

Examiners' Report/  
Principal Examiner Feedback

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GCSE Business (5BS01) Paper 01

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# Introduction To Small Business

## General comments

This was the fourth series of the new objective test format of examination. The evidence suggests that this paper was accessible and enabled candidates to demonstrate effective knowledge and understanding of content from Unit 1. The mean mark scored by candidates was similar to the previous series, suggesting that centres are preparing their candidates effectively for this multiple-choice paper.

Centres are once again reminded that whilst Unit 1 is more heavily weighted towards Assessment Objective (AO)1 and (AO)2, the questions continue to require candidates to think carefully through the options given before selecting an answer.

Centres should note that when examination papers are being produced they are designed to test the full range of ability. It should therefore be expected that learners may find some questions more/less challenging than others.

Centres should aim to equip their candidates with the skills and knowledge required by the specification rather than rely on learning by rote how to tackle specific types of questions.

Below is a summary of performance in the questions for which particular issues were evident, or for which we feel comment is worth making.

**Question 1** – innovation proved to be a challenging subject for many and many were unable to answer this question correctly. It is suggested that centres ensure candidates understand all aspects of the specification, including innovation.

**Question 2** – a large majority of candidates scored two marks by accurately identifying two methods of protecting business ideas.

**Question 3** – the subject of market segmentation proved more challenging than protecting business ideas. A majority of candidates scored less than three marks, suggesting that this is a topic area that needs to be consolidated by centres.

**Question 4** – this question was generally poorly answered. Two thirds of candidates scored either one or two marks. The subject of demand and supply is covered explicitly in Topic 1.5 (Understanding the economic context). Here, the specification states that candidates need to learn:

*The prices of commodity markets are determined by the balance between supply and demand.*

The chart in the question showed the falling price of a commodity – cocoa. Candidates needed to identify the likely reasons for this fall in price. All possible responses were related to demand or supply. The evidence suggested that many candidates were unsure of the factors of demand and supply and how they would affect price. For example, many selected 'A' – Less supply of cocoa by African producers. This would clearly cause an increase in price. Similar misunderstanding was seen in the other incorrect responses.

**Question 5** – calculated risk continues to challenge candidates, although performance this time was better. This suggests that centres are working to ensure

that candidates understand the principle. Two thirds of candidates gained one mark here.

**Question 6** - a large majority of candidates scored both marks on this question.

**Question 7** – this question required candidates to complete a cash flow forecast and was worth four marks. Three quarters of candidates scored either three or four marks, which was pleasing and suggested that centres are preparing their candidates effectively for this format of question.

**Question 8** - continuing the cash flow theme, this question required candidates to identify conclusions which might be drawn from the cash flow forecast. A majority of candidates scored one mark. A sizeable number of candidates gave C as a correct answer. Centres are advised to ensure candidates are aware of the difference between cash and profit.

**Question 9** – exchange rates once again proved quite challenging, although candidates performed better on this question than in previous series. Advice is provided at the end of this report about how centres can improve their candidates' performance with this topic.

**Question 10** - the topic of employment legislation proved accessible with a majority of candidates scoring two marks.

**Question 11** – almost two thirds of candidates scored two marks on the question, suggesting that the Topic 1.4 content on 'skill versus attitude' to be accessible to many.

**Question 12** – 90% of candidates scored two marks by identifying two goods from the five options.

**Question 13** – the advantages of being a private limited company proved to be a more challenging for candidates than expected. Whilst most candidates identified option D as a correct answer ('less risk due to limited liability') a sizeable number (incorrectly) chose option B. This suggests this is a topic area that centres need to focus on to ensure candidates are secure in their knowledge.

**Question 14** – following on from Question 13, so the question of finance for a private limited company was far from straightforward. Most candidates scored zero, with many choosing option A – 'retained profit'. The question asked for appropriate sources of finance for *starting* a private limited company. Retained profit was therefore clearly wrong.

**Question 15 and 16** – the format of question is designed to use financial data to calculate costs and profit for a business. Performance with Question 15 was generally strong; a large majority of candidates were able to calculate variable costs from the data provided. However, calculating profit after fixed costs had increased – Question 16 – was much more challenging. Only a half of candidates scored one mark for this question. This is an important part of the course, and one which will be built upon in Unit 3 for those students that follow this route. Centres are advised to offer their candidates plenty of opportunities for this type of calculation question.

**Question 17** – the marketing mix proved a straightforward question for most candidates, with a large majority identifying ‘Promotion’ as the correct answer.

**Question 18** – as with Question 17, this question on repeat purchase was well answered by most candidates.

**Question 19** – the effect of changes in interest rates was more challenging for candidates. While over half of candidates scored two marks, one third only scored one mark. Candidates need to recognise that higher interest rates can lead to higher cash outflows and higher fixed costs for businesses. Interest rates can also affect the spending of consumers.

**Question 20** – this question was well answered with almost two thirds of candidates scoring four or five marks. This type of question relies on candidates having secure knowledge of key terminology. The format of this question is easy to identify. Identify 5 correct definitions from a list of 8. By preparing candidates effectively in the language of Unit 1, and by ensuring they take the necessary time to read the question and the options, there is a greater likelihood that candidates will score highly on this type of question and avoid the pitfalls that can exist.

### **Advice for centres**

Below is a summary of advice specifically arising from this examination. This includes some of the guidance which is reproduced from previous series.

1. **Multiple-choice format does not mean that the exam is ‘easier’** – Centres should work with learners to ensure that learners are sufficiently prepared to attempt multiple choice questions. The questions are designed to require skills, including application and analysis.
2. **Demand and supply** – Question 4 suggests this is a topic which needs to be consolidated by centres. This is an important part of Topic 1.5. Teachers do not need to cover this topic by using demand and supply diagrams but candidates should be able to state the effect of changes in the factors of demand and supply on the price of commodities.
3. **Cash flow** – candidates’ grasp of cash flow, and in particular net cash flow, was not as strong as we expected. This is one topic for centres to cover in sufficient detail to ensure that candidates can tackle numerical questions on this topic. Understanding the reasons for worsening cash flow is also an area for centres to consolidate. Specifically, the specification refers to the role of stock levels and credit terms.
4. **Exchange rates** – one topic that remains very challenging for some candidates. As such it serves as a useful discriminator. This is not to say, however, that candidates of all abilities cannot to develop an understanding of the requirements of this topic. The specification states that students need to learn:

*‘how changes in the £/\$ or £/€ affect small firms that trade abroad or face competition from abroad’*

There are techniques which centres can use to help candidates secure their understanding of the topic. Many centres use the 'SPICED' mnemonic with their students: **S**trong **P**ound **I**mports **C**heaper **E**xports **D**earer.

5. **Key terms** – a number of marks on this paper are gained through knowledge of key terms. Centres should plan to consolidate this knowledge on a regular – weekly – basis with their students. This may take the form of weekly quizzes, wall displays, crosswords, and so on. Whatever strategies are used, this will prove to be time well spent in preparing for the Unit 1 examination.
6. **Practice makes perfect** – as a relatively new format of examination centres should seek to develop the exam technique of candidates by running mock exams under the same timed conditions as the real paper. In addition to any internal papers which centres may produce, there are now six papers from Edexcel: two Sample Assessment Materials papers, plus the Summer 2010, January 2011, Summer 2011 and January 2012 papers. These should be used effectively as formative exercises to develop the skills of candidates.
7. **Timing** – whilst many candidates scored highly on this paper, it was considered that, at times, incorrect responses were selected by learners as a result of questions not being read thoroughly enough. Centres are encouraged to work with learners in using the 45 minutes available to think carefully about each question, identify distracters, and finally identify the correct answer. A check by learners of all of their answers is also encouraged before the end of the exam. Candidates need to be aware that questions are designed to include some strong distracters.

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