

Mark Scheme (Results)

Summer 2010

GCSE

GCSE BUSINESS STUDIES (5BS05) Paper 01

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information, please call our GCE line on 0844 576 0025, our GCSE team on 0844 576 0027, or visit our website at www.edexcel.com.

If you have any subject specific questions about the content of this Mark Scheme that require the help of a subject specialist, you may find our **Ask The Expert** email service helpful.

Ask The Expert can be accessed online at the following link:

<http://www.edexcel.com/Aboutus/contact-us/>

Alternatively, you can speak directly to a subject specialist at Edexcel on our dedicated **subject*** telephone line: **0207 190 5329**

Summer 2010

Publications Code UG023588

All the material in this publication is copyright

© Edexcel Ltd 2010

Unit 5

Section A:

Question Number	Answer	Marks
1 (a)	C	1

Question Number	Answer	Marks
1(b)(i)	<p>Award 1 mark for each relevant point of identification.</p> <p>Reduction in personal income Loss of self-esteem Loss of skills Family breakdown Possible health problems Fall in standard of living</p> <p>Also accept any other reasonable point identified.</p>	3

Question Number	Answer	Marks
1(b)(ii)	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Reduction/fall in output • Reduction in consumer spending • Possible impacts on other businesses • Increase in welfare payments needed • Possible increase in crime • Businesses might be forced to reduce prices <p>For 3 marks there will be an explanation which makes 3 clear links</p> <p><i>E.g. if unemployment is high then it means that firms might see a reduction in sales (1) due to consumers having lower levels of income (1). It might also prompt firms to reduce its prices in order to attract custom (1).</i></p> <p><i>Some candidates might make the point that unemployment might enable firms to reduce costs by offering lower wages. This is valid and should be rewarded depending on the links established.</i></p> <p>For 1 mark there will be simple linkage <i>e.g. firms might lose customers.</i></p>	3

Question Number	Answer	Marks
1(c)	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Increase spending on education & training • Allows individuals to gain appropriate skills • Increases the likelihood of the unemployed gaining employment. <p>For 3 marks there will be an explanation which makes 3 clear links</p> <p><i>E.g. increased spending on education and training (1) will empower workers with the skills needed to gain a job. (1) This will help them get jobs and reduce unemployment (1)</i></p> <p>For 1 mark there will be a simple comment <i>e.g. governments can spend more on education and training.</i></p>	3

(10 marks)

Question Number	Answer	Marks
2(a)	D	1

Question Number	Answer	Marks
2(b)	<p>Award 1 mark for each relevant reason</p> <p>To increase profits. To increase market share. To take advantage of economies of scale. To gain more market power.</p> <p>Accept any other appropriate reason.</p>	2

Question Number	Answer	Marks
2 (c)	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Reduction in average costs allows a business to gain a cost advantage over its rivals • Allows a business to reduce the selling price of its product/service • Provides the opportunity for a business to gain a competitive advantage • Increase in efficiency and production <p>For 3 marks there will be an explanation which makes 3 clear links</p> <p><i>E.g. economies of scale will result in a fall in the average costs of the firm (1). This will enable them to reduce the selling price of their product/service (1) which may give them an advantage over their rivals (1).</i></p> <p>For 1 mark there will be a simple comment e.g. <i>the costs of the firm fall.</i></p>	3

Question Number	Answer	Marks
2(d)	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Potential problems if the business grows too quickly or becomes too 'big' • Possible diseconomies of scale as average costs of production rise • Increases in costs coincide with a less than proportionate increase in output • Businesses may be forced to increase prices • More difficult to manage • Communications more difficult <p>For 4 marks there needs to be a well developed disadvantage explained with clear links shown. Students are likely to focus upon diseconomies of scale although we may see reference to a lack of flexibility.</p> <p><i>E.g. When a UK business grows it might find that average costs rise (1) due to it becoming too big and cannot compete (1). The increase in costs from purchasing new machinery may not result in sufficient enough increases in output and sales (1) and may force the firm to increase its prices (1).</i></p> <p>For 1 mark a simple comment. E.g. Costs might increase.</p>	4

(10 marks)

Question Number	Answer	Marks
3(a)	B	1

Question Number	Answer	Marks
3(b)	<p>Award 1 mark for each relevant point of identification.</p> <p>Noise pollution Increased absenteeism from work. Increased waiting times for others to get medical appointments. Increased crime/violence Cost to the taxpayer of treatment/policing</p> <p>Also accept any other reasonable point identified.</p>	3

Question Number	Answer	Marks
3(c) (i)	<p>Award 1 mark for a relevant measure identified.</p> <p>Increase tax on alcohol Increase education of the adverse consequence of binge drinking Increase minimum drinking age Increase price of alcohol Ban 2 for 1 and happy hours Change licensing hours Raise age limit to buy alcohol</p> <p>Accept any other reasonable method identified.</p>	1

Question Number	Answer	Marks
3(c) (ii)	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Increase taxes/improve regulation • Tax rises increases the price of alcohol • Regulation might make it more difficult to purchase alcohol • This provides a deterrent to those wanting to purchasing alcohol • Reduction in sales and consumption of alcohol <p>For 3 marks there will be an explanation which makes 3 clear links.</p> <p>Do not reward repeat of the method</p> <p><i>E.g. Increasing the tax of alcohol would make the drinks more expensive to buy (1). This would reduce the ability of consumers to purchase large quantities (1) and therefore would reduce the amount that they consume (1).</i></p> <p>For 1 mark there will be a simple comment e.g. the price of alcohol will rise.</p>	3

(8 marks)

Question Number	Answer	Marks
4a	A	1

Question Number	Answer	Marks
4b	<p>Award 1 mark for each relevant point of identification.</p> <ul style="list-style-type: none"> • Time period concerned • The extent to which the good is a necessity • The number of available substitutes • The percentage of income spent on the good <p>Any other reasonable suggestion</p>	2

Question Number	Answer	Marks
4c	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Lack of substitutes • A low response in consumer demand from the price increases • An increase in the revenue of the business <p>For 3 marks there will be an explanation which makes 3 clear links</p> <p><i>E.g. if a supporter does not consider other football teams to be a substitute for watching Manchester United then they are willing to pay higher prices (1). Therefore when the price of the ticket rises the demand for the product does not fall very much (1). This means that Manchester United enjoys a rise in its revenue (1).</i></p>	3

Question Number	Answer	Marks
4 (d)	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Portsmouth F.C. season tickets are more likely to be price sensitive as the reduction in the price of tickets would be expected to lead to a greater change in quantity demanded (and therefore revenue.) • The value that Portsmouth supporters place on the original and new price of the season tickets and whether it represents value for money. • If sufficient supporters view that the lower price represents greater value for money then revenue for Portsmouth F.C. will rise • Recognition of what proportion of a supporter's income the price of a season ticket at Portsmouth represents. If it is a high proportion then a price cut is likely to lead to a greater than proportionate increase in demand and revenue. <p>To be evaluative and support the judgement made, the candidate might suggest that if the business is able to create additional customer interest via the price reductions then this could be more successful, but in the long term, it needs to ensure that it is successful enough so that supporters see alternative ways of spending their income no longer being an option, thereby making demand for Portsmouth season tickets price insensitive in demand.</p>	6
Level	Mark	Descriptor
No Mark	0	Non-rewardable material
Level 1	1-2	A judgement is made as to whether or not the reduction in price will lead to an increase in revenue. If there is just a simple judgement, 1 mark should be awarded. If this judgement has some simple support, the response should be placed at the top of this level
Level 2	3-4	A judgement/point is given on one or both perspectives with some support which includes at least one reason. At the top of this level this analysis will be relevant and linked to the judgement/point made.
Level 3	5 - 6	A judgement /point is given on one or both points with some development which includes at least 2 relevant, linked consequences etc. At the top of the level there will be a conclusion drawn from the analysis.

(12 marks)

TOTAL FOR SECTION A = 40 marks

Question Number	Answer	Marks
5	<p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • impact upon the spending pattern of consumers • consumers forced to make sacrifices • government tax receipts rise • a potential rise in the profits of fuel companies • employees might feel an increased sense of job security <p>2 marks should be awarded for the identification of 2 relevant stakeholders. These could include:</p> <ul style="list-style-type: none"> • Customers • Government • Shareholders • Employees <p>The explanation of how each stakeholder is affected is worth 3 marks.</p> <p><i>E.g. The rise in the price of petrol will lead to consumers having to spend more money on fuel. (1) This will mean that they have to make sacrifices (1) and either use their car less or will have less funds available to purchase on other goods and services. (1)</i></p>	8

Question Number	Answer	Marks
6(a)	<p>A monopoly is a business which has a market share of 25% or more and can influence the market.</p> <p>For one mark there will be a simple comment e.g. there is only one firm.</p>	2

Question Number	Answer	Marks
6(b)	<p>Award 1 mark for each relevant point stated</p> <ul style="list-style-type: none"> • Can provide value for money • Customers benefit from the development of new products • Potential lower costs and therefore prices if the large business is a natural monopoly <p>Also accept any other reasonable point stated</p>	2

Question Number		Answer	Marks
7 QWC Strands (i), (ii), (iii)		<p>The aim here is to try and encourage evaluation. The question asks candidates to suggest which initiative would be more effective. Therefore, reference to both suggestions is needed as a basis for relative comparison. Candidates who do this should be able to score at the top of level 3 depending on the quality of their answer. There is no right or wrong answer.</p> <p>Indicative content Candidates could focus on the government using reductions on the tax placed upon fuel to stimulate both production and consumption as this will reduce the costs of production for the firm which could in turn be passed on to the consumer in the form of lower prices. It would also lead to a lower price of fuel when fuelling their lorries. This would then stimulate economic growth and potentially lead to a fall in unemployment as more individuals would be required by firms to produce the additional goods and services needed. Alternatively, candidates may concentrate on the role of interest rates and how reductions in rate would stimulate consumption due to the reduced cost of borrowing and fall in reward from saving.</p> <p>It is likely that evaluation will be demonstrated by considering the importance of either of ways that lorry companies can be helped. Outstanding students may argue the relative importance of one way in preference to another.</p>	8
Level	Mark	Descriptor	
No Mark	0	Non-rewardable material	
Level 1	1-2	<p>Reference to one way in which lorry companies can be helped when the economy is in recession is given with some weak development or points are made with no development of either. If there is a simple judgement/value attached to one of the points, 1 mark should be awarded. If this judgement/point has some simple support, the response should be put at the top of this level. The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>	
Level 2	3-5	<p>Reference to both ways in which lorry companies can be helped when the economy is on recession is given with some development of each.</p> <p>A judgement/point is given at the lower end of the level with some development/support, which includes at least one consequence etc. At the middle of this level this analysis will be relevant and linked to the judgement/point made. Answers at this level will tend to assume the judgement made will 'work' (i.e. the way suggested will have no downside). At the top of the level there will be some evidence to balance the point/judgement in the form of some counter balancing factor. At the top of this level, the candidate will attach some</p>	

		<p>value/importance to one of the benefits to the lorry company. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>
Level 3	6 - 8	<p>Reference to both ways in which lorry companies can be helped when the economy is on recession is given with some development of each. A judgement/point is made with some development and the use of 'it depends' rule. Some balance will be given in the form of advantage/disadvantage, pros/cons, costs/benefits. The candidate will show some appreciation that the option that they select is not 'inevitable' or 'automatic'. At this level, candidates will attach some importance/value to both of the ways suggested in the question and make a judgement about which of the ways is more likely to help a lorry company.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>

Question Number	Answer	Marks
8a	Businesses become insolvent when the revenue they earn from sales cannot cover the costs of production (1) for a prolonged period of time (1) For 1 mark a limited statement <i>e.g. 'when business do not make enough money.'</i>	2

Question Number	Answer	Marks
8(b) QWC Strands (i), (ii), (iii)	<p>This question has a 2x4 mark split. There is one mark for identifying a relevant factor. The remaining 3 marks are for the explanation which will show how this factor would lead to the failure of Moat Hall farm. Within the answer there will be at least three clearly identifiable strands of explanation. These may contain connective words such as, 'this leads to ..' 'because...' etc..</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Lower than expected revenue from sales • Higher costs to the firm than expected • Poor credit management <p>The aim here is for candidates to recognise that many businesses that might be profitable can fail do to an inability to manage the timing of flows of money both in to and out of the business over time.</p> <p>The explanation of each factor is worth 3 marks. At the top end of this mark range expect candidates to develop a clear link of how the each factor identified leads to business failure.</p> <p><i>E.g. The outbreak of illness to customers from visiting a nearby farm means that customers are staying away which could lead to falls in cash inflows. (1) At the same time, Moat Hall Farm has embarked upon an expensive promotional campaign which will increase the cash outflows. (1) The combined affect of these could ultimately result in a business like Moat Hall Farm becoming insolvent and going out of business. (1)</i></p>	8

Question Number	Answer	Marks
9	Economic growth is an increase in the amount/value of goods and services produced by a country over time. A 1 mark answer will not make the link between	2

	the increase and the amount/value over time <i>e.g. economic growth is where a country produces more.</i>	
--	---	--

Question Number	Answer	Marks
10	<p>This question has a 2x4 mark split. There is one mark for identifying a relevant factor. The remaining 3 marks are for the explanation which will show how this factor would enable an economy such as China to grow. Within the answer there will be at least three clearly identifiable strands of explanation. These may contain connective words such as, 'this leads to ..' 'because...' etc..</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Investment in equipment and machinery. • Investment in the quality of human capital through training and education. • The level of government spending • The level of taxation • The level of interest rates • Quantity/Quality of raw materials • Climate <p>The explanation for each benefit is worth 3 marks. At the top end of this mark range expect candidates to develop a clear link of how the each factor identified leads to an increase in the capacity of the economy to produce more goods and services.</p> <p><i>E.g. investment in education and training will enable the workforce to acquire the skills needed to produce the goods and services required by consumers (1). This will increase the competitiveness of a country (1) and, as a result, consumers might switch to domestically produced products rather than purchase them from abroad (1).</i></p> <p>Exports are acceptable, imports also, so long as the candidate refers to the importation of investment goods.</p> <p>Weaker developments of the response are likely to demonstrate a limited of understanding of the subject matter. These candidates may offer a relevant factor, but fail to fully develop the point.</p>	8

Question Number		Answer	Marks
11 QWC Strands (i), (ii), (iii)		The case for using regulation is that firms seek to minimise private costs and maximise profits. For many firms the negative externalities associated with pollution is not a major consideration. Good candidates might refer to the challenge of achieving growth whilst conserving scarce resources.	10
Level	Mark	Descriptor	
No Mark	0	Non-rewardable material	
Level 1	1-4	The candidate explains the problems of growth of only. A candidate that only explains this perspective cannot go beyond 3 marks. Expect to see no reference to China and answers linked to a country in general terms. Answers in this range will have demonstrated no evaluative qualities. The quality of written communication will be weak with frequent spelling, punctuation, style and grammar errors.	
Level 2	5-7	At the bottom end of this level the candidate will have explained both perspectives of the argument of government regulation using terminology and inter-linkages of ideas. However, if evaluation is implied or is superficial/weak e.g. a simple reference is made to which perspective is more important, the maximum mark awardable is 5. Without evaluation a well explained answer can only be awarded 4 marks. At the top end of this level the candidate will have elaborated and developed their evaluation beyond a basic/simple statement and will consider the significance of whether economic growth should be regulated in order to minimise the problem of pollution. At the top end of this level, expect to see some balance (with clear reference to China), although any evaluation may still be simplistic in nature. There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate overall.	
Level 3	8 - 10	In this level there will be clear evaluation and the candidate will have identified the extent to which governments such as China should impose regulation upon the growth of firms. Responses will have a clear evaluative slant and will recognise that one perspective might be stronger than the other. Expect some candidates to refer to potential drawbacks to regulation and the ability of governments to police it. The answer will be articulated using business terminology and the candidate has clearly understood what the command word 'assess' means. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.	
Total for Section C			20 Marks

TOTAL FOR PAPER: 90 MARKS

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467
Fax 01623 450481

Email publications@linneydirect.com

Order Code UG023588 Summer 2010

For more information on Edexcel qualifications, please visit www.edexcel.com/quals

Edexcel Limited. Registered in England and Wales no.4496750
Registered Office: One90 High Holborn, London, WC1V 7BH