

Examiners' Report
June 2015

GCE Business Studies 6BS03 01

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Introduction

This paper offered candidates a mix of topics, some familiar from previous exams and some less so. The questions seemed to discriminate well, with a wide variety of responses - some of which were very good indeed. Many centres appear to have benefited from previous exams and the feedback that followed. Many candidates were well prepared and had clearly brought the benefit of wider reading and study into their answers, showing a real understanding of the topics, with their arguments reinforced by valid examples.

However, there are still too many responses that rely too much on assertion and generic answers. Candidates must remember to justify the arguments they make and back them up with examples. Some candidates weakened their responses by failing to apply the terms and theory they have been taught, using generalities and non-specialist language. This does not convince examiners that answers deserve high reward. For example, forecasting that Indian businesses would "do very well", or "they will be in trouble" is unlikely to gain marks for analysis.

The main reasons for otherwise able candidates underachieving are the usual ones of not heeding command words and not reading the questions carefully enough. Command words are still being ignored by a sizeable number. Instructions to 'Assess' and 'Evaluate' were not followed by some candidates.

There are still many candidates who start off their answers with a definition of a key term. This may be good practice at AS level, particularly with the multiple choice questions but for Q 1, 2, 5 and 6 they are not necessary and only waste the candidate's time. On the other questions, defining key terms can be useful in reaching L1 but hopefully most candidates will get beyond this level with analysis and evaluation.

Significant numbers of candidates missed out on marks because they did not answer the question that was set. This was particularly the case with question 8. Very few candidates failed to finish all the questions.

Question 1

The first question was mostly well answered and proved to be a good introduction to the paper for many candidates. The topic of tariffs is one that seems to be well understood and many candidates were well rehearsed in the theory behind them. Most candidates answered this well enough to gain 4 marks but many missed out on the extra 2 marks by not offering any application to India. This was surprising as India is part of the specification and candidates should have been aware of some of the characteristics of the Indian economy that they could have used to reinforce their theory. A number of candidates offered reasons that were almost identical and so were only credited once.

One reason is to protect domestic firms from foreign imports, allowing Indians business to be as competitive as foreign imports in the competition. Import tariffs made imported products to rise it's costs, therefore rising its price which made it less attractive to Indian's customers as they prefer Indians products as they are cheaper. Another reason is that they are a source of income for the government, therefore by foreign business entering to the Indian market, very high tariffs will mean that more money is gained to the government. Tariffs are used also to decrease competition in the market and to prevent dumping, allowing small business to have the opportunity to develop and become very competitive in a future.



ResultsPlus Examiner Comments

This response clearly demonstrates an understanding of the reasons behind the introduction of tariffs, in fact three are offered but only two can be rewarded. The reasons are developed but unfortunately there is no application to India as per the question. These reasons could apply to any economy and so this candidate only scored 4 marks - 2 knowledge and 2 analysis.



ResultsPlus Examiner Tip

For each possible reason we are looking for an identification of that reason (knowledge 1 mark), then putting it into context with a valid example (application 1 mark) and then developing that reason by explaining the consequences of introducing the tariff (Analysis 1 mark). Make sure you cover these three assessment objectives.

Question 2

This proved to be a discriminating question with application proving to be the obstacle for many. Generally, candidates were able to offer ways in which the RCEP might affect UK businesses but too often failed to offer any application or to develop their analysis beyond one point accessing just 1 of the 2 analysis marks available for each impact.

A significant number of candidates focused on the effect on the economy without developing this to address the subsequent effect on UK business. Most candidates offered contrasting impacts such as the opportunities for those UK businesses located and operating inside the RCEP as opposed to those outside facing a common external tariff.

2 Analyse **two** ways in which the creation of the RCEP might affect UK businesses.

One way in which the creation of RCEP could affect UK businesses would be that some of the countries within that trade bloc may no longer require the same services or goods from UK businesses, due to the presence of a better deal elsewhere within the RCEP. The increase in trade liberalisation because of ~~the~~ the trade bloc would likely remove ~~tariffs~~ or lessen tariffs between the 16 countries involved, thus potentially raising the competitiveness of each other goods against ~~the~~ exporting UK businesses, who might still have tariffs imposed on them. As a result, UK exporters might end up losing business from ~~the~~ an RCEP country to other RCEP members, due to lack of competitiveness, meaning they would suffer a loss in sales and profit.

~~A way in which~~ A prime example of this would be the loss of sales in the retail industry, due to China's superiority in production cost.

Another way in which ^{UK} businesses could be affected, would be those with ~~branches and~~ ~~production~~ ~~set up in the~~ ~~RCEP countries~~ production set up in the RCEP countries. The trade

bloc could now mean that cost of production is even cheaper, due to the fact materials can be traded for less within the RCEP members. This would decrease production cost, thus potentially increasing overall profit.



ResultsPlus

Examiner Comments

This answer has a good first half with clear explanation and sufficient development to get both analysis marks, application is also good and it scored all 4 marks. The second way is identified and there is some limited development but that is all and it reached 2 marks giving this candidate an overall mark of 6.



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Examiner Tip

When asked for two reasons/impacts/benefits etc you must balance your answer and give equal time to both parts to achieve the maximum number of marks.

Question 3

This was a relatively high scoring question with many candidates scoring at least 7. The argument for specialisation was often much stronger than the argument against, so not many scored the highest marks. Most answers recognised the advantages of specialisation in terms of enabling Australia to develop economies of scale and so a competitive advantage, some more perceptive answers also brought in the theory of comparative advantage to good effect. Evaluation usually took the form of running out of unsustainable commodities or losing advantage to other economies notably China. Stronger answers used context well by bringing in other examples from past papers or wider reading.

3 Assess the likely benefits of increasing specialisation for a country such as Australia.

(9)

Specialisation is a person, firm, region or country focusing on producing a limited range of goods and services. According to the data, Australia specialises in producing automotive components and in commodity industries. Hence, ~~thus~~ by specialising it can produce the goods in large scale helping to gain economies of scale and reduce costs. This gives Australia ~~an~~ an absolute cost advantage in these productions and can export to other countries at cheap prices as it gains price competitiveness. Many local people would also gain employment. Automotive components require skills and hence local people would be trained which would later benefit them in opening up their own businesses. They would see an increase in their incomes as they gain employment ~~allowing to enjoy high standards of living~~. This in turn means they have higher purchasing power and raise living standards leading to economic growth.

However, specialisation can lead to over-dependence on these goods. For example, while it specialises in commodity industries, investments and automotive components, food ~~pro~~ goods such as processed foods may have to be imported in large scales. Thus, it would worsen the balance of payments current account. At the same time, increased and new competition, e.g. from growing (Total for Question 3 = 9 marks)

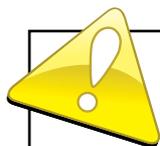
economies such as China with the ability to produce goods at cheap costs would see Australia losing its cost-advantage and demand falls leaving many people unemployed.



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Examiner Comments

A good response that explains the benefits of specialisation and develops the analysis in the context of Australia. Evaluation follows and although a little generic at times balances the analysis. This scored 8 marks.



ResultsPlus

Examiner Tip

When a question includes a phrase "...a country such as Australia" you can use any relevant country you like and do not have to mention Australia at all. It may be that you have much better knowledge of another country and can use the examples/context to much better effect.

Question 4

Again, this was a generally well answered question with most candidates managing to offer both positive and negative impacts on Indian businesses, showing an awareness of what might happen when trade barriers are reduced or disappear. More able candidates were able to analyse the impact in terms of the disparate nature of some of the countries in RCEP, by contrasting the difference between the opportunities and threats posed by the developed nations such as Japan and Australia against those from other developing economies such as Vietnam and Cambodia. Some candidates related the impact to the Indian economy rather than Indian businesses and failed to answer the question set.

*4 Evaluate the likely impact that joining the RCEP will have on India's businesses.

(12)

The RCEP is a proposed trade bloc which would consist of a number of Asian economic powerhouses. A trade bloc can be defined as a structural mechanism that influences the access to new markets as well as relations trading deals globally. In India joining the RCEP, they would be accessing a market which would potentially account for over 40% of world trade. This would present Indian businesses with a much larger market to tap into with the view to increase profitability. Secondly, it would also have an effect on business costs as Indian businesses would not have to pay excessive tariffs which would make their products less competitive in the destination country. However, due to the fact that there might be free movement of labour and capital, as well as the opportunity for businesses to locate anywhere within the trading bloc, it could bring increased competition into India. This perhaps could have two effects, it could trigger Indian businesses

to be more efficient and to compete better, but it could also cause them to lose significant market share and thus see a fall in profitability.

In conclusion, as India joins a trading bloc as influential as the RCEP, it provides endless opportunities for Indian businesses as they are able to access a significantly wider target audience. However, India could also see a large number of foreign businesses entering their domestic market and perhaps putting a strain on their market share. However, generally, I feel as though it is that Indian businesses stand to benefit from a wider target market, and if they are able to become efficient and increase their productive quality they could fend off competition and thus retain their market share. (Total for Question 4 = 12 marks)



ResultsPlus

Examiner Comments

An adequate response that has analysis and evaluation with some context. At times it is rather general but it does enough to reach level 4 and scored 8 marks.

Question 5

This question clearly surprised most of the candidates and caused problems, not with the knowledge or analysis - the benefits of FDI were widely well understood and explained, but with the application to the developed economy of the Netherlands. Only a few candidates managed to do so. Rather depressingly a much bigger number seemed to think that the Netherlands was a developing economy. It would seem clear that most candidates had a prepared answer that they were going to use regardless of the question. Whilst we would not expect any candidate to have detailed knowledge of a country not in the specification, it does not seem unreasonable to expect someone who has been studying the subject for two years to have some awareness of the needs or nature of a developed economy.

- 5 Explain **two** possible reasons why the Netherlands might be keen to attract foreign businesses. (Evidence E)

One reason may be to increase employment. FDI (foreign direct investment) encourages employment as businesses set up in a country (Netherlands) and can employ local people. This may help the Netherlands to become a more developed economy.

Another reason could be to transfer skills and technology. Netherlands is an emerging economy (a less economically developed country with some features of a developed economy) and if more developed countries such as the UK and USA provide FDI it may improve their skills and technology and help them become a developed economy.



ResultsPlus Examiner Comments

This response has two possible reasons, jobs and skills. While there is some development and analysis of the first reason the second fails to convince. Although application is attempted it is inaccurate and this response scored 3 marks.



ResultsPlus Examiner Tip

On all of the questions always check that you have done what the question has asked of you. Make sure you have answered the question that is set and not just one that you would like to answer or one you have prepared in class.

Question 6

Generally answered well, with most candidates offering and developing two reasons, although once again the application was sometimes weak with general assertions and generic answers. The most popular reason was rising incomes and accessing these newly wealthy markets. What many candidates failed to do was to make it clear as to why these reasons would cause a business to move and base its operations there rather than just opening up a new market from established bases in developed economies. More perceptive responses linked the growing wealth in emerging economies to the development of their own large companies who in turn would outgrow and take over from the ones in developed economies.

- 6 Explain two possible reasons why an increasing number of new, large companies are forecast to be based in emerging economies.

Emerging economies are economies of countries that have ~~ste~~ ~~stead~~ a steady increase in ~~the~~ economic growth such as China and India for example. It is beneficial to businesses to operate in an emerging economy as the increase in economic growth will likely lead to more ~~diso~~ an increase in disposable income with consumers so more money can be spent on a businesses products or services. This can lead to an increase in sales ~~and~~ revenue and so an overall increase in profits so ~~businesses~~ ^{new} businesses can grow into large companies very quickly if profits are used for expansion. Another reason could be that emerging economies are a way for some businesses to offset market saturation or a ^{highly} ~~in~~ competitive home market by entering a new emerging economy where they can gain market share and ^{increase} market growth. They can reestablish themselves in new emerging economies and gain more sales than they would in ~~the~~ a saturated home market.



ResultsPlus Examiner Comments

This response was typical of many in that knowledge and analysis were fine but no application present and only 4 marks were awarded.



ResultsPlus Examiner Tip

Always try to bring in some context to get the application marks. The stimulus material will usually help if you are stuck.

Question 7

As is usually the case with questions on joint ventures this one triggered the most 'textbook' responses with the majority of candidates producing carefully rehearsed standard answers, many of which had limited context or lacked it altogether. Those that did use examples were able to explain a number of benefits and drawbacks and most accessed Level 4 marks, although many were restricted to 6 marks as application was on one side only. Only a small number of candidates were able to evaluate in context throughout.

7 Assess the benefits to Pinewood Studios of entering into a joint venture with Seven Stars Media.

Joint venture is a business agreement where both parties agree to develop and market a product or a service for a finite period of time.

Pinewood studio is a ^{US} ~~British~~ firm and a joint venture agreement with Seven stars Media (Chinese firm) will enable Pinewood studios to enter Chinese market easily. Seven stars media will provide in depth information about the market which is a benefit to Pinewood and can sell movies to Chinese market ^{to suit} ~~at~~ the consumers in China. This way is a less risky method as the joint venture is also in the same field and percentage of success is very high. This will increase profits for Pinewood studio due to consumer satisfactions. Another benefit to Pinewood studios can be that the expenses and capital are shared by Seven Stars Media. This reduces the start-up cost and saves a large amount of profit for Pinewood studio.

However, there are cultural differences as the culture in China is ^{US} ~~British~~ way too different from the ~~British~~. This will have management styles conflicting and have dispute which will make business process slow and affects profit. ^{Profit may} ~~Foreign~~ also have to be shared with Seven stars Media which can reduce profits of Pinewood studio. However, the advantages of joint venture outweigh the disadvantages as it is said that profits are forecast to rise in the future for Pinewood studio to \$7.2 bn. The joint venture brings more benefits due to above advantages.

(Total for Question 7 = 8 marks)



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Examiner Comments

This response has both analysis and evaluation with some limited context and does enough to get into level 4 and score 7 marks.

Question 8

This proved to be a discriminating question where many candidates were unaware of the factors involved in 'Ease of Doing Business' and did not effectively use the outline provided in Evidence E. More able candidates did achieve a mid level 4 mark by offering an evaluative response in context with consideration of some manufacturing companies and their location decisions. However, of these, only a small percentage were able to access the highest level 4 marks as only limited alternative strands were addressed. Most contrasted the importance of the 'ease of doing business' with labour costs and/or skills. Sadly for less able candidates, the question was often not answered and was just a list of possible reasons for locating abroad with no mention of the key concept.

8 Assess the importance of the 'ease of doing business' to a manufacturing company's decision as to where to locate its production. (Evidence E)

When deciding where to produce, 'Ease of doing business' will be ~~one~~ one of many factors that a manufacturing business takes into consideration.

For many businesses, it would seem that 'Ease of doing business' is a key requirement when choosing where to invest and locate. 'Recent analysis shows that the level of investment ~~is~~ correlates with the World Bank's Ease of Doing Business index'. Clearly, it's of the utmost importance to many businesses who value the quicker start up times and smaller fees involved.

For a manufacturing business this would be particularly important because this would allow them to start production far quicker than in countries with more legislation and so re-cap these money sooner ~~and~~ and save money potentially as there will not be capital ~~and~~ and machinery standing idle. It will also save them money on fees, meaning they will have to produce less to recoup their initial investment and begin to make money. However, it is no coincidence countries with good Ease of doing business rankings (UK is 8th) have high wages - this is something

Manufacturers must think about very carefully, as well. If they locate in a country with lower minimum wage, their ~~costs~~ costs will be lower, and they may ~~make~~ make ~~profit~~ a larger profit (and contribution). Infrastructure is important as well, as it is necessary to have the networks in place to transport the produced goods to market once they have been made. Overall, for a manufacturing company, I feel ~~wages~~ wages costs and infrastructure are more important considerations than E.D.B hence why you see lots of sweatshops (Primark) in India.



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Examiner Comments

A good answer that shows clear and perceptive understanding of the question, there is balance and good use of context. This candidate reached level 4 and scored 9 marks.

Ease of business is important to some extent in a manufacturing company's decision to or where to locate its production. It should have The country should have a good infrastructure if so manufactured products can be transported easily. It should also have a low wages if the manufacturing company wants to make a profit. The a manufacturing company might also want low tax corporation tax to increase profits as well. The manufacturing company would want to have a cheap country with a stable government to prevent problems in doing businesses. They would also want to be close to the market if they are to sell in the country to retailers. The manufacturing company might want government grants or tax reductions to have 'the ease of doing businesses'. It is likely important for a manufacturing company to have the 'ease of doing business' but other factors such as low wages are also important.



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Examiner Comments

This response shows no understanding of the 'ease of doing business' but does attempt a discussion of other factors that might be important; unfortunately it is generic and assertion based with no context or examples used. It just reached level 3 and scored 3 marks.

Question 9

Many candidates achieved either low or mid level marks for this question by focusing on the expanding market available in China and comparing this to the increased competition that their exports might offer in the UK. Some good examples were offered as context including Manchester airport but sadly the opportunity was often missed to offer detail of how this particular FDI might offer opportunities to particular types of UK business.

More able candidates often recognised that there are differences between the impact in the short and long term and on different types of businesses and that many variables might influence this. Stronger responses often used a conclusion to good effect.

A lot of candidates used examples that were not relevant to the question set which was specifically about UK businesses. Coca-Cola, Gucci and Walmart are not UK businesses. The specification requires candidates to study the impact of the growing economic power of China and India. It would be a good idea for candidates to have a list of examples of Chinese and Indian businesses ready to use should the need arise. Few candidates seemed aware of any Chinese businesses such as Lenovo or Haier that are now firmly established in western markets.

*9 Evaluate the likely impact on UK businesses of China's growing economic power.

Growing economic power is the increase in consumption levels as well as the rise in GDP. According to data, China has a population of 1.7 billion and rising numbers of middle-class people, also known as an industrial giant. This means UK businesses can see rise in demand for products. Their products. As disposable incomes rise, there is higher demand for price elastic goods. Therefore, sales and profits would rise for UK firms. Many construction firms ~~can~~ would also benefit by providing infrastructure facilities such as ~~roads~~ railways and roads. There is also a possibility for UK firms to outsource production to China which has a low labour cost. Thus, goods can be produced more cheaply helping to gain higher cost-advantage and be price competitive. At the same time, as ~~evidence~~ evidence shows, there is an increase in demand for films and other leisure activities, thus

UK holiday packages and spas would see rise in their demand as they have elastic demand. This would help to gain a larger market share and prolong the product lifecycle. However, some other than UK businesses would be threatened, as Chinese firms grow, they have price competitiveness and likely to gain the customers of UK businesses, especially firms in the manufacturing sector since China has both a well-established labour-intensive and capital-intensive production facilities. Therefore, UK businesses would see demand, sales and profits fall for their products. Other businesses such as hairdressing is unlikely to be affected by China's economic power as Chinese companies have a comparative advantage in other sectors. At the same time, it is not always likely that UK businesses can exploit the Chinese consumer market since as evidence D show, China has a tight foreign control policy. Foreign firms for example, can only distribute 3% of their movies per year. Thus, these legal barriers would make it difficult for UK businesses to raise sales through consumer markets. At the same time, moving away from core-competence would mean that per cost of production may rise. ~~China's~~ China's growing economic power may also be unlikely to affect UK firms as they share

completely different cultures and languages
and these barriers may impose difficulties for
Chinese firms to compete with UK businesses or vice-
versa since costly research and development would
have to be undertaken. (Total for Question 9 = 15 marks)



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Examiner Comments

A good response that shows clear understanding, analysis and evaluation. There is good use of context in the form of examples and an understanding of the relative position of both UK and Chinese businesses. Although there is no conclusion, it does follow some perceptive and varied strands of argument and is a high level 4 response scoring 13 marks.

China as a country is becoming more powerful and has a growing economy.

This will have both positive and negative impacts on UK businesses.

One impact on UK businesses of China's growing economic power is that they may see it as a good market to go in to.

Some UK businesses may see China as a great opportunity to increase sales due to their economic growth so some companies may even move out to China to target the growing wealth in the country.

With China becoming more powerful and having a better economy, businesses may do more trade with China and not with the UK.

The UK businesses may see Chinese companies overtaking them and then losing custom and supply deals as a result.

With China becoming more powerful, they will move away from manufacturing industries in favour of the knowledge economy. This will affect UK businesses as they may not be able to get cheap goods and supplies and raw materials from China anymore as they don't

be doing them so UK businesses may have to look elsewhere for raw material supplier and find another country.

Overall, I feel that China's ~~to~~ growing economic power will be a positive

for UK business as it opens up another country to export to because of their increased wealth and it enables them to forge links with a strong and rich country.



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Examiner Comments

This response relies on assertions and generalisations. The points are valid but lack development and any kind of evidence or context to reinforce the arguments. It scored 7 marks.



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Examiner Tip

Always use the conditional when analysing and evaluating, use words such as 'may' and 'could' rather than 'will'.

Paper Summary

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

- Do watch out for command words such as 'Assess' or 'Evaluate'
- Do add a conclusion to the longer questions
- Do write concisely
- Do watch your timing and do not spend too long on one question
- Do use the language of the subject and avoid generalities
- Do use examples to illustrate your argument
- Do read the question carefully and answer the question that is set

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