

Examiners' Report

June 2016

GCSE Business Studies 5BS05 01

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Introduction

Overall, this was an accessible paper and there were some excellent answers to the questions. It was pleasing that many candidates were able to apply their knowledge of business and economic issues to a range of contexts. Many candidates showed a real insight into understanding how governments and businesses have an impact on the world we live in. It was evident that many centres had accessed the numerous channels of information available via the Edexcel website, and from the feedback and training sessions provided, to prepare the candidates for this examination.

The multiple choice questions were answered successfully and most candidates demonstrated a good understanding of business and economic terms. Similarly, both 'identify' questions were answered well. The vast majority of candidates had a clear understanding of 'factors to consider when launching a new product' and the concept of 'stakeholders'. Outline questions were answered similarly well although many candidates failed to clearly apply their responses to the context of the case study.

On the 'define' and 'what is meant by' questions most candidates were able to pick up both marks by giving two relevant points within their answers, although some candidates did not understand the term. It was also pleasing to see candidates supporting their definitions with examples, and where imperfect definitions were given, this often escalated the response to 2/2.

The 3 mark 'explain' questions needed to have a valid point/effect/impact, and then two relevant linked strands of explanation which may come in the form of a reason, cause or consequence. These strands might be developed through connective words such as 'this leads to...', 'because...', and 'as a result...'. Where there is a stem, i.e. background information on a business or country, the candidate's response must be contextualised. Far too often this was not the case, and despite candidates providing good answers with at least two linked strands of explanation, answers were pinned at 2/3 because a candidate did not apply their answer to the specific context of, for example, The Trussell Trust, Phones 4U, or La Senza.

Questions 4(d) and 6(d) are 'choice' questions with marks awarded in levels. Candidates are required to make a decision based on two options with relevant supporting analysis. Good answers were present where candidates were able to provide a balanced argument, perhaps by discussing the relative advantages and disadvantages of one option. This balance often came through identifying a contrasting argument with connective words such as 'however' or 'on the other hand'. Responses awarded at Level 3 also required contextualisation and the best responses offered a reasoned conclusion, perhaps making use of the 'it depends' rule. For example, in question 4(d) some candidates were able to analyse how legislation would help protect mobile phone consumers, but then went on to explain that imposing new legislation would perhaps be expensive to monitor and may restrict or impede business in the mobile phone industry. Answers like this demonstrate balance in the analysis. The 'assess' questions of 6(d) followed similar patterns, although most candidates found it much easier to give a balanced response on 6(d) as most were able to identify at least one benefit and one drawback of raising funds through increasing road tax.

Comparatively, candidates also found it easier on question 10 to apply their answers to the context of La Senza and those factors that may have led to business failure. However, candidates found it harder to contrast market conditions (external factors) to other determinants that may have led to failure such as poor management or an unsuccessful new product range (internal factors).

Question 1 (b)

This question was answered well with most candidates identifying a factor that could lead to the demand for a product increasing.

'Lowering price' was the most common response on this question.

(b) Identify **one** factor that could lead to an increase in the demand for a good.

(1)

Lower price.

Question 1 (c)

This question was answered well by most candidates. Candidates either approached this question by explaining how increased interest rates may lower consumer spending, or how raised interest rates may directly impact a business by increasing costs through mortgage or loan repayments.

(c) Explain **one** way an increase in interest rates might affect a business.

(3)

Increase in interest rates could have a negative effective on the business because it will be more expensive to borrow a money. Therefore in the business has a loan from the bank it will have to pay more money for borrowing it as a result the cost will be higher this means the business will make less profit.



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Examiner Comments

'More expensive to borrow money' (1 mark)... 'costs increase' (1 mark)... 'profits may fall' (1 mark). The candidate gains three marks since an effect is identified with two linked strands of development.

Question 1 (d)

The purpose of this question was for candidates to explain the implications for the government of a high unemployment level. Candidates were able to access the marks by explaining the drawbacks of high unemployment, or the benefits of reducing unemployment. As with question 1c there are no marks for context on this question.

(d) Explain **one** reason why the UK Government might want to have a lower level of unemployment.

(3)

Unemployment is when a person is willing and able to work but does not have a job. The government would rather ~~less people~~ have a lower level of unemployment as it would lower the amount of unemployment benefit which in turn could be used to pay for investments in the NHS or education.



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Examiner Comments

There are no marks for a definition on an 'explain' question. The marks for this answer are awarded towards the end of the response. 'Less benefits' (1 mark)... with a consequence of the government being able to 'invest in the NHS' (1 mark). 2 marks

Question 2 (b)

For a definition question there are often two elements to the definition that the examiner is looking for. In this case, the examiner was looking for some reference to 'not-for-profit' organisations and some reference to the purpose of a charity e.g. 'a good cause'. Candidates were also credited if they gave a literal definition to the term 'charity'.

(b) What is meant by the term **charity**?

(2)

aid given to people who need it, without
having to repay it. For example, Cancer
Research donate money to health organizations
to fight cancer



ResultsPlus Examiner Comments

The candidate gives a partial definition of a charity. However, the second mark is given as a relevant example has been used.



ResultsPlus Examiner Tip

Always give examples wherever possible on a definition question.

(b) What is meant by the term **charity**?

(2)

A charity is a company with a primary goal that is to help
a cause of their choice. A charity can still have other objectives
financial or otherwise.



ResultsPlus Examiner Comments

The first part of the definition is credited. The second sentence does not add to the definition or distinguish a charity from other organisations.

Question 2 (c)

The benefits of opening a food bank in every UK town must be discussed in the context of The Trussell Trust for all three marks to be awarded. The majority of candidates scored two marks on this question.

(c) Explain **one** reason why *The Trussell Trust* might want to open a food bank in every UK town.

This could be there non-financial⁽³⁾ objective. They want to open a food bank in every UK town to help people who can't afford food to survive. As a result of this they will help more individuals and families who have low income and they will provide them with food for three days. This will make this charity more well know and will increase its brand image.



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Examiner Comments

The candidate has identified a benefit and developed the explanation with at least two linked strands of development. The answer is in context by referring to the '3 day food parcel' and the objectives of The Trussell Trust.

Question 2 (d)

For 'describe' questions candidates do not have to use linked statements. Marks can be awarded for identifying several factors with some development and for giving a definition, in this case, a definition of poverty. Any relevant sign of poverty was awarded. The answer should also be in context of the UK economy to achieve all 4 marks.

(d) Describe how the Government could identify signs of poverty in the UK.

(4)

~~The~~ One sign is the income per household as this will determine how much is spent within the economy, as if people have a higher income they have more money and consumer confidence to spend. The government could therefore monitor certain areas of the UK to see if ~~poverty~~ people are being affected by poverty in the area.



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Examiner Comments

The candidate identifies one method ('income per household'); there is then a basic development of this point for the second mark.

the people can also be taxed, meaning more money spent on government objectives.
(4)

They could carry out a survey or a census. Whereby everyone in the UK will need to list their property, yearly salary, number of persons in their household etc. This will allow the government to determine whether people are living under the government calculated 'poverty line'. Another way the UK government could identify poverty is by asking charities in the UK how much has been spent to help tackle UK poverty. If more money is being spent this year than last year for instance, this could lead the government to conclude that poverty is becoming more prevalent and action needs to be taken.



ResultsPlus Examiner Comments

The candidate has identified two ways that signs of poverty could be identified in the UK. Each factor is then developed for a second mark to be awarded. As the answer is in context by reference to 'census' and 'charities' the fourth mark is awarded.

Question 3 (b)

(b) Identify **three** reasons why the owners of *Holdsworth Foods* might want the business to grow.

(3)

- 1 More profit
- 2 To become known so that more people want to buy from Holdsworth Foods
- 3 Success of the company



ResultsPlus Examiner Comments

Two relevant answers have been given. The final answer 'success of the company' is too vague to be awarded.

(b) Identify **three** reasons why the owners of *Holdsworth Foods* might want the business to grow.

(3)

- 1 higher revenue
- 2 economies of scale
- 3 higher larger market share



ResultsPlus Examiner Comments

The candidate has identified three relevant benefits of growth for Holdsworth Foods.

Question 3 (c)

The focus of this question was to discuss the benefits of lower variable costs linked to a fall in fuel costs for Holdsworth Foods. Context may have been achieved through reference to terms such as 'lorries', 'depots' and 'deliveries'.

(c) Explain **one** benefit to *Holdsworth Foods* of cheaper fuel prices.

(3)

If fuel prices are cheaper then Holdsworth Foods will have lower costs. This ~~ex~~ allows them to reduce the price of their products, giving them the competitive advantage over other businesses, whilst maintaining profit margins. Decreasing the price may increase the sales volume and attract new customers.



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Examiner Comments

The candidate has written a well developed answer using connective words to build from the initial benefit of achieving lower costs. However, the answer is not in context of Holdsworth Foods so a maximum of 2 marks can be awarded.

(c) Explain **one** benefit to *Holdsworth Foods* of cheaper fuel prices.

Cheaper fuel prices can help *Holdsworth Foods* (3)
to improve productivity.

Since *Holdsworth's* infrastructure is based on lorries and transportation, having cheaper fuel prices can help to reduce their functioning costs. This in turn can ~~help~~ allow them to increase productivity by getting more lorries on the road with the money they have saved. They could also ~~improve~~ increase their buying and so have more ~~the~~ stock value added to the business as a result of the increased production (more lorries means more sales). If they can transport their



ResultsPlus

Examiner Comments

In comparison, this answer is similarly well-developed, but is also clearly rooted in the *Holdsworth Foods* context by applying their answer to the nature of *Holdsworth* as a food delivery business.

Question 3 (d)

Most candidates achieved 2 marks on this question. Most successful answers focused on the issues around variability in the exchange rate when bringing food produce into the UK. Context was generally achieved through reference to pride in UK produce or keeping produce fresh.

- (d) Explain **one** possible disadvantage to *Holdsworth Foods* of importing some of its food from abroad.

(3)

~~A~~ A disadvantage of importing from abroad is marketing as they are unable to state all their products are all from within the UK.



ResultsPlus
Examiner Comments

One drawback given, referring to 'made in the UK'. The answer would therefore be in context, but there is no further development of this limitation.

(d) Explain **one** possible disadvantage to *Holdsworth Foods* of importing some of its food from abroad.

(3)

This may damage their business as the unique selling point is that they take pride in delivering products produced in the UK, so if they import from other countries, then that makes them no different to other food suppliers. This means they would have more competition, which could decrease their demand.



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Examiner Comments

The candidate has discussed the limitations of Holdsworth selling food that is not produced in the UK. The candidate has discussed the impact this may have on the competitiveness of Holdsworth Foods. This is a good response, but this approach was used by a small proportion of candidates.

Question 4 (b)

The majority of candidates were able to identify a benefit of 'high levels of sales revenue' to achieve 1 mark. However, there had to be some reference to the Vodafone context to secure a second mark. Successful candidates were able to do this by, for example, mentioning that this would allow Vodafone to open more stores - a target mentioned in the case study.

In 2014 Vodafone achieved global sales revenue of £38bn.

(b) Outline **one** benefit to Vodafone of achieving high levels of sales revenue.

(2)

By receiving so much money in sales revenue, Vodafone will be ensuring large profits. The large amount of revenue can be fed back into the business into research and development, as well as allowing them to open more stores, which they plan to do in the next few years.



ResultsPlus Examiner Comments

The candidate identifies higher profits as a benefit of 'high levels of revenue' (1 mark). The second mark is then awarded through the reference to 'open more stores'.

Question 4 (c)

The purpose of this question was for candidates to explain the implications of less choice in the mobile phone market. However, a significant proportion explained how this may inconvenience customers in some way. This response was credited, but candidates who approached the question from this angle found it more difficult to achieve all 3 marks. Some candidates also misinterpreted the answer and discussed the drawbacks for Phones 4U.

(c) Explain **one** disadvantage for mobile phone users of *Phones 4U* closing all its retail stores.

(3)

Mobile phone users will have less options when purchasing phones. Therefore requiring them to choose the next best alternative to Phones 4U.



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Examiner Comments

1 mark is awarded for identifying the disadvantage of having to choose another mobile phone provider.

(c) Explain **one** disadvantage for mobile phone users of *Phones 4U* closing all its retail stores.

(3)

Customers of Phones 4U will be affected as their customer loyalty to the business has gone so they have less choice in where they shop leading to the chance of a company like Vodafone to exploit the customers causing customers to spend more, have less disposable income and can buy fewer products decreasing the standard of living.



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Examiner Comments

'less choice' (1 mark)... 'chance of... exploit' (1 mark)... 'less disposable income' (1 mark). The answer is also in context through reference to Vodafone.

Question 4 (d)

On a discuss question, candidates are required to compare two options or courses of action and then evaluate which is the best choice. Discuss questions should be answered in context and the answer should also be balanced in order to achieve L3. Balance can be achieved where a candidate discusses the benefits and limitations of one option. Candidates were able to discuss the benefits of introducing new legislation to the mobile phone industry. However, candidates found it more difficult to discuss the issues around self-regulation.

As a result of the closure of *Phones 4U*, the UK Government is considering introducing more regulation of the mobile phone industry in order to increase protection for consumers.

(d) The UK Government is considering the following two options:

Option 1: Impose new legislation on the industry

Option 2: Encourage better self-regulation within the industry.

Which of these two options do you think would be the most effective in protecting consumers? Justify your answer.

(6)

By choosing option one it becomes more strict on the rules that have to be followed in the industry. Therefore there will be ~~the~~ stricter consequences if the legislation is exploited. This may influence the phone industry to have a wider knowledge on the protection of consumers. On the other hand self-regulation means having bodies within the industry who are responsible on making sure rules and guidelines are followed. This means that companies can constantly be monitored, meaning consumers may feel secure knowing that within the companies there is someone who is regulating and therefore protecting them. I believe that option one

would be more effective as the
legislation can be acknowledged by consumers and
companies, then taken into account

(Total for Question 4 = 12 marks)



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Examiner Comments

The candidate has identified the benefits of both legislation and self-regulation with simple development of each. The candidate has also given a simple conclusion. The answer is awarded at the top of Level 2 (4 marks) since there is not sufficient balance or context to access Level 3.

As a result of the closure of Phones 4U, the UK Government is considering introducing more regulation of the mobile phone industry in order to increase protection for consumers.

(d) The UK Government is considering the following two options:

Option 1: Impose new legislation on the industry

Option 2: Encourage better self-regulation within the industry.

Which of these two options do you think would be the most effective in protecting consumers? Justify your answer.

(6)

Imposing new legislation is highly effective because regulators can be used to set up guidelines for the phone industry so that customers don't have to pay too much for their phones. ^{Legislations} ~~Regulators~~ are ~~beneficial~~ better than self-regulation because with self-regulation, the business would make ^{least} ~~more~~ guidelines to follow that ensure that the business gets as much revenue as possible - ~~self-regulators~~ ^{businesses} do not care about people as much as the government does - However, ^{I believe that} the self-regulation should be used because a business should be able to choose ~~a set~~ sensible guidelines without interference from the government. The business should have the opportunity to create guidelines that benefit both the business and the customers. Another advantage of self-regulation is that even if self-regulation is done wrongly, the government can step in and take control, to ensure that consumers are given more protection.



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Examiner Comments

This is a well-developed answer where the candidate has shown good understanding of both options. The answer is also balanced since the candidate has discussed the benefits and limitations of self-regulation - businesses can set rules and guidelines that are in their own interests. The answer therefore accesses Level 3 (5 marks). The answer is not at the top of level 3 since there is no conclusion.

Question 5 (a)

For this definition candidates were awarded two marks for identifying some form of communication, e.g. roads, broadband, rail network, and some reference to the purpose/function of infrastructure to a country.

5 (a) What is meant by the term **infrastructure**?

(2)

Infrastructure is buildings or property such as roads.



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Relevant examples of infrastructure given - 1 mark.

5 (a) What is meant by the term **infrastructure**?

(2)

Rail, road and air links that help the economy. ~~transport~~. Businesses can transport goods easier with better infrastructure.



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The candidate has given relevant examples of infrastructure and then developed the answer by identifying its purpose/benefit - 'Can transport goods better'. 2 marks

Question 5 (b)

Any relevant example of a stakeholder affected by potholes was credited. Almost all candidates were able to achieve this mark showing an understanding of the stakeholder concept.

(b) Identify **one** stakeholder group affected by potholes.

(1)

~~Peda~~ Pedestrians .



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A relevant stakeholder given - the most common answer was 'drivers'.

Question 5 (c)

Most candidates showed an understanding of what a subsidy is and its benefits. However, the benefits in this answer should be expressed in terms of the local council and not the general public. The consequences of the benefit could then be developed to reference the benefits for the local community. Most candidates developed their answer by explaining how savings could be spent on other important areas e.g. NHS or education.

(c) Explain **one** benefit to local councils of receiving a subsidy from the Government.

(3)

The Councils are able to spend the money on problems like potholes and other things like the standard of living in some parts of their borough



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1 mark awarded for reference to spending on other areas. The reference to standard of living is too vague and was not credited.

(c) Explain **one** benefit to local councils of receiving a subsidy from the Government.

(3)

The ~~via~~ cost of repairing potholes will be reduced. The subsidy will encourage local ~~councils~~ councils to repair potholes. This will improve the infrastructure of the local area. The subsidy means that there is less opportunity cost as the council has more remaining money to spend on development, such as on education.



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The candidate has given a benefit - 'repair potholes' (1 mark). The candidate then goes on to give two linked strands of explanation. The candidate has given examples, which ensured the answer was specific. Through reference to potholes the answer was also in context and the third mark awarded.

Question 5 (d)

This question is a 2 x 4 split with candidates explaining both a benefit and a drawback of local councils carrying out repairs to roads. Where candidates gave detailed responses but were unable to reach the top marks they often repeated the benefit as part of the explanation or failed to answer in context.

(d) Explain **one** advantage and **one** disadvantage of councils carrying out repairs to local roads and highways.

(8)

Advantage

Less injuries and accidents

Explanation

When repairing local roads and highways from things like potholes, there will be fewer injuries and accidents happening which means it is a safer place. This would save the government and councils from spending as much money on the healthcare for road related accidents. This means that the local councils and government can spend more money on other things like deterring crime.

Disadvantage

They can't spend as much money on other things like reducing crime.

Explanation

When spending ~~a large amount of~~ £168 million on repairing roads and highways, this doesn't leave very much money for the council to spend on tackling crime. Crime could be a more serious event and could cause more injuries and accidents than the road accidents do. So the council can't spend as much money on

Disadvantage

They can't spend as much money on other things
we're reducing crime.

Explanation

When spending ~~a large amount of money~~ £168 million on repairing roads and highways, this doesn't leave very much money for the council to spend on tackling crime. Crime could be a more serious event and could cause more injuries and accidents than the road accidents do. So the council can't spend as much money on



ResultsPlus Examiner Comments

Two relevant advantages/disadvantages.

First explanation is good with three points of development. There is repetition in the second explanation, but still two points of development. 7 marks

(d) Explain **one** advantage and **one** disadvantage of councils carrying out repairs to local roads and highways.

(8)

Advantage

infrastructure improvements

Explanation

It would be easier for businesses that provide take away service as they will satisfy their customers ^{near} much better. Farmers that supply market with food can do it much quicker.

Disadvantage

problems for people that live near the roads

Explanation

Those people who live near the roads might be greatly affected by repairing process. Repairing the road, they also make a lot of noise. Also they will make a lot of pollution so it's bad for local people.



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Examiner Comments

The part of the answer identifies a relevant benefit and then develops two points of explanation. However, the second part of the answer is confusing and the candidate does not give a sufficiently accurate disadvantage. However, there is enough clarification in the explanation for a further mark - total 4 marks.

Question 6 (a)

Candidates were required to give a definition relating to a law/rule and some reference to the role of government. An imperfect definition could be escalated to 2 marks with a relevant example. Most candidates scored 2 marks on this question.

(a) What is meant by the term **legislation**?

(2)

Legislation is when a law is
put into place.



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Examiner Comments

One part of the definition has been given with reference to 'a law'. 1 mark.

(a) What is meant by the term **legislation**?

(2)

It is a law set by the government which everyone
has to follow. If broken ~~severe~~ ~~punished~~ penalties can
be charged e.g. prison ^{and} fines.



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Both aspects of the definition are given - 2 marks. The candidate has also mentioned the purpose or nature of legislation. Where this description was accurate candidates were credited.

Question 6 (b)

Most candidates were able to achieve at least 1 mark on this question by identifying a relevant benefit for reduced crime. The second mark was achieved for some development. For example, a consequence of what the local council or government could now do with the funds not being spent on policing or the benefits to the economy of a safer city.

(b) Outline **one** benefit of reducing crime and antisocial behaviour in London.

(2)

More tourists will spend more money.



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A relevant benefit identified - 1 mark. However, there is no development for the second mark.

(b) Outline **one** benefit of reducing crime and antisocial behaviour in London.

(2)

London will have a better image of being a safe and nice area. This can benefit things like tourism, meaning more money is spent in London, and economic growth will increase.



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A benefit has been identified 'better image...safer' (1 mark). The candidate then develops this with a consequence: 'benefit things like tourism' (2 marks). There was no context required on this question.

Question 6 (c)

The purpose of this question was for candidates to discuss how government spending (fiscal policy) on the transport network could increase economic growth. Many candidates recognised the connection with infrastructure and gave a well-developed answer in context of the UK. However, many candidates also interpreted this as spending on the transport network by consumers. Candidates who went down this route were still credited.

(c) Describe how the spending on the UK transport network could increase economic growth.

(4)

An increase on the spending on UK transport could cause more tourists to want to visit, making them use their disposable income in the UK and making the economy flourish. Also, it could create a positive reputation and encourage more to visit the UK. Tourism could boom and increase spending on



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The answer starts well. The candidate describes a factor with some development by referring to the impact on tourist growth. However, the second part of the answer simply repeats what has already been said. 2 marks.

(c) Describe how the spending on the UK transport network could increase economic growth.

(4)

Spending on the UK transport network could increase economic growth because it can help to improve infrastructure. This means that more people can use these networks to travel making people more encouraged to spend their money on travelling or simply using public transports. This could lead to an increase in economic growth because the spending and confidence of customers would increase as infrastructure improves therefore they will spend more which can increase GDP per capita. Especially for people who live further away from e.g. work, and business which need to they can easily get to work therefore they will be able to export their goods from other areas and do it much more easily due to better transport networks therefore these goods and services would be cheaper in price for customers who will spend their disposable income more as price is lower.



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The candidate gives a well-developed answer and focuses on three factors which could lead to economic growth - spending on public transport, access to work and international trade. There are at least 4 points of raised in this answer to secure all four marks.

Question 6 (d)

For this 'assess' question candidates were required to analyse the benefits and limitations of raising the funds to repair potholes/roads through road tax. The best answers tended to discuss the fact that this would be a direct tax paid for by motorists who use the roads. Good answers also then went on to discuss the limitations, such as the impact on motorists of higher road tax e.g. making driving too expensive for some people who need their car to travel to work. To evaluate this question, candidates may have used the 'it depends' rule to point out that this impact of increasing road tax may depend on by how much it would be increased. Some candidates went on to mention other ways that these funds could be raised and this is always an effective approach to take when evaluating.

The Institute of Civil Engineers has welcomed the increase in spending to improve UK roads. However, it has estimated that it will cost £250 million to fully catch up on road repairs. One way in which the UK Government could raise the additional funding is by increasing road tax.

*(d) Assess the impact of the UK Government increasing road tax to pay for the additional spending on road repairs.

(8)

If the government increased road tax some people may not be able to afford it. This would lead to ~~more~~ less people ~~access~~ acquiring cars. If fewer people have cars the standard of living in the UK would decrease.

However if they increase the road tax most people would obey. This would lead to more money for the government to improve the roads. This would lead to an improved and better standard of living.



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The candidate has mentioned the positives and negatives of raising the funds through road tax. However, the development of each point is limited and although there may seem to be balance (which could escalate the answer to the top of level 2) there is not sufficient development. The answer is mid level 2 - 4 marks.

* road tax to pay for the additional spending on road repairs is worthwhile because in the long term the benefits ~~of the~~ ^{of the} better roads. The Institute of Civil Engineers has welcomed the increase in spending to improve UK roads. However, it has estimated that it will cost £250 million to fully catch up on road repairs. One way in which the UK Government could raise the additional funding is by increasing road tax. ^{is outweigh} the cost.

*(d) Assess the impact of the UK Government increasing road tax to pay for the additional spending on road repairs.

(8)

Increasing road tax could lead to backlash and conflict between car owners and the UK Government. Politically this would put the Government at a disadvantage in the next election. Increasing road tax would also mean car owners have more cash each month and therefore less disposable income. Those with less disposable income will ~~have lower~~ ^{be less inclined} to spend and consumer confidence will go down. As a result of this economic activity in the UK could decrease. ~~Increasing road tax~~ However overall the benefits of increasing road tax would be very good for the UK. The money saved from fewer accidents and strain on NHS services could be spent on ~~improving~~ ^{enhancing} services like healthcare and education. Increasing road tax would also lead to fewer people using cars ^{because} ~~and increased use of~~ ^{cars and as} ~~public transport~~ fewer people may buy them because ^{fewer} of ~~the~~ tax. This means ~~less~~ ^{fewer} pollution from ex' gases like sulphur dioxide will be released into the atmosphere ~~and~~ ^{damaging} the environment. In conclusion, I think that increasing

(Total for Question 6 = 16 marks)

TOTAL FOR SECTION B = 30 MARKS



In comparison, this candidate has given a very thorough answer considering both the benefits and limitations of raising funds through road tax. The answer, therefore, has balance and is clearly routed in the context of the case study. The evaluation is logical and considers the short vs. long-term impact of the decision. 8 marks.

Question 7

A straightforward definition of insolvency would suffice for both marks - 'where a business is unable to pay its debts'. Candidates were also credited, with 1 mark, where they made reference to issues around cash flow or bankruptcy.

administration-lingerie-chain)

7 What is meant by the term **insolvent**?

Cash flow is poor (negative)
So the company cannot operate properly.



ResultsPlus
Examiner Comments

The candidate shows an understanding of the issues around insolvency, but there is not enough clarity to secure both marks.

administration-lingerie-chain)

7 What is meant by the term **insolvent**?

This is when a business can no longer afford to pay its debt and the business has failed. For example many small businesses become insolvent - unable to pay debts, due to poor cash flow.

(Total for Question 7 = 2 marks)



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A clear definition. 2 marks.

Question 8

A wide range of relevant factors were mentioned by the majority of candidates to achieve at least one mark. Many candidates were also able to develop their point giving reasons. However, the second mark for this question had to come through reference to the La Senza case study.

*8 Outline **one** factor that *La Senza* might have considered when launching a new product.

The materials it would ~~be~~ require to ~~make~~ produce it. This is because it states they use recycled materials so they would want to make sure that the product uses sustainable resources and that are environmentally friendly to dispose of.

(Total for Question 8 = 2 marks)



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'Materials' accepted as a relevant factor a business would consider when launching a new product. The answer also achieves the second mark as the candidate has linked this point to 'recycled materials'. The case study identifies La Senza as being an environmentally conscious business, hence the answer is contextualised.

Question 9

For this question candidates were required to discuss at least two benefits of operating ethically in the context of La Senza. Balance was then achieved through the identification of some limiting factor e.g. the cost of ethical business practices. To achieve the top marks candidates were also required to give a logical conclusion. 8% of candidates were able to reach level 3 on this question.

*9 Discuss the benefits to *La Senza* of operating ethically.

Operating ethically presents a good ^{positive} brand image which will usually attract more customers as it will give them and the public the impression that they are catering for their consumers needs and therefore create a bond with company and continue purchasing regularly as well as recommend it.



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The candidate has identified one benefit of ethical practices -- 'good brand image'. This benefit is then developed well for the second mark. If a second benefit had been identified this answer would have moved up to level 2.

***9** Discuss the benefits to La Senza of operating ethically.

If La Senza operate ethically they may gain more social success. This is because customers may like that they are using natural methods and being unique from other underwear and nightware businesses.

One benefit of La Senza operating ethically is that it causes social success. If La Senza use ethic methods to operate such as using energy saving devices, ~~their product~~ using recycled materials, ~~these~~ they may gain ethical investors. This means they will have a higher market share. ~~They will also be able to use this~~ This increase in market share may aid them into getting more customers and investors who are able to increase revenue for them.

However ~~the~~ operating ethically means that the business may have high start up costs. They may have to spend a lot of money on energy saving devices. This causes costs to rise and the risk of insolvency again.

But, by being ethical, La Senza can use this as their Unique selling point to attract customers. This particular USP may gain charity sponsors. More customers ~~may be able to~~ means more revenue and therefore increased profits. They may be able to use this ~~as~~ to expand and to become bigger.

(Total for Question 9 = 6 marks)



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This is a good answer. The candidate has identified at least two benefits of acting ethically for La Senza. The candidate has also shown balance by identifying a limiting factor and the answer is contextualised. To achieve a score at the top of level 3 (6 marks) the response would require a conclusion. 5 marks.

Question 10

The purpose of this question was for candidates to show an understanding of what market conditions are and how they can lead to business failure. To achieve marks at level 3 candidates had to show an appreciation of how these factors may compare to internal factors of failure such as poor management or cash flow. To achieve level 2, candidates were required to give a detailed analysis of at least two causes of failure. To achieve the top of level 3 candidates were required to produce a balanced and contextualised evaluation of the factors discussed.

10 Using your knowledge of business and economics, assess the extent to which the failure of La Senza might have been due to changing market conditions.

La Senza's failure could have been due to a changing market conditions. One reason could be due to changing consumer tastes and fashion ~~power~~ ^{preferences}. ~~Some~~ Due to certain types of clothes being trendy, consumers may have preferred to buy these clothes instead of the clothes offered by La Senza. La Senza may not have kept up with these trends so demand for their products decreased and people favoured clothes from competitors. Alternatively La Senza may also have ~~felt~~ failed because of the recession, where consumers became less likely to spend as consumer confidence is low. Considering that La Senza's products are probably more expensive because they use environmentally friendly materials which cost more, it is likely that consumers preferred cheaper clothing stores like Primark as ~~app~~ opposed to La Senza. This of course would have led to a loss of sales for the company. One change in market conditions could have been an increased

owner on E-tailing. This could have involved the increase in demand for goods online due to increased internet usage. La Senza ~~is~~ would

~~likely not have~~ probably not be up to date with the increased use of internet to shop and as a result fell behind its competitors which had a competitive advantage because they sold products online to consumers. In conclusion in my opinion it is a combination of all of these factors that led to La Senza's decline but the most devastating change on La Senza would have been the recession. With lower demand for services businesses that sell good quality clothing ~~is~~ ^{sell} (Total for Question 10 = 10 marks)

clothing at high prices

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 90 MARKS

would have ~~been~~ seen a huge change in sales and that ~~and that undoubtedly~~ was a telling factor in the 80 branches that ~~closed down~~. demonstrated by the closure of 80 ~~shops~~ La Senza branches.



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Level 3 response. The candidate has discussed at least two different reasons why La Senza may have failed. Each has been explained and developed and there are points of context throughout the answer. The answer has balance since the candidate has compared factors other than market conditions - actions of competitors in terms of e-tailing is discussed as an alternative factor. The candidate clearly explains that this is La Senza's failure to adapt to actions of competitors and is therefore accepted as being something other than market conditions. This justifies L3. The evaluation is well-developed and linked to the context - 9 marks. The candidate may have escalated their response to 10/10 by considering the 'it depends' rule in their evaluation or considering the short vs. long-term picture.

10 Using your knowledge of business and economics, assess the extent to which the failure of La Senza might have been due to changing market conditions.

Market conditions is used by changing their marketing mix. Issues caused by bringing in a new product can risk people not liking it. Changing the placement of a business could have a negative impact as there could be an increase in competition, so their overall sales will decrease. By adding a promotion onto its products could decrease their total amount of profit which they make, therefore it could be hard for them to pay rent or loans which they have taken. Setting prices too high could lead to customers being put off as they know that there are other alternatives where they can buy a similar product, therefore this would decrease its total amount of sales. If La Senza had managed to keep all 4 of these market conditions stable they would have been able to succeed and create a large amount of sales and profit. Because they didn't and they took uncalculated risks it ~~was~~ ended with up with them in unsolvency.



ResultsPlus Examiner Comments

The candidate has given a well-developed description of a factor that may have led to the failure of La Senza. However, the candidate does not understand market conditions and has interpreted this as the marketing mix. For this reason the answer is restricted to a level 1 response. 4 marks.

Paper Summary

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

- Remember to use contextualised words from the source material instead of using generic words such as 'product' and 'business'
- Read the questions carefully, so that you produce an answer for what is being asked
- Don't repeat the question in your answer or repeat points raised already addressed in your answer
- Contextualise your answers to the question and any source material or data
- On 'discuss', 'assess' or 'evaluate' questions ensure your answer is balanced by discussing the benefits and limitations of the issues. Balance could also be achieved by discussing alternative methods / options that are not raised in the question. This is often appropriate for Q10.
- Try to be specific within your answers and try to avoid vague or generic statements such as 'improve the business,' 'benefit the economy' or 'be more successful'
- Use business and economic terms accurately and precisely

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