

Mark Scheme (Results)

June 2011

GCE Business Studies/Economics &
Business
(6BS01/6EB01) Paper 01

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Question Number	Answer	Marks
1 (a)	C	1
1 (b)	<ul style="list-style-type: none"> - Break-even is the level of output where total costs = total revenue/BE = FC/Contribution (1 mark) - Fixed costs are costs that do not vary with output (1 mark) - Average variable costs are total variable costs divided by output - BE = 400/100 (600-500) 1 mark for the numerator (400), 1 mark for the denominator (100) or 600-500 (2 marks) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	3

Question Number	Answer	Marks
2(a)	A	1
2(b)	<ul style="list-style-type: none"> - Supply is the amount a producer is willing to produce or provide at a given price (1 mark) - Use of technology usually increases the quantity or quality of a product by the producer (1 mark) - For example in this case hothouses could be used to increase the number of tomatoes grown in the UK (1 mark) - Technology can be used to increase agricultural yield, e.g. GM Foods (1 mark) - FTP, Incomes and prices of substitutes directly affect consumer behaviour and are therefore are demand factors <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	3

Question Number	Answer	Marks
3(a)	D	1
3(b)	<ul style="list-style-type: none"> - Niche markets are small markets with distinctive specialist requirements (1 mark) - Therefore there will be fewer consumers (1 mark) - Prices tend to be high because the products being sold are either specialist or distinctive quality (1 mark) <p>Any acceptable answer which shows selective</p>	3 marks

	<p>knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	
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Question Number	Answer	Marks
4(a)	C	1
4(b)	<ul style="list-style-type: none"> - Unemployment is a measure of the number of people out of work (1 mark) - Unemployment can cause incomes to fall (1 mark) - Because people lose wages/salaries and receive benefits (1 mark) - Which will reduce their ability to spend on luxury products (1 mark) - Unemployment increases the 'reserve army' of workers and so makes recruitment of staff easier (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	3

Question Number	Answer	Marks
5(a)	B	1
5(b)	<ul style="list-style-type: none"> - Opportunity costs involve a trade-off; alternatives are chosen between (1 mark) - If the person sets up in business they are most unlikely to be employed by someone as well so one is sacrificed (1 mark) - An entrepreneur is someone who takes risks (1 mark) - Paying tax on operating profits is compulsory for businesses and not an alternative option (1 mark) - The other options have alternatives, e.g. buying rather than renting premises, advertising the Yellow Pages, seeking extra finance via a venture capitalist (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	3

Question Number	Answer	Marks
6(a)	B	1
6(b)	<ul style="list-style-type: none"> - Demand is amount of the product or service a consumer is prepared to buy at a given price (1 mark) - Cars and petrol are complementary goods (1 mark) - Therefore if the price of the cars decrease, this will effectively increase the demand for petrol (1 mark) - Any of the other factors would lead to a decrease in supply of petrol which would actually decrease the price of petrol (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	3

Question Number	Answer	Marks
7(a)	A	1
7(b)	<ul style="list-style-type: none"> - Competitive advantage is a unique factor which gives a business an edge over its rivals (1 mark) - Which is usually gained through innovation, reputation and relationships (1 mark) - NMW wage rates to staff would not necessarily be unique to Wagamama as they could also be paid by other businesses in London (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	3

Question Number	Answer	Marks
8(a)	A	1
8(b)	<ul style="list-style-type: none"> - Business plans are documents which set out a proposal for setting up a new or developing an existing business (1 mark) - They are not a legal requirement but are a choice and strongly recommended as they are usually prepared to raise capital or secure relationships with suppliers (1 mark) - Answers B, C and D are all correct, for example C is correct because estimates used in planning are unlikely to prove completely accurate and so it is best to modify the plan once actual data is available 	3

	<p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	
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Question Number	Question	Marks
9	Explain two ways changes in interest rates might affect Peter's business.	(6 marks)
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks are available, e.g. for describing what is meant by interest rates - the price of money paid to lenders, paid by borrowers</p> <p>Application: up to 2 marks are available for relating the above to CCC, e.g. if Peter has an overdraft which he used to buy supplies of car paint then it would cost more to finance</p> <p>Analysis: up to 2 marks are available for expanding on the above, e.g. this might increase costs for CCC and so lead to a reduction in profitability or alternatively as an established business Peter may have access to substantial trade credit which would therefore be cheaper to finance. Allow analysis of impact on consumer demand.</p> <p>Both ways needed for full marks (max 3 marks for one way)</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	Marks
10	Analyse one reason why Peter's resilience might be important to the long term success of Complete Car Cosmetics.	(4 marks)
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 1, Analysis 1</p> <p>Knowledge: up to 2 marks for defining resilience and/or long term success, e.g. not giving up in the face of adversity or stating that is an entrepreneur characteristic /surviving over a number of years</p> <p>Application: 1 mark for applying in context, e.g. during a recession demand for Peter's services may fall</p> <p>Analysis: 1 mark is available for expanding on the above, e.g. by stating that a fall in demand may reduce Peter's income so he will need to tolerate this until the economy recovers</p>	<p>1-2</p> <p>1</p> <p>1</p>

Question Number	Question	Marks	
11	Discuss the likely value of Peter conducting product trials when he first set up his business.	(8 marks)	
Level	Mark	Descriptor	Example
1	1-2	Knowledge/understanding must be present	definition of product trials – e.g. selling his services in a confined area to gauge demand and then modifying based on feedback
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. to develop new ways of cleaning, polishing or valeting cars

			then asking customers for their comments re quality/price
3	5-6	Analysis must be present i.e. the candidate will identify a reason for using product trials 5 marks not in context 6 marks in context	e.g. it can avoid the need to pay unnecessary costs for cleaning materials or it could avoid Peter losing customers
4	7	Evaluation must be present though context may be limited or vague, i.e. the candidate must present arguments for and against the use of product trials	e.g. the service he is offering is not really appropriate for product trials given the risks involved – BMW and Audi cars are not cheap!
	8	Evaluation must be present and clearly contextualised ,	e.g. Peter is working on cars which are expensive (Audis, BMWs) and so the owners are not likely to be keen to have their car part of a product trial!

Question Number	Question		Marks
12	Evaluate the usefulness of cash-flow forecasting to Peter.		(8 marks)
Level	Mark	Descriptor	Example
1	1-2	Knowledge/understanding must be present 1 mark cash-flow 2 marks cash-flow forecast	e.g. cash-flow forecasting is a projection of money coming into the business and payments going out/it is a prediction of liquidity
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. a prediction of receipts from services such as replacing alloy wheels against payments for such things as paint
3	5-6	Analysis must be present, i.e. in this case the candidate must identify and explain the benefits of CFF 5 marks not in context 6 marks in context	e.g. it should enable Peter to maintain CCC's liquidity because he will know when he is expected to pay out costs such as the road tax on his van and if it can be paid for from receipts from customers who have had their cars fixed
4	7	Evaluation must be present though context may be limited or vague, i.e. the candidate must present arguments for and against the usefulness of CFF to Peter	e.g. whilst CFF can help the business to improve its liquidity it doesn't guarantee it as an external influence which may affect receipts or payments, e.g. an increase in his van insurance which was not predicted may occur causing liquidity to suffer.
	8	Evaluation must be present and	e.g. Peter is working on cars which

		<u>clearly contextualised,</u>	are a luxury product; receipts and costs in relation to his business can be volatile, e.g. the demand for valeting suffers in warmer weather when people prefer to clean their own cars and in the UK the weather is unpredictable!
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Question Number	Question		Marks
13	Recommend whether or not it would be appropriate for Complete Car Cosmetics to become a (private) limited company in 2010.		(12 Marks)
Level	Marks	Descriptor	Example
1	1-2	<p>Knowledge and understanding must be present</p> <p><i>QWC: To achieve a mark of 1-2 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i></p>	e.g. a (private) limited company is a business which has limited liability and at least one shareholder but cannot offer shares to the general public
2	3-4	<p>Application must be present, i.e. the answer must be contextualised,</p> <p><i>QWC: To achieve a mark of 3-4 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i></p>	e.g. this will mean that in the event of CCC becoming bankrupt, Peter will not have to sell his own personal assets to pay off creditors, e.g. suppliers of paint
3	5-6	<p>Analysis will apply to decision, i.e. candidate will explain a reason for or against CCC becoming a private limited company</p> <p>5 marks not in context 6 marks in context</p> <p><i>QWC: To achieve a mark of 5-6 the candidate will use business terminology quite well/style of writing is appropriate to the question/ reasonable to good spg.</i></p>	e.g. it will mean that Peter can extend the ownership of his businesses more readily should he wish to obtain extra capital to finance the purchase of new cleaning equipment or a new van or a new garage because the investor will feel more secure as they will also share the limited liability, unlike a regular business partner.

4	7-10	<p>Evaluation must be present, i.e. the candidate must attempt to present arguments for and against why Peter should apply to Companies House for CCC to become a Ltd company</p> <p>7 marks two sides but one in context; 8 marks two sides but use of same context eg Peter or service on both sides; 9 marks both sides in context one side can be Peter or service; 10 marks both sides in context other than Peter or service</p>	<p>Whilst becoming a Ltd company may be an expedient way of raising extra capital, it will mean a certain loss of control to Peter because he would now be co-owner which may affect the way the business operates, e.g. Peter may find that his working hours will become less flexible</p>
	11-12	<p>Evaluation must be well contextualised and a conclusion is provided (MOPS)</p> <p><i>QWC: To achieve a mark of 7-12 the candidate will use business terminology precisely and effectively and will organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>By becoming a Ltd company lenders may be less likely to offer finance because the owner is no longer risking their personal assets. There may be tax advantages, such as Peter may now pay a corporation tax at a rate which is lower than income tax. In conclusion I would suggest remaining a sole trader for the time being given that Peter has sufficient finance from sales to fund growth or can borrow at very low rates of interest given that the base rate is currently 0.5%. This way ownership is not compromised.</p>

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