



Examiners' Report

January 2011

GCE Economics and Business 6EB01 01



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Introduction

The mean has increased from last year. As with candidate performance in previous series, 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. On the whole, candidates' performance on this paper showed a solid grasp of business / economics concepts and theory together with a sound understanding of business behaviour.

Section A

A surprising number of candidates still fail to guess answers to part a). Like in previous papers, the ability of candidates to gain the three explanation/working out marks proved good discriminators, particularly for questions 2, 3, 5 and 8, which required candidates to explicitly apply their knowledge, analyse and/or evaluate.

Answers:

- 1 - D
- 2 - C
- 3 - B
- 4 - B
- 5 - C
- 6 - D
- 7 - A
- 8 - C

Section B

The Ready for Rieve 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', Examiners Reports and Ask The Expert, it is clear that candidates were generally well prepared for the topics which featured, for example, market research, sources and methods of finance. As with previous papers, a few 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. As with the summer of 2010, examiners did not find this to be a significant number of candidates.

Question 1

Most candidates answered this question correctly, though some explanations in part b) often lacked development with respect to the chocolate confectionery market. Candidates were able to gain a knowledge mark in part b) for a definition of segmentation, often citing examples of how to classify consumers such as by gender, age, income. Better answers tied their response to the 'distinct types of product to meet varied preferences of consumer types' e.g. Milky Bars for children, boxes of chocolates for women.

- 1 (a) The chocolate confectionery market in the United Kingdom (UK) is highly segmented.

In a segmented market there will **always** be

(1)

- A many rival producers and fierce competition
- B small differences in sales levels between regions
- C higher sales revenues from younger consumers
- D distinct types of products to meet varied preferences of consumer types

Answer

D

- (b) Explain your answer.

(3)

Each segment is specific to meet to each type of customers need. A Segmented market is when in this case chocolate is in different segment to meet appeal to a specific target audience - for example Flake is aimed more at girls whereas Yorkie is aimed more at boys. The answer can not be A because this means there is less competition as each segment is aiming at a different type of customer.

(Total for Question 1 = 4 marks)



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Examiner Comments

Candidate achieved full Marks

- 1 (a) The chocolate confectionery market in the United Kingdom (UK) is highly segmented.

In a segmented market there will **always** be

(1)

- A many rival producers and fierce competition
- B small differences in sales levels between regions
- C higher sales revenues from younger consumers
- D distinct types of products to meet varied preferences of consumer types

Answer

D

- (b) Explain your answer.

(3)

This is because market segments define a particular kind of consumer depending on external factors such as consumer needs or dietary requirements. Therefore a chocolate confectionery market is highly segmented as the dietary requirements of one consumer may be no milk due to allergies or another with caramel concluding to different segments.



ResultsPlus

Examiner Comments

Candidate achieved full marks

- 1 (a) The chocolate confectionery market in the United Kingdom (UK) is highly segmented.

In a segmented market there will **always** be

(1)

- A many rival producers and fierce competition
- B small differences in sales levels between regions
- C higher sales revenues from younger consumers
- D distinct types of products to meet varied preferences of consumer types

Answer



- (b) Explain your answer.

(3)

because a segmented market is a market that
has been broken down into smaller markets to
sell distinct products to chosen consumer markets.
It is not A because less companies are
in segmented markets so there will be
less competition.



ResultsPlus

Examiner Comments

Candidate achieved 2 marks out of 4

Question 2

Candidates generally struggled with this question. The key was in the highlighted word in the question necessarily. If operating profits increased in 2008-9 then only C could be, without question, correct. There was no further evidence in the stem to support the idea that total revenues had risen (A), that costs would have fallen (B) or that prices rose (D).

Most candidates gained their first mark in part b by defining operating profits and then going on to explain why C was correct and then explain one of the distracters, usually arguing that D would not necessarily be correct as higher prices may not guarantee higher revenues as some football fans may be put off attending/find it too expensive.

- 2 (a) In the financial year 2008–2009, Liverpool Football Club announced a rise in operating profits to £8.5 million.

This information **necessarily** means that Liverpool FC's

(1)

- A total revenues must have risen substantially in 2008–2009
- B operating costs must have fallen substantially during 2008–2009
- C surplus of revenue over costs increased in 2008–2009
- D prices rose substantially in 2008–2009

Answer

C

- (b) Explain your answer.

(3)

profit is calculated by revenue - costs so if the surplus ~~over~~ of revenue over cost increase it suggests an increase in profit. A is relevant because if revenue goes up then the business has more cash coming in but the costs could also rise. D is the least relevant because if price is there is likely to be a decrease in demand



ResultsPlus

Examiner Comments

Candidate achieved full marks

Question 3

This proved to be a good discriminator question, which enabled better candidates to demonstrate effective analysis and evaluation. Most candidates scored well in part b by first defining exchange rates then explaining that a strong euro would mean that UK exports would become effectively cheaper. Many candidates helped their thinking by noting the acronym SPICED:

Strong Pound = Imports Cheap, Exports Dear

This useful exam technique clearly helped support analysis.

Most candidates chose to explain distracter A arguing that British tourists would effectively get less holiday money (euros) for their £ sterling making it more expensive to holiday in France and Spain.

3 (a) The value of the £ (pound sterling) fell against the euro in late 2008 and 2009.

This change would have **most likely** benefited British

(1)

- A tourists holidaying in France and Spain
- B exporters who sold their products in countries using the euro
- C consumers, because overall the inflation rate fell as a result
- D importers, because they were able to improve their profit margins

Answer



(b) Explain your answer.

(3)

Because it would mean that it would be cheaper for exporters to sell their goods to Europe because the prices will have fallen. It is not A, D or C because the £ to the euro would be ~~more~~ less and would mean you get less for your money making holidays and imports more expensive.



ResultsPlus

Examiner Comments

Candidate achieved full marks

- 3 (a) The value of the £ (pound sterling) fell against the euro in late 2008 and 2009.

This change would have **most likely** benefited British

(1)

- A tourists holidaying in France and Spain
- B exporters who sold their products in countries using the euro
- C consumers, because overall the inflation rate fell as a result
- D importers, because they were able to improve their profit margins

Answer

B

- (b) Explain your answer. Exchange rate is one currency expressed in the form of another. (3)

As the pound (£) gets weaker, it cannot purchase as much from countries dealing in Euros. Therefore those countries could purchase from the UK for better value. Exporters would see a rise in business. Importers would find it a loss in profits as costs of foreign goods are higher. Tourists are also not able to get as ~~much~~ ^{many} euros for the same amount of sterling.

(Total for Question 3 = 4 marks)



ResultsPlus

Examiner Comments

A perfect answer showing knowledge, development and an ability to explain the distractor

Question 4

On the whole, this question was tackled easily by candidates. Most were able to recognise that leasing would reduce start-up costs as machinery would not need to be purchased outright but rather rented by instalments. However, explaining a distracter became more of a problem for candidates as many simply said 'it would not affect quality' for example (D) without explaining why, i.e. it might actually be the same machine!

- 4 (a) Sebastian Bertollini, the owner of a new clothing manufacturing company based in the town of Biella in Italy, chose to lease a machine rather than buy it.

As a result of this decision, Sebastian will benefit from

(1)

- A more sales revenue
- B lower start-up costs
- C lower labour costs
- D better quality output

Answer

B

- (b) Explain your answer.

(3)

A start-up cost is ^a cost a business has to pay before they can open their doors for trading, i.e. machinery, decorating. If you lease a machine you only have to pay a bit each month whereas if you bought it you would have to pay a lump-sum at the start. Leasing lowers start-up costs. Sebastian won't benefit from better quality output as he is leasing the same machine, just not buying it. But the machine is the same and will have the same quality output.

(Total for Question 4 = 4 marks)



ResultsPlus

Examiner Comments

Candidate achieved full marks for this answer

- 4 (a) Sebastian Bertollini, the owner of a new clothing manufacturing company based in the town of Biella in Italy, chose to lease a machine rather than buy it.

As a result of this decision, Sebastian will benefit from

(1)

- A more sales revenue ✗
- B lower start-up costs
- C lower labour costs ✗
- D better quality output ✗

Answer

B

- (b) Explain your answer.

(3)

By leasing ~~the~~ machinery this reduces ^{huge} payment that has to be made. Cost of machinery are high so the company may buy machinery when it has become established & has substantial amount of profit that can be used to buy the machinery. Small businesses lease machinery as it avoids adding to ~~cost~~ initial cost.



ResultsPlus

Examiner Comments

This candidate achieved 3 out of 4 marks for this answer

Question 5

A surprising number of candidates think that product positioning is to do with business location. This was a question about market mapping. If candidates used the phrase market mapping in part b they scored 1 mark, then usually gained further marks by applying the statement to Ella's Kitchen.

- 5 (a) In 2004, Paul Lindley set up a children's healthy drinks and snacks company known as Ella's Kitchen. Paul spent the first 18 months developing and positioning his product.

Which **one** of the following would Paul have been **most likely** to use when positioning Ella's Kitchen products?

(1)

- A ~~Transport cost information~~
- B Cash-flow forecasting
- C A knowledge of competitors' products
- D ~~Business development grants from the local council~~

Answer

C

- (b) Explain your answer.

(3)

Paul would have had to know the market of competitors and what he needed to be better than before he could complete the designing of his products. If he didn't know what he was selling yet, he could not complete a cash flow forecast. Transport cost would have been taken into account in the cash flow forecast. Business development grants are a way of funding, nothing to do with market positioning.

(Total for Question 5 = 4 marks)



ResultsPlus

Examiner Comments

Candidate achieved 3 out of 4 marks

- 5 (a) In 2004, Paul Lindley set up a children's healthy drinks and snacks company known as Ella's Kitchen. Paul spent the first 18 months developing and positioning his product.

Which **one** of the following would Paul have been **most likely** to use when positioning Ella's Kitchen products?

(1)

- A Transport cost information
- B Cash-flow forecasting
- C A knowledge of competitors' products
- D Business development grants from the local council

Answer

C

- (b) Explain your answer.

(3)

Market positioning is another term used for describing market mapping. It's when you set out the different aspects of your market on a grid to see whether it will fit different target markets. 'C' is correct because this shows an ~~ex~~ example of how the other business's products are ~~at~~ out positioned in the market. 'B' is correct because cash flow forecasting is when a business calculates how much capital is entering in and out ~~of~~ over a period of time, this does not relate to Paul's business

(Total for Question 5 = 4 marks)



ResultsPlus

Examiner Comments

Candidate achieved full marks for this answer

Question 6

A question answered reasonably well by candidates, with many recognising that sample sizes do not always increase with size of the population because it may depend on the budget of the researcher, the time constraints, etc. Better candidates argued that the Consumers' Association may indeed have a limited budget so would not increase sample size with population. Candidates often found it a challenge to explain a distracter.

6 (a) The Consumers' Association makes extensive use of sampling.

Which **one** of the following statements about sampling is **incorrect**?

(1)

- A Samples that are too large may waste time
- B Samples that are too small may lead to inaccurate results
- C Sample methods are determined by the researcher
- D Sample sizes always increase with the size of the population

Answer

D

(b) Explain your answer.

(3)

Sampling is when businesses ask the public either questionnaires or surveys. There are 3 different sampling methods; Random, stratified and Quota. 'D' is incorrect because sample sizes do not increase with the size of population, instead it depends on how many people the business want to question. If the sample size is too small it could lead to inaccurate results because not that many people were questioned.

(Total for Question 6 = 4 marks)



ResultsPlus

Examiner Comments

Candidate achieved 3 out of a possible 4 marks for this answer

6 (a) The Consumers' Association makes extensive use of sampling.

Which **one** of the following statements about sampling is **incorrect**?

(1)

- A Samples that are too large may waste time ✓ x
- B Samples that are too small may lead to inaccurate results ✓
- C Sample methods are determined by the researcher ✓
- D Sample sizes always increase with the size of the population*

Answer

D

(b) Explain your answer.

(3)

Sampling is useful to an entrepreneur as they can find out what consumers want and find out the possible demand for their product. The answer cannot be C as it is definitely correct. The researcher needs to decide before they start whether the sampling method will be random or quota for example. The answer must be

(Total for Question 6 = 4 marks)

D as sample sizes don't increase with the size of the population as if you chose to do a quota sample, the researcher would choose how many people they wanted to ask before they started, eg. 100 females.



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Examiner Comments

Candidate scored 3 out of 4 possible marks for this answer

Question 7

Although the majority of the candidates chose the correct option in part a (A), the quality of responses in part b was varied with many describing what is meant by break even and then describing using data how they had reached the answer of 25 sheds. The more expedient candidates gained 3 marks for part b by simply giving the formula:

Break even = $\frac{\text{Fixed costs}}{\text{Contribution}}$ (1 mark)

Then inserting the data:

Break even = $\frac{1000}{200-160}$ (2 marks)

- 7 (a) Sandwell Sheds Ltd has fixed costs of £1000 per month and it sells sheds at an average price of £200. Average variable costs per shed are £160.

What is Sandwell Sheds Ltd's break-even level of output per month?

(1)

- A 25 sheds
- B 50 sheds
- C 250 sheds
- D 800 sheds

Answer

A

$$be = \frac{\text{Fixed}}{\text{selling} - \text{variable}}$$

$$be = \frac{1000}{200 - 160}$$

$$400 = 1000$$

- (b) Explain your answer.

(3)

Break-even level of output is the point where the company is not making a profit or a loss. In this case, the level of output is 25 sheds as break-even output = $\frac{\text{Fixed costs}}{\text{Selling Price} - \text{Variable Price}}$

$$\text{so, be} = \frac{1000}{200-160} = \frac{1000}{40} = 25 \text{ sheds}$$

For answer B to be correct it would need to have
 Fixed costs of £2000.
 (Total for Question 7 = 4 marks)


ResultsPlus

Examiner Comments

Candidate has achieved full marks for this answer

- 7 (a) Sandwell Sheds Ltd has fixed costs of £1000 per month and it sells sheds at an average price of £200. Average variable costs per shed are £160.

What is Sandwell Sheds Ltd's break-even level of output per month?

(1)

- A 25 sheds
- B 50 sheds
- C 250 sheds
- D 800 sheds

Answer

A

(b) Explain your answer.

(3)

$$\begin{aligned} \text{Break Even output} &= \frac{\text{Fixed Costs}}{\text{Contribution per unit}} \\ \text{Contribution per unit} &= \text{selling price} - \text{variable costs} \\ &= 200 - 160 \\ &= 40 \end{aligned}$$

$$\begin{aligned} \text{Break even output} &= \frac{\text{fixed costs}}{\text{Contribution per unit}} = \frac{1000}{40} \\ &= 25 \text{ sheds} \end{aligned}$$


ResultsPlus

Examiner Comments

Candidate has achieved full marks for this answer

Question 8

This was a very effective discriminator of a question. The wording of the question - quite purposely - clearly caused a problem for a number of candidates who had to think about A to D increasing causing a decrease in the price of consoles. The more effective responses came from candidates who explained that an increase in the supply of components will tend to reduce costs for the manufacturer of consoles. Expedient candidates used a supply and demand diagram to illustrate the effect of lower costs of production on supply and how price and output would be affected.

- 8 (a) Prices in the computer games console market are affected by both supply and demand factors.

An increase in which **one** of the following is **most likely** to lead to a **decrease** in the price of computer games consoles?

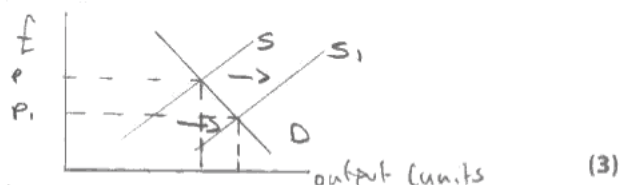
(1)

- A The salaries of console designers
- B The rate of sales tax
- C The supply of components for manufacturing consoles
- D Promotional costs of computer games console retailers

Answer

C

- (b) Explain your answer.



(3)

Assuming demand is constant, the supply of components increasing means more consoles can be made. This leads to a lower price. A rise in promotional costs will mean retailers will have to charge more for the consoles to breakeven.



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Examiner Comments

Candidate has achieved full marks for this answer

- 8 (a) Prices in the computer games console market are affected by both supply and demand factors.

An increase in which **one** of the following is **most likely** to lead to a **decrease** in the price of computer games consoles?

(1)

- ☒ A The salaries of console designers
 B The rate of sales tax
 C The supply of components for manufacturing consoles ☒
 D Promotional costs of computer games console retailers



Answer

C

- (b) Explain your answer.

(3)

If the supply of components for manufacturing consoles increase, this would lower the price of a said components which would then lower the costs of computer game consoles for consumers.



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Examiner Comments

Candidate has achieved 2 marks out of a possible 4.

Question 9

This was answered very well. Students applied their responses clearly to the context by referring to Rieve. In most cases marks of 5 or 6 were awarded, given that most candidates were able to distinguish well between primary and secondary sources and methods of research and explain how Marie might use them, e.g. access websites to gain knowledge of competitors prices or product range or use questionnaires to find out about consumer buying habits.

Evidence B

Socio-economic data for Brighton, August 2009.

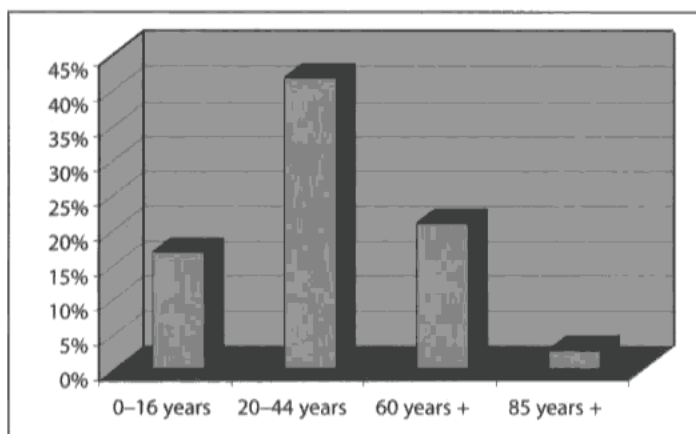
Unemployment 4% (UK 6%)

House Price average £234,000 (UK £183,000)

Brighton Population

Selected Age Profile

Sample Size 250,000



- 9 Explain how Marie could have made effective use of **both** primary and secondary market research methods to support her business start-up.

Primary research is research that has been collected from the owner of the business or someone working for that business. Marie could have made effective use of this by doing a questionnaire to find out what her target audience ~~wants~~ wants. Secondary research is research that has been collected by someone outside the business. Marie could have made effective use of this by maybe finding studies done ~~some~~ sales.



ResultsPlus

Examiner Comments

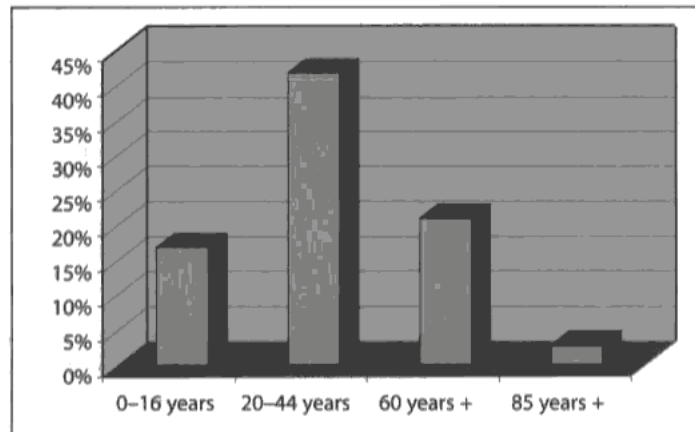
Candidate has achieved 4 out of 6 possible marks for this answer

Evidence BSocio-economic data for Brighton, August 2009.

Unemployment 4% (UK 6%)

House Price average £234,000 (UK £183,000)

Brighton Population
Selected Age Profile
Sample Size 250,000



- 9 Explain how Marie could have made effective use of **both** primary and secondary market research methods to support her business start-up.

Primary research is first hand collected from questionnaires and face to face market research, Marie could have used this approach to enable her to find out exactly what consumers were looking for, therefore she could have made a market orientated approach to her shoe business, providing for exactly what a customer wants. Furthermore secondary research has already been collected previously for the use of many businesses (usually statistics) when house prices rise people feel they've become richer and have a more optimistic approach when buying, they'll be more likely to buy at this time and

Marie could use secondary research to find a suitable time when customers

(Total for Question 9 = 6 marks)



ResultsPlus

Examiner Comments

Candidate has achieved full marks for this answer

Question 10

This turned out to be quite a discriminator because a 100% average gross profit margin means that cost of sales would in fact need to be £0. This would not be the case let alone sustainable. Better candidates actually recognised this. Most candidates scored 2 marks by suggesting that because profits stem from sales, if the sales of shoes increase then profits should increase.

10 Explain the relationship between Rieve's sales revenue and its gross profit margin on footwear.

The sales revenue is made from the sale of assets and to calculate the gross profit = Sales Revenue - Variable Costs, this will determine how much overall profit she has made, with the figure of 100% for the gross profit margin suggest she has had little expenses so the gross profit is high and the business is doing extremely well with it as a new business. This could be due to the market research and the ability to meet demands of the footwear sector of the market.



ResultsPlus

Examiner Comments

Candidate achieved 2 out of 4 marks for this answer

10 Explain the relationship between Rieve's sales revenue and its gross profit margin on footwear.

$$GPM = \frac{\text{Gross Profit}}{\text{Revenue}} \times 100$$

As Marie's Gross profit margin, where gross profit is the amount of profit before the cost/overheads are deducted, and is where her gross profit must equal her revenue as it needs to equal 1 to give her a GPM of 100. This means that her profits before her overheads equal the money she makes so she has to keep her prices high to maintain such a high GPM as the higher prices show the amount she's making equal her turnover.

(Total for Question 10 = 4 marks)



ResultsPlus

Examiner Comments

Candidate achieved full marks for this answer

Question 11

This question was generally answered well by most candidates though a significant number are still failing to develop their answers in context, e.g. the bank may have been a better source of finance because as an ex-employee of HSBC bank, Marie may have been given better terms such as a lower rate of interest. Many candidates recognised that borrowing from family may impose an external constraint on how the monies are used, i.e. that Marie may be less likely to take risks if she were to use say the funds of her son-in-law Lee for fear of defaulting so affecting relationships.

11 Marie could have approached members of her own family for the £50,000 start-up capital, but chose not to do so. Evaluate Marie's decision.

Capital is where you get money to start-up your business which will get paid off as profits are made

A positive to not asking family members is that there will be no tension caused in the family if loans ^{aren't} paid back in time. If for any reason Marie couldn't pay back in the agreed time, family members may start to pressure her and possibly lose trust in her which would be bad in the long term.

However, ~~she~~ not asking meant she had to apply for it from an external body. This means she ~~will~~ have to pay it back in a certain amount of time and possibly with big interest rates. ^{As she is a} ~~if she does~~ sole trader she has unlimited liability and could lose much more than just trust in the family.

± no tension in family
= had to look for a loan-interest

I think Marie made the right ^{decision} ~~decs~~ as she didn't know if she was going to do well and owing family money could have resulted in loss of contact by her family. However if she had to make the decision now asking family members would have been right as she is making big profits from it

(Total for Question 11 = 8 marks)



ResultsPlus

Examiner Comments

Candidate achieved 7 out a possible 8 marks

11 Marie could have approached members of her own family for the £50,000 start-up capital, but chose not to do so. Evaluate Marie's decision.

Family and friends can sometimes be used as sources of finance.
~~the~~ Marie ^{maybe} didn't use this source for a few reasons.
If she didn't ~~the~~ want to be in debt to someone she knew that would always be harassing her. If the business ~~that~~ didn't go as planned then it would be her fault her family was out of money and didn't want the responsibility. She could have been in a bad mind set if it was ~~say~~ her husband's money and wouldn't take the risks needed to be an entrepreneur. By sticking with the bank she now has to pay back the money with a high ~~the~~ interest rate. However she had the advantage of being a bank veteran so she could guarantee more money from the bank. If her family didn't have £50,000 she would need a loan anyway.

**ResultsPlus**

Examiner Comments

Candidate achieved 7 out of 8 marks for this answer

Question 12

Several answers showed that there was a misunderstanding of how technology and the actions of the UK Government might affect the supply of shoes. A significant number of candidates were able to state that new machinery or use of CAD/CAM might increase output and possibly reduce average costs but then they went on to describe demand theory stating that lower prices would increase customer sales which was not the focus of the question. Evaluation was rarely seen despite opportunities, e.g. the UK government may increase corporation tax which may reduce supplies of shoes because it will add to costs. However the government may choose to subsidise manufacturing companies in the UK which will effectively reduce costs of production and so may lead to an increase in profitability of companies like Clarks.

12 Assess the likely impact of the following **two** factors on the supply of shoes in the UK:

(a) changes in technology

(4)

Changes in technology means that shoes can sell at larger markets ^{due} thanks to the internet, which allows sales over larger countries and to compete help make markets to like better shoe business compete and the big business as like the long tail theory suggest. Technology may also bring the demand of shoes to be greater meaning that frequency of product has increased and can sell more and attract a new customer base, higher consumer demand. Along with technology, new machines in factories may be more available, meaning less labour needed and less skilled workers meaning more less unitary costs and help achieve profit maximisation.

(b) actions of the UK government.

(4)

If the UK government were to change the fiscal policy and the shoe company may see an increase in grants and more financial support and as offering to train more workers which means more skilled workers to pay shoe firms. With increased fiscal policy, spend factor may go down meaning profit easier to achieve. The monetary policy ^{may} rate

new set introduced which would allow lower interest rates which would again help ~~to~~ maximise profits, and if the pound exchange rate strengthen exports would become cheaper ~~and~~ which would mean profit been made from outsourcing ~~and~~ from raw materials. Also ~~the opportunity of opening her shop~~

(Total for Question 12 = 8 marks)



ResultsPlus

Examiner Comments

Candidate achieved 2 out of 4 marks for each part of their answer

12 Assess the likely impact of the following **two** factors on the supply of shoes in the UK:

(a) changes in technology

(4)

This would increase supply as technology develops to make things easier. For example machines to cut out the soles of shoes would increase output as it would be faster, decrease labour costs and wages. This decreases the cost of supplying them. If the prices decrease if all companies increased their supply, there would be too much supply and not enough demand, and prices would go down.

(b) actions of the UK government.

(4)

If the government were to put taxes up people would have less disposable income and demand would go down, therefore supply would have to decrease, along with price.

If the government were to put a tax on e.g. leather, the cost of making shoes would increase, therefore supply would decrease.

If they put VAT down, people would have more money to spend on shoes, demand would go up, and so would supply.

(Total for Question 12 = 8 marks)



ResultsPlus
Examiner Comments

Candidate achieved 3 out of 4 marks for each part of their answer

Question 13

Many candidates were able to argue why Marie should set up another shoe store in Brighton, drawing upon the data in both Evidence A and more often Evidence B, for example recognising that lower than UK average unemployment may mean higher levels of disposable incomes in Brighton which could mean greater demand for relatively expensive branded footwear like Converse. Fewer candidates explained why having a shop in Brighton may not be such a good idea, e.g. that it was probably a premature move for Rieve given that Marie and her husband have only been trading for less than two years and so may not have the investment capital or that they may not understand the market in Brighton like they do Lichfield, particularly as it is a seaside resort which might suffer from a lack of sales in the winter months.

*13 Evaluate the case for Marie setting up a new shop in Brighton.

(12)

Evidence B shows the solo-economic data for Brighton in August 2009.

The Evidence shows that it must be quite a wealthy area with the prices of houses \$51,000 higher than the average. This would support the ~~the~~ higher priced designer brands which she sells.

There ~~are~~ is also ~~about~~ 45% of people living there are between the ages of 20-44. This supports her main customer age bracket of between 30-50 year old women who currently buy her products.

Only 11% of the people living in Brighton are unemployed compared with the UK average of 6%. This would be good for Marie because it means more people are taking in an income which they may spend on new shoes.

I think it would be a good idea for Marie to start her new store.

**ResultsPlus**

Examiner Comments

Candidate achieved 6 out of 12 marks for this answer

*13 Evaluate the case for Marie setting up a new shop in Brighton.

(12)

Marie's business, Rieie, which is currently set up in Letchford in a fairly wealthy area means her current business plan of higher quality brands than on the high streets is effective. If she chose to set up in Brighton, an area where house prices are 27% higher than the UK average, and unemployment is 2% lower than the rest of the UK, this shows the area in Brighton she has chosen fits her consumer profile, being higher income career women. Furthermore, as her target market is generally older women, 30-50, the 250,000 Brighton sample shows 40% of the population are over age, meaning the area is perfect for her target market, who she is currently shoes at. However, figures for her current location, Letchford, such as age distribution, house prices and unemployment are not given, meaning these figures could be a lot higher than Brighton, hence the high demand for her shoes in Letchford, putting the case of Brighton at risk.

Furthermore, financially, Marie may struggle to obtain a loan for her new ^{shop} premises in Brighton, due to her outstanding £50,000 loan with HSBC, as banks may be reluctant to give more money, although her family may offer financial support again. This does put huge risk on the business and both shops, such as the possible loss if Marie extended Rieie to Brighton and it failed. More of Marie's own primary research would be needed in Brighton to evaluate how feasible this move could be.

compared with the data at her kiosk shop. This may be
an ideal way to assess this, but if Marie can get knowledge for
the expansion, I believe she should

Total for Question 13 = 12 marks)

~~she should~~ go ahead with the move,
based on the data provided.

TOTAL FOR SECTION B: 38 MARKS

TOTAL FOR PAPER: 70 MARKS



ResultsPlus

Examiner Comments

Candidate achieved full marks

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