need to take up lean management techniques to acquire staff that achieve these goals.



### ResultsPlus Examiner Comments

This candidate provides a fairly bland response in that the answer could really refer to any firm in the retailing sector. There is merit in it, with basic explanations of what skilled employees and employees with a positive attitude bring to the workplace, but that is all.

10 Assess whether Tesco should focus its recruitment on people with skills or people with a positive attitude.

Recruitment is when ~~Tesco~~ Tesco would hire new people by advertising externally or recruiting internally. People hired with skills are more likely to get the job done ~~eg~~ but are less likely to put a positive attitude towards it. And vice versa for people with positive attitudes. Therefore I believe it depends on the job to who you hire e.g. if you want someone on the till hire someone with a positive attitude so they please customers and make them happy. But if it's a more technical job such as managing stock control hire someone with skills instead so that the job gets done, and you won't need them to speak with customers face to face which could create a displeasing <sup>environment</sup> ~~environment~~ and then overall, I think it completely depends on the job position that they are going to take.

↳ Create the knock on effects of reducing sales and profit for Tesco, just due to the fact a person staff member is not in a pleasant mood and does not want to smile at customers.



**ResultsPlus**  
Examiner Comments

This answer scores full marks, because there is clear contextual reference to Tesco both in the skills part and in the positive attitude part and there is also a good balance between the two.

## Question 11

The concept of JIT management will be familiar to most candidates, its use in the retailing trade perhaps not so. Good answers were evident and different so it was pleasing to see some candidates arguing for and some against. Once again the issue of context was at stake. Any mention of perishable products was duly rewarded.

11 Evaluate whether Tesco should use just in time (JIT) management for its smaller stores, such as Tesco Express.

JIT is an attempt to run with zero buffer stock, it is part of lean management. One advantage of JIT is that less money is tied up in stock, this could be useful for Tesco Express because that money could be spent elsewhere such as refurbishing stores to improve the shopping experience. Another advantage of JIT is that less money is spent on storing the buffer stock. On the other hand another advantage is that less stock goes out of date and has to be wasted because it becomes unusable, this is definitely a problem for food where large amounts have to be thrown out. Especially over periods such as Christmas where sales fell by 2.3% in 2011, operating with JIT would reduce waste largely. On the other hand JIT relies on zero defects because there is no room for error. If there is error then the smaller stores may be unsupplied which could result in customers going elsewhere. JIT also relies on good communication with suppliers, however because stock can not be late. Some suppliers may resent Tesco for using their market leader position to drive down prices.



**ResultsPlus**

Examiner Comments

A well written answer with some very good points. The first part of the answer was particularly strong with good contextual points made. The second part, whilst basically sound, did not have the contextual nuances to bring the mark up from a 7 to an 8.

11 Evaluate whether Tesco should use just in time (JIT) management for its smaller stores, such as Tesco Express.

Just in time management is when a firm operates with minimum or zero buffer stock. Materials are only brought in when orders are being placed.

Just in time management will reduce storage costs for a business as fewer or zero stocks are being held.

A firm is able to benefit from minimum wastage as a result of just in time management. The response time to changes in demand will be faster.

As a result, smaller stores such as Tesco express can benefit from lower costs and increased profits.

However, if a firm uses just in time management, the reputation of stores such as Tesco express will be in the hands of the supplier.

If suppliers fail to provide goods when they are needed, the lead time gap will be smaller hence Tesco express may not be able to satisfy customer requirements. This will lead to poor customer satisfaction hence the ~~brand~~ brand image of tes productivity will be affected along with the brand image of Tesco.



**ResultsPlus**  
Examiner Comments

Although there is mention of Tesco Express in this answer it could so easily be substituted with the name of any other firm wishing to employ JIT. The context is missing; the candidate does not bring enough application to the content of the answer. Points are argued well, hence the mark of 5, but not well enough to get to a mark of 7 or 8.

## Question 12 (a)

The mark scheme is clear on this question of cash. Whilst marks for context can be awarded, a mark of 4 should only be given to candidates who emphasise the day-to-day nature which makes cash so important. This may be implied at times and may be hidden at others, amongst the idea of retained cash/cash reserves (i.e. past profits), but we were looking for candidates to realise that cash is the lifeblood of any business.

\*12 Assess how important each of the following is to Tesco's continuing success:

(a) cash

~~wages~~  
~~payments~~  
~~development~~

(7)

Cash would be important for Tesco's future success as without cash, the business would have no working capital and then would not be able to pay for the expenses of the everyday functions which the business carries out.

Cash would allow the business to pay for any payments outstanding, fixed or variable costs as well as buy more stock for the stores.

The business wouldn't be able to survive and may go into liquidation without cash in the business so it is one of the most important factors of its continuing success of Tesco as a business.



**ResultsPlus**  
Examiner Comments

This response is typical of so many. It readily identifies the need for cash to pay for everyday expenses and is rewarded for the analytical aspects of this. Where it doesn't press on is to say that for Tesco, the relative importance of cash is slightly diminished when the firm has such large reserves. A counter argument giving balance is missing.

## Question 12 (b)

Most candidates understood the importance of profit as a source of finance for future investment or expansion. Few realised its importance to shareholders, and those who tried to argue that its importance was not paramount often got lost by writing about credit card transactions and a delay in receiving profit. Finance is a difficult area for young students to grasp so it perhaps not surprising that many fail to do so.

(b) profit.

(7)

Without profit Tesco cannot pay their shareholders. Profit is total revenue minus total cost. Without profit they cannot expand or increase the quality of their products. Without profit they cannot exist in the market. They will ~~not~~ shut down but to gain that profit they need that consumer loyalty and recognition they should be unique and have a unique selling point making them different from other chains like Morrisons, Waitrose, and Marks and Spencer. Without profit Tesco will not be where its standing now. When sales fell by 2.3%. Share price fell by 16% in one day. So profit is very important for Tesco or any other firm as that is one of the main objectives for a firm to survive in a market.



**ResultsPlus**  
Examiner Comments

This candidate shows a sound understanding of the importance of profit and is rewarded by a mark of 4. What the answer lacks is any balance which might suggest that a year with low profit or no profit is not a total disaster as long as the reasons are identified and policies are put into effect to remedy this.

(b) profit.

(7)

Profit is Total revenue - Total costs. In 2011 Tesco made a profit of £3.8bn.

Profit is very important to Tesco's continuing success because profit provides an incentive for Tesco to keep on improving & reducing costs by becoming more efficient. Thus as Tesco gain more efficiency their profits increase & they become more successful.

However, profit is not as important as Tesco having a well managed working capital, because if Tesco run into trouble, such as a natural disaster destroying a percentage of their supply, they will need enough working capital to stay in business.

Profit is very important also because they have a direct effect on their share prices. For example Tesco's share prices fell 16% in one day after a fall in profits. Ideally Tesco would like for their share prices to remain high & be seen as a successful business.



**ResultsPlus**  
Examiner Comments

This candidate touches on the need for well managed working capital as an alternative focus for Tesco other than profit. The example given is not the strongest; but there is enough here to take the mark into level 4. A score of 5 (out of 7) is recorded.

## Paper Summary

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

- In section A never dismiss a distractor with the comment 'this has nothing to do with'. If an incorrect option is on the paper it can only gain a mark for discrediting it with a proper reason.
- Section A questions have a context. Please refer to it in your answers or you may not gain the application mark that most questions reward.
- In section B make good use of the evidence provided. This year the article on Tesco was full of pointers that could have been used in answering questions.
- In section B, questions 10 - 12 always have marks for evaluation. If you do not provide a balanced answer you will not access these marks. 'On the other hand' and 'however' are good ways to start to achieve such balance.
- It may be self-evident, but if an answer cannot be read then unfortunately no marks can be awarded.

## 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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