

Examiners' Report  
January 2012

GCE Economics and Business 6EB02 01

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## Introduction

Overall performance was better than in previous examination papers with the majority of candidates showing a sound grasp of economic and business concepts. There appeared to be better use of precise economic and business terminology throughout rather than generalised comments. Again, the more able candidates demonstrated excellent application of their knowledge to the precise question set, while the less able candidates attempted questions from a 'common sense' approach rather than demonstrating any economic and business concepts. Examination timing skills appeared to be very good on the whole with the majority of candidates completing all questions fully.

### Section A Marking

There are a variety of ways to gain marks for part (b) Supported Multiple Choice questions:

- if responses in part (a) are wrong then the maximum mark available for part (b) is 2 marks
- if a candidate does no more than explain distracters in part (b) then a maximum of 2 marks is awarded, expect to see at least a definition or explanation for selecting the correct response. Some candidates may only explain why their chosen answer is correct and depending upon the quality/development of this answer, can score 3 marks for part (b), expect to see candidates who have briefly explained the correct answer followed by explanations as to why the other options are incorrect. This method can gain the candidate 3 marks.

Again, it is essential that candidates are taught how to tackle these questions and it is quite evident that some centres do spend time preparing and practicing these types of questions and this will only pay dividends in the examination. It is not sufficient enough to simply state that the other options are incorrect the candidate should explain why the distracters are incorrect. If the examiner can ask the question 'why?' then the answer is not fully developed to gain marks.

## Question 1

On the whole, this question was answered correctly for part (a), an increase in productivity. Many candidates managed to gain at least 2 marks for their explanation as to why there would be an increase in productivity. In addition, many then explained how closer supervision was the incorrect answer in order to gain a further mark or how customer satisfaction may increase due to improved motivation of staff.

(b) Explain your answer.

(3)

Employees that are delegated responsibility will be likely to appreciate their bosses and the company itself and so will be more inclined to work hard and produce the best possible results for the company. Empowering employees gives them greater responsibility and so ~~they~~<sup>they</sup> should be ~~sup~~ under less supervision. If they work hard to produce the best results, customers are likely to be more satisfied.

(Total for Question 1 = 4 marks)



**ResultsPlus**

**Examiner Comments**

This response scored 3 marks for part (b) by showing why empowerment might lead to an increase in productivity. They also mentioned why there would be less supervision and greater customer satisfaction.



**ResultsPlus**

**Examiner Tip**

Do explain the correct answer first rather than the incorrect answers. The candidate can score up to 3 marks just for the correct answer if it is detailed enough.

## Question 2

This question was testing whether the candidate could understand the difference between a movement along and a shift in the demand curve. This was answered well with most candidates selecting the correct answer for part (a). Many responses gained up to 2 additional marks by explaining why the distracters were incorrect. Some were able to show that the DSi is a luxury product so a fall in price would enable more people to purchase it. Candidates who used a contextualised diagram to show the impact upon the demand curve were rewarded.

(b) Explain your answer.

(3)

A change in price does not shift the demand curve, it moves along it.  
A reduction in price means more people can afford it, resulting in an increase (not decrease) ~~demand~~ in quantity demanded.



**ResultsPlus**

**Examiner Comments**

This response did score 3 marks for part (b) despite being very brief. It demonstrated that the candidate did know the difference between a movement and a shift in the demand curve (2 marks) and then picked up another mark for developing why a reduction in price would lead to an increase rather than a decrease.



**ResultsPlus**

**Examiner Tip**

It would have been better if the candidate had used the context provided (DSi) as this would have shown a real understanding of the context and why demand would increase.

### Question 3

Some candidates did not read the question properly and misread the word **except**. Many candidates therefore put A or D as the correct answer because of this, rather than C (a decrease in the number of deliveries). One knowledge mark was awarded if there was a correct definition of JIT or some understanding of there being no buffer stocks.

(b) Explain your answer.

(3)

JIT means order the resources or the raw materials when you need it, instead of stocking up large quantities. In this case stock levels will decrease. Also, ~~cost~~ it will bring closer relationship with suppliers as frequent orders are needed. This may also lead to purchasing economies of scale, which will lower down the average cost but output increases.

As more orders will be needed, number of deliveries will increase, but not decrease. Hence, the answer should be C.

(Total for Question 3 = 4 marks)



**ResultsPlus**  
Examiner Comments

This response scored 3 marks for part (b). There was clear understanding of what is meant by JIT (1 mark) and the candidate then developed the answer by explaining why deliveries will increase as well as other features of a JIT system.



**ResultsPlus**  
Examiner Tip

Define key terms in order to score 1 knowledge mark.

## Question 4

This question was poorly answered with many candidates stating that D was the correct answer rather than A (causes a loss of competitiveness). One knowledge mark was awarded for a definition of inflation. Some candidates were still able to score up to 2 marks even with an incorrect answer for part (a) with their definition of inflation and an explanation as to why there would be an increase not a decrease in wage demands.

(b) Explain your answer.

(3)

Inflation indicates the amount by which goods and services rise each year. Therefore inflation will mean higher costs ~~and~~ ~~at~~ materials and labour for companies and therefore higher price of the products they produce to offset the rising costs. This can cause UK companies to lose competitiveness with overseas rivals if their costs are rising faster and they are unable to keep prices as low as their competitors.

~~It~~ Could result in decline (Total for Question 4 = 4 marks) in exports which could be a big problem for the economy.



**ResultsPlus**  
Examiner Comments

This response scored 3 marks for part (b). There was a definition of inflation (1 mark) and then a detailed explanation of why UK companies would be less competitive with overseas rivals. This response was one of only a few which could clearly explain the impact of rising inflation.

## Question 5

Many candidates were able to explain what was meant by 'the long tail' and the features of this concept. One knowledge mark was awarded for a definition/understanding of long tail. Again, many candidates used a combination of explaining the correct answer, as well as the distracters to gain the full 3 marks for part (b).

(b) Explain your answer.

(3)

The 'long-tail' refers to how the internet has created an unlimited shelf-space, meaning even the smallest niche markets can be catered for. As taste in music varies hugely from person to person, the internet allows different styles of music to be created and shared more easily. Fewer high street stores are opening up as more & more people now prefer to buy/illegally download their music online. Consumer choice is increased through the internet.

(Total for Question 5 = 4 marks)



**ResultsPlus**

**Examiner Comments**

This response scored 3 marks for part (b) and was good because the candidate clearly linked their answer to the context in the question (music).



**ResultsPlus**

**Examiner Tip**

Always explain at least 1 of the distracters in order to gain vital marks for part (b). If short of time, then just explain 1 rather than 2.

## Question 6

A mixed response for this question. Candidates really do need to understand the difference between a complementary and substitute good. It was pleasing to see some candidates contextualise their responses by referring to popcorn and overpriced drinks. Many candidates were able to explain why population and income were incorrect in order to gain an additional 2 marks.

(b) Explain your answer.

(3)

Demand is how much of a good or service that a consumer is willing to pay for. If the price of a complementary good was to increase e.g. popcorn then people would be less inclined to go to a cinema due to the high prices. If the price of a substitute good were to rise then demand would increase for cinema tickets as other places would be more expensive. Income increase would mean more disposable income to spend on items such as cinema tickets which would lead to a rise in demand.

(Total for Question 6 = 4 marks)



### ResultsPlus Examiner Comments

This response scored 3 marks for part (b). This candidate clearly understood what a complementary good was and how demand would be affected. They used a combination of explaining the correct answer and also the distracters to gain full marks.



### ResultsPlus Examiner Tip

Use context to help structure the answer.

## Question 7

Many candidates started their answer with a definition or some understanding of what was meant by economies of scale which gained them 1 knowledge mark. The application mark was awarded for some reference to the Olympic Games. Many candidates referred to Olympic souvenirs or that the evidence stated that 70% of the contracts had been awarded to small businesses. For analysis we were looking for development or a reason why small firms can flourish; some were discussing better service and quality products. Many candidates picked up on the one-off event of the Olympic Games and that tourists might be happy to pay a premium price for souvenirs and that for many consumers price was not the main consideration when buying products.

- 7 Explain why small businesses supplying the Olympics might still flourish despite the lack of economies of scale.

Economies of scale is the <sup>theory</sup> ~~reason~~ that as a company grows the overall ~~cost~~ average costs will decrease making it more efficient. Small businesses tend to be supply in to a smaller or niche market, so the Olympic games could increase the size of the markets. e.g. A basketball shop will have a greater demand because people would have come to & see the basketball so more population of basketball consumers

(Total for Question 7 = 4 marks)



**ResultsPlus**

**Examiner Comments**

This response scored 3 marks for some understanding of economies of scale and that small businesses may be able to tap into niche markets. Some context but not enough to gain the full 4 marks as it was lacking in analysis.



**ResultsPlus**

**Examiner Tip**

Always write in context for Section B. Spend time reading the evidence before tackling any questions.

## Question 8

This was done very well by the majority of candidates. Many were able to define a monopoly and gain the analysis mark by explaining the consequences such as higher prices, less choice for consumers from having no competition. Some candidates had not linked their answers to the case study and had written generic answers so lost the application mark.

8 Explain **one** possible disadvantage to consumers of a business being the only licensed supplier of Olympic merchandise.

When one firm dominates the market, in this case Olympic merchandise, this causes a monopoly. As there is no competition for the firm, ~~the~~ the incentive ~~can be~~ to charge higher prices is high ~~due~~ as there is no other alternative so it's assumed consumers will pay the high price. Also, the quality of the Olympic merchandise may ~~be~~ be poor as ~~the~~ the incentive to spend more on quality control & better materials is reduced due to them not having to compete with other firms.

(Total for Question 8 = 4 marks)



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Examiner Comments

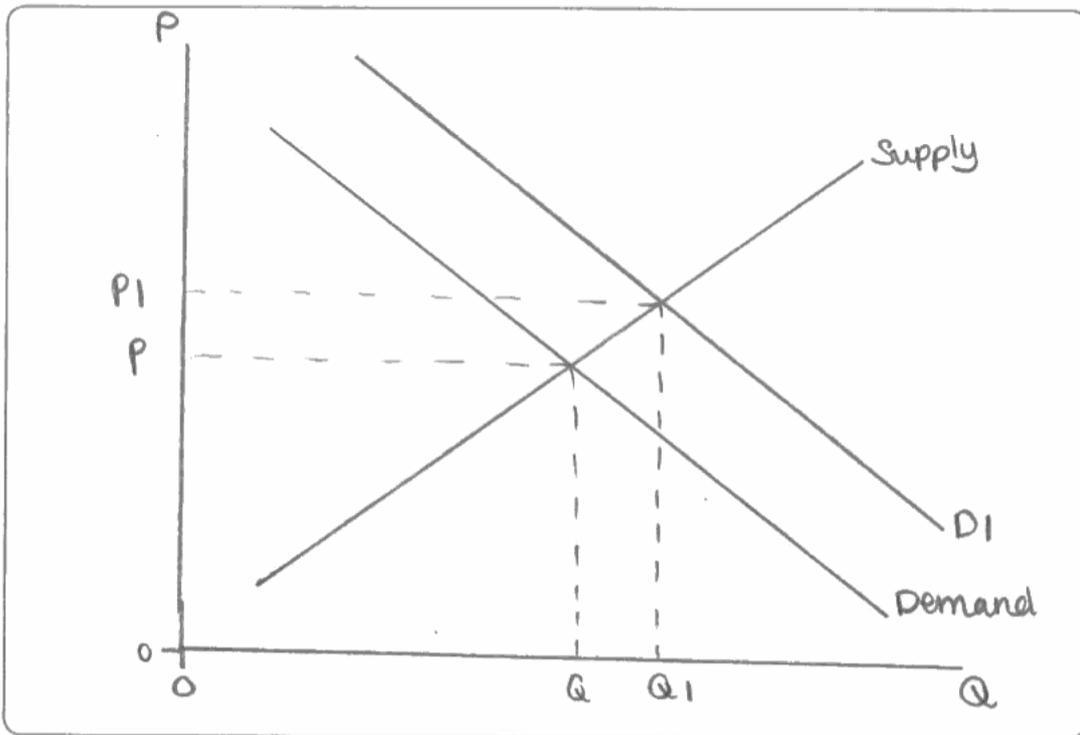
This was one of the better answers and scored 4 marks. There was clear understanding of a monopoly and the consequences for the consumer of only having one supplier in a market.

## **Question 9**

This required a supply and demand diagram showing an outward (right) shift of the demand curve. There were 5 marks for the diagram. If there were any errors in the diagram, eg not correctly labelling supply and demand curves etc then marks were deducted. The written explanation was worth 3 marks and had to be in context. This year, I am very glad to say, that many candidates did draw the correct diagram and gained the full 5 marks. In order to gain the full 8 marks there needed to be some understanding (either in the diagram or in the written explanation) that supply might be considered to be inelastic.

9 Record numbers of visitors to the Games will want accommodation in the city.

Using a supply and demand diagram, illustrate and explain the effects of this increased demand on the market for rental properties.



As there is increased demand on the market for rental properties this would mean that the demand curve (illustrated above) shifts to the right as there is more quantity demanded within the market. Although, due to this, because the quantity demanded has increased this affects the rental properties market as more demand has appeared this means that they can increase their prices of rental properties at this particular time as there is such high demand which evidently is competitive.



### ResultsPlus Examiner Comments

This response scored 7 marks - 5 for the diagram and 2 for the written explanation. Clearly labelled and written in context. Some indication of inelastic supply was needed in order to gain 8 marks for this question.



### ResultsPlus Examiner Tip

Use a ruler when drawing diagrams - it makes it much easier for the examiner to read and therefore mark.

## **Question 10**

This was an 8 mark evaluative question and in order to enter Level 4 candidates must have written in context. If a candidate evaluated but there was no context then the mark was restricted to 5 marks. Many candidates were able to give examples of market research methods such as primary and secondary. They were able to consider the advantages and disadvantages of market research. In order to reach 7/8 marks, examiners were looking for how market research could be used to reduce uncertainty, rather than just an evaluation of market research methods.

Market research is the research carried out by business either first hand (primary research) or second hand (secondary research) to find out what consumers want, the tastes and preferences within their particular market and the other competitors within the market.

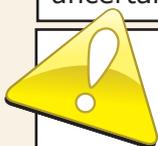
By reducing uncertainty in a merchandising business such as 'Panini' they would need to consider diversifying their products. This could mean that they bring out a range of products rather than just having one to see which consumers liked best and to also spread the risk of failure. Market research also could help 'Panini' to find out if there are any other competitors within the market that have the homogeneous products (the same/ identical product) as they do and whether they are cutting the market price or being a price ~~to~~ leader (look at pricing strategies within the market). Market research would also enable Panini to notice whether they ~~with~~ withheld a competitive advantage over rivals within the market. Panini can see whether having other collections such as 'football players' and having trading cards 'featuring past, present and future' Olympic winners gives them the competitive edge within the market to release and reduce uncertainty within their business. In addition, market ~~rese~~ research into the economic state would potentially help the merchandising business 'Panini' as it will indicate ~~whether~~ the behaviour of consumer spending. Also looking at the economic cycle ~~and~~ through market research would give evidence and help the company to reduce uncertainty.



**ResultsPlus**

**Examiner Comments**

This was written in context and did show evaluation of market research in order to reduce uncertainty. A contextualised conclusion was needed in order to gain the full 8 marks.



**ResultsPlus**

**Examiner Tip**

Use the context provided to give examples to show understanding. Good use of economic and business terminology will always be welcomed.

### **Question 11**

This was an 8 mark evaluative question. Many candidates started their answer with a definition of economic downturn and were able to write in context getting them into Level 2. Candidates who only looked at one side - usually the negative impact of an economic downturn were restricted to Level 3. Very good use of economic and business terminology was needed in order to enter Level 4 rather than common sense answers. An appreciation of other factors affecting the success of the Olympics, such as exchange rates set the better candidates apart.

11 Assess whether an economic downturn would affect the success of the 2012 Olympic Games.

An economic downturn would affect the success of the Olympics for a number of reasons. Firstly, those who attended the Olympics would probably have less disposable income and so the expected boost to the local economy may not be as great as it could have been. Also, due to lower sales for local retailers, some jobs that were expected to be created may end up not materialising.

Also if people cannot afford the tickets to the Olympics because of a downturn then the organisers will greatly struggle to recoup as much of the costs as they would like.

On the other hand, the Olympics are the pinnacle of the sporting calendar year, and they only happen every 4 years, and they will probably only come to your country once in a lifetime. Therefore if anything were to be recession proof, it would be the Olympics. Those lucky enough to get tickets would more than likely be happy to pay for the privilege of attending.

Overall I think that while the local economy may not get quite as big a boost as hoped, the success of the Olympics is unlikely to be too adversely affected by an economic downturn.



**ResultsPlus**  
Examiner Comments

This response did score 7 marks and entered Level 4 for being in context and considering the impact of an economic downturn. There was some consideration as to how much it would impact upon the Olympic Games.

## **Question 12**

The assessment objectives were split: Knowledge 1, Application 2, Analysis 1 and Evaluation 3 for both parts of this question. Many candidates were able to write in context and did use the evidence from the case study. In order for a candidate to get into Level 4 there must have been an attempt at evaluation – at least an advantage and a disadvantage as to how the Olympic Games will affect the stakeholder in question. Many candidates were only able to explain the benefits so this did restrict their mark to to Level 3 (4 marks).

\*12 The regeneration of East London will change employment and output patterns in the region.

Evaluate the likely impact of the Olympic Games on

(a) the residents of East London.

(7)

The likely impact of the Olympic games on residents of East London will potentially be good or bad.

Considering the apparent 'post-industrial wasteland' that is currently present there, ~~the~~ the Olympic games will enable some new development that local people can benefit from when the Games have finished. This will encourage local people to be more productive and spend money if new facilities are available to them that are close by and brand new. In addition, it will make locals feel like they are 'first hand' part of the games being so close to the action. This will encourage them to invest in buying tickets for example and to join in with the event. Many jobs will be available for local ~~be~~ unemployed people.

Although, the impact of the Olympic games on residents of East London could be a negative one as many tourists will be around their homes ~~and~~ ~~to~~ which suggests traffic congestion and litter produced by these people. In addition the impact of noise around neighbourhoods could significantly affect residents as developments may cause loud unpleasant noises and potentially ruin views that were once there before hand.

Although, employment within the games will be high and will

(b) local businesses in East London.

(7)

The impact <sup>of</sup> ~~on~~ the Olympic games on local businesses in East London could potentially save them by many tourists and local people spending a lot of money and boosting businesses revenue.

This would significantly encourage businesses to invest more and expand due to the high increase of profit and retained profit. By this, the retained profit can be ploughed back into local businesses and promote expansion and the diversification, innovation of products.

As demand will be so high output will be at full capacity and evidently businesses will be finding it difficult to keep up with consumer demand. This demand could effectively cause businesses to run out of stock and potentially lose loyal consumers. Local businesses may find it hard to find suppliers that have the quantity they want and that are able to transport it to them. Local businesses may not be able to supply to local people ensuring that consumers are let down and change ~~to~~ business (go to other producers).



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**Examiner Comments**

Part (a) scored 7 marks and was an excellent answer. Plenty of context and the candidate did evaluate effectively.

Part (b) scored 5 marks. This was not as strong as part (a), but there was evaluation in context so it did enter Level 4.



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**Examiner Tip**

The command word 'evaluate' will require the candidate to give at least 1 advantage and 1 disadvantage (in context) to enter Level 4. If there is no context then the mark will be restricted to the top of Level 3.

## Paper Summary

There has been an improvement in the overall standard of the responses seen for both Section A and Section B. In order to continue to improve performance candidates should:

1. Read the SMC carefully in terms of most likely, least likely and except. Many did not spend enough time doing this and consequently misread 'except' for 'most likely' in question 3.
2. Contextualise responses both in Section A and Section B. This is particularly important for Section B where Level 4 can only be accessed if the response is in context.
3. Pay attention to the command words - assess and evaluate are largely ignored and this will restrict marks to Level 3.
4. Use economic and business concepts rather than generic 'common sense' answers.
5. Be able to accurately draw and label a supply and demand diagram. It is still very worrying that many candidates do not know how to correctly label axes and curves.
6. Read and use the evidence provided - it is there for a reason.

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