

Mark Scheme (Results) Summer 2013

GCE Economics & Business Studies (6EB02/01)
Unit 2B: Business Economics

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Summer 2013

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

6EB02/01 Mark Scheme Summer 2013

Section A Mark Scheme

NOTE: If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b)

| Question Number | Question | Marks |
|-----------------|---|--|
| 1(a) | Answer: an oligopoly (B) | 1 |
| 1(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of an oligopoly e.g. a market structure with a few sellers/suppliers dominating the market OR definition of market share e.g. the share/percentage of sales in a market which one business has (1 mark) • Oligopolies such as supermarkets have high barriers to entry such as start-up costs, they compete on non-price factors, have established supply chains, monopsony power, price makers (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because a monopoly is where there is one supplier and/or has 25% market share (1 mark) • C is wrong because monopolistically competitive is where there are many buyers/sellers all selling differentiated products (1 mark) • D is wrong because perfectly competitive is where there are many buyers/sellers selling undifferentiated products/homogenous products (1 mark) <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|---|--|
| 2(a) | Answer: Market research (A) | 1 |
| 2(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • A definition of contingency planning e.g. when a firm prepares for unwelcome or unlikely but possible problems OR definition of market research e.g. the collection of data about current and future customer needs and/or factors affecting the marketplace (1 mark) • Contingency planning often requires market research and can provide the business with information on future trends (1 mark) • Market research can help businesses to prepare for possible problems in order to survive (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because government intervention is likely to increase uncertainty because the Government can change laws, taxes and affects how businesses run which leads to more uncertainty (1 mark) • C is wrong because macroeconomic change such as unemployment will cause uncertainty to increase rather than decrease because businesses will be unable to predict future consumer demand for its products/services (1 mark) • D is wrong because exchange rate movements affect businesses who import/export increasing uncertainty(1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|--|------------------------------------|
| 3(a) | Answer: prices of products (C) | 1 |
| 3(b) | <p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Definition of online retailing e.g. when retailers use the internet to sell goods/services rather than traditional outlets (1 mark) • Online retailing involves lower overheads/fixed costs which will enable retailers to charge lower prices (1 mark) • Online retailing may decrease the price of products due to consumers being able to compare prices on the internet (1 mark) • Online retailing may increase the number of suppliers in the market therefore exerting a downward pressure upon price due to more competition (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because the internet has increased the number of consumers being able to purchase goods/services because consumers do not have to physically visit the retail outlet (1 mark) • B is wrong because the choice of product has increased due to an increase in the number of small firms supplying niche products (reference to the long tail) (1 mark) • D is wrong because consumer knowledge is likely to increase due to consumers using the internet to compare prices/ being able to purchase globally (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|---|------------------------------------|
| 4(a) | Answer: marketing economies of scale (D) | 1 |
| 4(b) | <p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Definition of economies of scale e.g. occur when the average cost per unit falls as output increases OR definition of fixed costs e.g. costs which do not vary with output (1 mark) • BA has the financial resources to advertise on national TV and use national newspaper unlike a smaller business (1 mark) • This results in a reduction in BA's average costs (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because purchasing economies occur when businesses are bulk buying in large enough quantities to be charged a lower price per unit/ because the buyer has market power/monopsony power (1 mark) • B is wrong because diseconomies of scale are increases in average costs caused by a firm getting too, often associated by communication issues (1 mark) • C is wrong because managerial economies arise when more experienced and better employees can be employed and their high costs can be spread across a larger quantity of output (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3</p> <p>(Total 4)</p> |

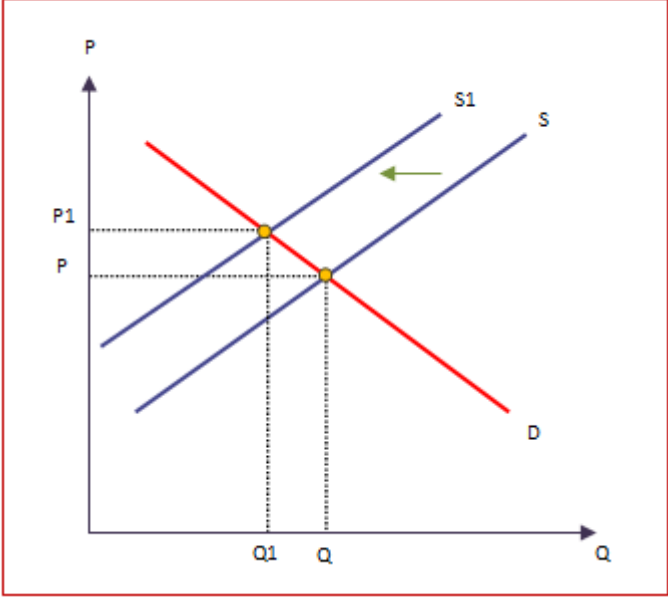
| Question Number | Question | Marks |
|-----------------|--|--|
| 5(a) | Answer: inferior goods (D) | 1 |
| 5(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of inferior goods e.g. when demand rises as income fall / where there is a negative income elasticity of demand OR definition of turnover e.g. total income from sales OR definition of real incomes e.g. when inflation has been taken into account (1 mark) • Sales of inferior goods such as discounted products which are sold in Poundland are likely to increase when incomes fall because consumers have less disposable/real income (1 mark) • Consumers switch from normal goods or more expensive alternatives to cheaper/substitute products in Poundland (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because demand for luxury goods tend to fall in times of an economic downturn rather than increase due to falling incomes (1 mark) • B is wrong because a normal good is a good for which demand increases as incomes rise and is the opposite of an inferior good (1 mark) • C is wrong because a complementary good is one which is linked with the purchase of another good e.g. DVD and DVD players and is not linked to income (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|--|--|
| 6(a) | Answer: increases in productivity (C) | 1 |
| 6(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of empowerment e.g. giving employees more responsibility and involvement OR definition of productivity e.g. the output per unit of input (1 mark) • Empowerment and teamwork can be seen as a powerful motivating force (1 mark) • Motivated workforce is likely to result in a more efficient and productive workforce at Siemens (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because workers are empowered to make decisions and less supervision takes places (1 mark) • B is wrong because there will be more decision making made by employees if teamwork and empowerment are part of the culture (1 mark) • D is wrong because there will be more not less delegation of tasks as employees are allowed to be involved in Siemens' operations (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

Section B Mark Scheme

| Question Number | Question | |
|-----------------|---|--|
| 7 | Explain one reason why the takeaway food market may be described as dynamic. | (4 marks) |
| | Answer | Mark |
| | <p style="text-align: center;">(Knowledge 1, Application, 1, Analysis 2)</p> <p>Knowledge/understanding: up to 1 mark for defining or showing understanding of what is meant by dynamic market e.g. dynamic market is where supply/demand is constantly changing in nature OR for giving a reason e.g. many products are changing due to technology and/or changing consumer taste (1 mark)</p> <p>Application: up to 1 mark for contextual answers e.g. takeaway food outlets may find that food taste change over time (1 mark), consumers switch from meals such as fish and chips to Thai meals (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. this may lead to takeaway food outlets adapting their menus (1 mark) in order to suit the changing tastes of food consumers (1 mark), low barriers to entry of setting up a takeaway restaurant (1 mark) may lead to an increase in the supply of takeaway foods (1 mark)</p> | <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1-2</p> |

| Question Number | Question | |
|-----------------|---|---|
| 8 | <p>It has been estimated that a 40 % increase in the price of coconut milk would decrease demand by 10 %.</p> <p>(a) Calculate the price elasticity of demand for coconut milk.</p> | (4 marks) |
| | Answer | Mark |
| | <p style="text-align: center;">(Knowledge 1, Application 2)</p> <p>Knowledge/understanding: up to 1 mark for:</p> <p>Showing the correct formula</p> <p><u>% Change in Quantity Demanded</u> = % Change in Price</p> <p>OR If no calculation is given or incorrect formula used then 1 mark is available for a definition of PED e.g. measures the responsiveness of demand to a change in the price</p> <p>Application: up to 2 marks are available for the correct figures:</p> <p>$\frac{-10\%}{+40\%} = -0.25$ or 0.25</p> <p>NB if a candidate gives the correct answer without showing any formula or workings then award 3 marks if correct.</p> | <p style="text-align: center;">1</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">(3 marks)</p> |
| 8 | <p style="text-align: center;">(Analysis 1)</p> <p>(b) Comment on your result.</p> <p>Analysis: up to 1 mark for stating that the PED is 0.25 and therefore demand is <u>price inelastic</u> OR states that price changes more than quantity demanded.</p> <p>NB award 1 mark for part b even if part a is incorrect</p> | <p style="text-align: center;">1</p> <p style="text-align: center;">(1 mark)</p> |

| Question Number | Question | |
|-----------------|--|--|
| 9 | Using a fully labelled supply and demand diagram, analyse why the price of coconut milk has increased. | (8 marks) |
| | Answer | Mark |
| | <p style="text-align: center;">(Knowledge 3, Application 3, Analysis 2)</p> <p>Diagram: There should be a supply and demand diagram showing:</p> <ul style="list-style-type: none"> • Correct labelling of axes P & Q (1 mark) • Supply and demand curves drawn correctly and labelled (1 mark) • Initial equilibrium showing price and quantity (1 mark) • Shift in supply curve to the left (1 mark) • New equilibrium correctly showing increase in price and decrease in quantity (1 mark) <p>Written Explanation: Application: 1 mark is available for written explanation which must be set in context e.g. referred to weather/drought/beetle infestation/yields down 60% (1 mark)</p> <p>Analysis: up to 2 marks are available for reason/cause/consequence e.g. less coconuts are being supplied at all price levels (1 mark) with demand remaining the same, forcing equilibrium price up (1 mark)</p> <p>NB: A total of 5 marks are available for the correct diagram: Correct diagram if shifting the supply curve left</p> <div style="text-align: center;">  </div> | <p style="text-align: center;">1-5</p> <p style="text-align: center;">1</p> <p style="text-align: center;">2</p> |

| Question Number | Question | |
|-----------------|---|--|
| 10 | Explain the likely impact of rising food costs on an independent takeaway business such as Leon. | (6 marks) |
| | Answer | Mark |
| | <p style="text-align: center;">(Knowledge 2, Application 2, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks are available for defining what is meant by costs e.g. costs can be fixed or variable (1 mark), and/or understanding of the impact of increasing costs e.g. will cost more to produce a product (1 mark)</p> <p>Application: up to 2 marks are available for applying these factors to an independent takeaway e.g. takeaway businesses need to purchase raw ingredients to produce their takeaway meals (1 mark), price of coconut milk, used in many meals, is rising (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. this may lead to a reduction in the profits made by Leon as the price of food ingredients are increasing (1 mark), Leon may be able to pass his increased costs onto consumers in the form of higher prices (1 mark), this may lead to a decrease in demand for takeaway food (1 mark), Leon may have to switch to a cheaper supplier of food ingredients (1 mark), resulting in a fall in quality of their meals (1 mark)</p> | <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> |

| Question Number | Question | | |
|-----------------|--|---|--|
| 11 | Assess two possible marketing strategies a UK business could adopt under these circumstances. (Per method: Knowledge 1, Application 1, Analysis 1, Evaluation 2) | | 10 marks |
| Level | Mark | Descriptor | Possible Content |
| 1 | 1 | Available for knowledge such as identifying what is meant by marketing strategies and or fragile economy | e.g. marketing strategies include Product, Price, Promotion, Place e.g. fragile economy is when the whole economy is suffering from decreasing or low growth |
| 2 | 2 | Available for contextualising the response by referring UK businesses trying survive in a fragile economy/application of the marketing strategies | e.g. A business may use different pricing strategies to penetration the market e.g. a business may use advertising to gain recognition and to promote their products |
| 3 | 3 | Available for considering the impact of these marketing strategies to UK businesses in a fragile economy Arguments will be one-sided and need not be in context | e.g. a new business may offer cheaper prices which will help gain a foothold in the market and gain market share when the economy is struggling e.g. a business may start to supply inferior goods rather than luxury goods given that consumer disposable incomes may fall e.g. innovative products which have a competitive advantage helps them gain market share in a struggling economy e.g. advertising may increase awareness and demand for UK products in a struggling economy |
| 4 | 4-5 | Available for providing balance e.g. showing possible advantages and disadvantages of the different strategies available to a UK business in a fragile economy | e.g. due to the struggling economy it may be difficult to undercut competitors so lower prices may not work resulting in lower profit/sales and the impact depends upon PED e.g. advertising may attract new customers but there is an opportunity cost for advertising and for other non-price competition such as innovation which reduces profits if unsuccessful |

If evaluation is not in context, restrict to Level 3 – 3 marks maximum per strategy

| Question Number | Question | | |
|-----------------|--|--|--|
| 12 | Evaluate the likely impact of a depreciation of the pound sterling on the (a) UK manufacturing sector | | |
| Level | Mark | Descriptor | Possible Content |
| 1 | 1 | <p>Knowledge must be present. Some awareness of what is meant by UK manufacturing/ depreciation of pound/exchange rate</p> <p><i>QWC: To achieve a mark of 1 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> | <p>e.g. businesses which make a product</p> <p>e.g. when the pound sterling is worth less against another currency</p> <p>e.g. the value of one currency against another</p> |
| 2 | 2-3 | <p>Application must be present, i.e. the answer must be contextualised by referring UK manufacturing</p> <p>Low Level 2: 2 marks Just a simple reference to the context</p> <p>High Level 2: 3 marks A specific reference to the context</p> <p><i>QWC: To achieve a mark of 2-3 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> | <p>e.g. UK manufacturing such as food producers</p> <p>e.g. UK manufacturing such as Jaguar may export cars to other countries or may import raw materials into the UK</p> |
| 3 | 4 | <p>Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of a weaker pound on UK manufacturers</p> <p>Arguments will be one-sided and need not be in context</p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p> | <p>e.g. The consequences of a weaker pound will depend on whether the UK manufacturing firm imports or exports or does both</p> |

| | | | |
|--|-----|--|--|
| | 5-7 | <p>Low Level 4: 5 marks. Evaluation must be present, i.e. the candidate must present an argument for the impact of a weaker pound on UK manufacturers</p> <p>High Level 4: 6-7 marks A convincing and balanced answer throughout making good use of concepts and terminology.</p> <p>NB A mark of 5 is awarded when only one side is in context; award 6-7 marks for both sides in context</p> <p><i>Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p> | <p>e.g. Much may depend on the nature of the manufactured product, such as the price elasticity of demand as to the impact on demand from the depreciation of the pound sterling</p> <p>e.g. Some inelastic imported products may not be greatly affected by a weaker pound as consumers continue to purchase them despite an increase in price (such as coconut milk)</p> <p>e.g. Actions of competitors must also be taken into account as to the impact on UK manufacturing business therefore it all depends on the extent of the depreciation, whether it is short or long term</p> |
|--|-----|--|--|

If evaluation not in context restrict to L3 – 4 marks only

| Question Number | Question | | |
|-----------------|--|---|--|
| 12 | Evaluate the likely impact of a depreciation of the pound sterling on the (b) UK Tourist industry | | |
| Level | Mark | Descriptor | Possible Content |
| 1 | 1 | <p>Knowledge must be present. Some awareness of what is meant by UK tourist industry /depreciation of pound/exchange rate</p> <p><i>QWC: To achieve a mark of 1 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> | <p>e.g. businesses offering services for either overseas or UK visitors/holidaymakers</p> <p>e.g. when the pound sterling is worth less against another currency</p> <p>e.g. the value of one currency against another</p> |
| 2 | 2-3 | <p>Application must be present, i.e. the answer must be contextualised by referring UK tourist industry</p> <p>Low Level 2: 2 marks Just a simple reference to the context</p> <p>High Level 2: 3 marks A specific reference to the context</p> <p><i>QWC: To achieve a mark of 2-3 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> | <p>e.g. UK tourist industry such as hotels</p> <p>e.g. UK tourist industry serves both visitors from overseas such as US or EU</p> |
| 3 | 4 | <p>Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of a weaker pound on UK tourist industry</p> <p>Arguments will be one-sided and need not be in context</p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p> | <p>e.g. the weaker pound means that the UK may attract more overseas visitors from places such as US as foreign currency will purchase more sterling.</p> <p>UK holidaymakers may decide to stay in the UK rather than go abroad to mainland Europe.</p> <p>e.g. Hotels may find more overseas visitors which may increase revenue leading to higher profits</p> |

| | | | |
|--|-----|---|---|
| | 5-7 | <p>Low Level 4: 5 marks. Evaluation must be present, i.e. the candidate must present an argument for the impact of a weaker pound on UK tourist industry</p> <p>High Level 4: 6-7 marks A convincing and balanced answer throughout making good use of concepts and terminology.</p> <p>NB A mark of 5 is awarded when only one side is in context; award 6-7 marks for both sides in context</p> <p><i>Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p> | <p>e.g. Depends on whether the UK is a desired destination for overseas visitors as to whether a UK tourism will benefit from a weaker pound as it may not have any impact on the decision to take a holiday in the UK as the exchange rate is one of many factors affecting the decision for tourists to visit the UK</p> <p>e.g. Global recession may affect demand for luxury products such as holidays and demand may fall due to external factors leading to a reduction in profits for UK tourism as a whole even with a weaker pound</p> |
|--|-----|---|---|

If evaluation not in context restrict to L3 – 4 marks only

Assessment Objectives

| QUESTION | Content | Knowledge | Application | Analysis | Evaluation | Total |
|--------------|---------|-----------|-------------|-----------|------------|-----------|
| 1 | 2.3.2b | 1 | 1 | 1 | 1 | 4 |
| 2 | 2.3.3b | 1 | 1 | 1 | 1 | 4 |
| 3 | 2.3.3c | 2 | 2 | | | 4 |
| 4 | 2.3.4b | 2 | 1 | | 1 | 4 |
| 5 | 2.3.1e | 3 | 1 | | | 4 |
| 6 | 2.3.5c | 1 | 1 | 1 | 1 | 4 |
| 7 | 2.3.1c | 1 | 1 | 2 | | 4 |
| 8 | 2.3.1d | 1 | 2 | 1 | | 4 |
| 9 | 2.3.1b | 3 | 3 | 2 | | 8 |
| 10 | 2.3.6b | 2 | 2 | 2 | | 6 |
| 11 | 2.3.1f | 2 | 2 | 2 | 4 | 10 |
| 12a | 2.3.5a | 1 | 2 | 1 | 3 | 7 |
| 12b | 2.3.5a | 1 | 2 | 1 | 3 | 7 |
| TOTAL | | 21 | 21 | 14 | 14 | 70 |

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