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Introduction to the specification

In designing this specification, Edexcel consulted widely and asked teachers actively involved in teaching our legacy specifications, and teachers using other awarding body specifications, to give extensive feedback on what they wanted from the 2009 GCSEs, and what they liked and disliked about our current qualifications. We listened to this feedback and, along with the requirements of the subject criteria, incorporated it in our new suite of qualifications. Teachers have been involved into the development of GCSE 2009 at all stages.

This specification is based on Edexcel's successful GCSE Business pilot. The pilot began in September 2006 and was successfully run by 100 centres.

This specification has been designed to:

- focus on students' active engagement in the study of business and economics
- develop skills such as building arguments and making informed judgements, adopting a critical approach to the subject, and appreciating different perspectives.

This specification builds on the exciting work that was carried out by many centres following the pilot, and in our other courses, to provide the opportunity for exciting lessons and challenging learning experiences for all abilities.

The qualifications have a common core unit, Unit 1, that all students take (Unit 6 for Short Course students). This unit provides some of the building blocks for progression, with the emphasis being on realism and accessibility. Unit 1 focuses on starting a new business. You should look to build on your students interest and curiosity in business at the introductory stage of the course.

For Full Course GCSE students, the remaining units would, logically, be followed in Year 11. By this time students will have gained some basic knowledge of business and will have developed a greater degree of maturity. This equips them to cope with the demands of the option units.

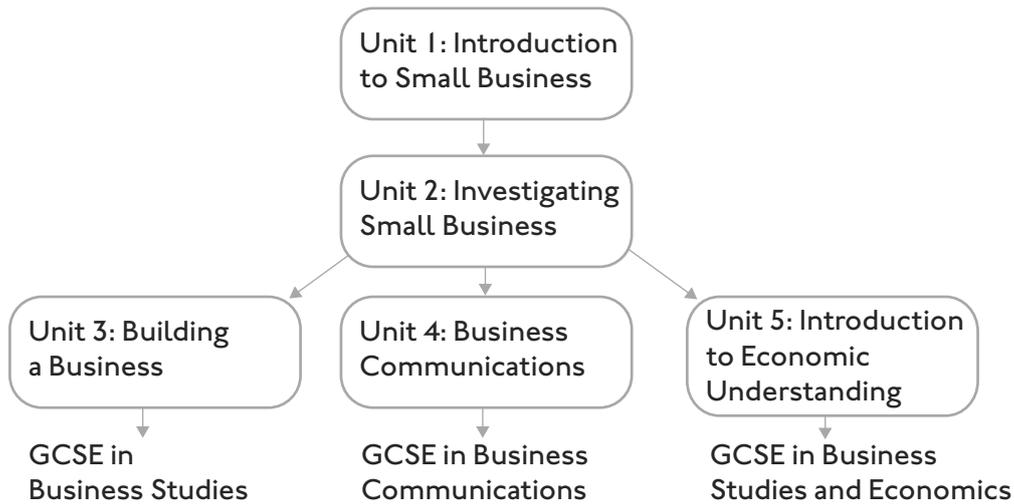
You have the option of giving students a choice to match their interests and skills to particular subject areas relevant to business. However, this is done without a bewildering array of options and choices that become unwieldy and difficult to administer, or which are expensive to resource.

Similarly, each unit content has been designed to help enable the optimum use of staff specialisms.

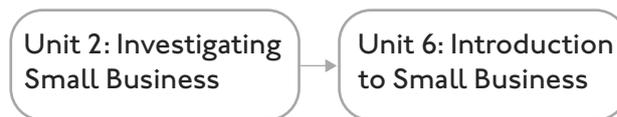
Overview

The specification is structured as either a Full Course or Short Course. The Full Course is made up of Units 1 and 2 and a choice from Units 3, 4 or 5. The Short Course is made up of Unit 2 and Unit 6 (the content of which is identical to Unit 1).

GCSE in Business (all pathways)



GCSE (Short Course) in Business Studies



The content for Units 1 and 6 is the same

Course planner

This planner gives you some ideas about how to structure the course over two years and deliver the content. It can be adapted easily to accommodate differences in the timings of work experience and internal examinations.

Units 1 and 2 are the basis for all pathways.

Year 10

Weeks	Unit 1 Introduction to Small Business	Notes
Autumn term Weeks 1-6	1.1 Spotting a business opportunity	Understanding customer needs is central How businesses analyse their market Analysing competitors: refining or enlarging the opportunity Meaning and importance of 'added value' Franchising and other start-up options
Weeks 7-11	1.2 Showing enterprise	The skills and risks involved in enterprise The role of lateral thinking and creativity Obvious and less obvious questions How new ideas come about and how they can be protected Weighing up risks versus rewards Bringing it all together
Weeks 12-16 Spring term Weeks 1-3	1.3 Putting a business idea into practice	Financial and non-financial objectives Determination, initiative, taking risks, making decisions, planning, leadership – and luck! Forecasting, determining costs and price, the concept of profit The concept and importance of cash flow Short- and long-term sources of finance
Weeks 4-10	1.4 Making the start-up effective	Anticipating customer needs Marketing mix: 4Ps in relation to small businesses Aims and implications of limited/unlimited liability The importance of record keeping The importance of effective customer service Selecting staff and treating them fairly
Week 11-12 Summer term Weeks 1-4	1.5 Understanding the economic context	Commodity markets and their effect on small firms How changes in interest rates can affect financing of small firms and consumer spending Exchange rates: imported and exported goods How changes in the level of economic activity can affect small firms Business decisions affect stakeholders in different ways
Weeks 5-11	Unit 1 mock exam – based on past papers Unit 2 Controlled Assessment preparation [dummy run] using old tasks – 2 weeks Unit 2 Controlled Assessment [real thing] after publication of tasks – 2 weeks <i>Note that the Controlled Assessment completed at the end of Year 10 must be submitted for moderation in May of Year 11.</i>	

Year 11

Weeks	Unit 3 Building a Business	Unit 4 Business Communications	Unit 5 Introduction to Economic Understanding
Autumn term Weeks 1-2	3.1 Marketing Understanding marketing	4.1 Communication The communication model	5.1 How can I start to think like an economist? Introduction to economics and key issues
Weeks 3-4	Market research	Purpose of communication Process of communication	What trade-offs exist?
Week 5	Product trial and repeat purchase	Barriers to good communication	Does raising or lowering price always work?
Week 6	Product life cycle	The effects of good business communication. The effect on different business organisations	
Week 7	Branding and differentiation	The effects of bad business communication The effect on different business organisations	Do all stakeholders have the same perspective?
Week 8		4.2 Communication with stakeholders of a business Who are the stakeholders? Methods of communication	Are there any hidden costs or benefits?
Weeks 9-10	Building a successful marketing mix	Different communication media Types of written communication The range of written forms of communication	5.2 Risk or certainty? How can success be measured? What causes business failure?
Week 11	3.2 Meeting customer needs Design and research development	Types of electronic communication	What problems does the economy face
Week 12-13	Managing stock and quality		How important are exchange rates?
Weeks 14-15	Cost-effective operations and competitiveness Effective customer service Meeting consumer protection laws	Images used in business communication	Can the government solve economic and social problems?
Week 16	Mock exams: Unit 1 exam – based on past papers Unit 3/4/5 exam – based on Topics 1 and 2 from past papers/SAMs		
Spring term Weeks 1-2	3.3 Effective financial management How to improve cash flow	4.3 Business communication tools The principles of word processing	5.3 Big or small? How do businesses grow? Why do businesses grow?

Section A: Content guide

Weeks	Unit 3 Building a Business	Unit 4 Business Communications	Unit 5 Introduction to Economic Understanding	
Week 3	How to improve profit	The value of presentations in a business	Monopoly power – good or bad? Can big business be controlled?	
Weeks 4-5	Break-even charts and break-even analysis	The value of presentations in a business	Monopoly power – good or bad? Can big business be controlled?	
Weeks 4-5	Break-even charts and break-even analysis			
Weeks 6-7	Financing growth	The use of DTP in businesses	5.4 Is growth good? What is growth? Growth increases the standard of living	
Weeks 8-9	3.4 Effective people management Organisational structure	The use of video and teleconferencing	Can growth be bad? Can growth be sustainable?	
Weeks 10-11	Motivation theory Communication	Organisational charts and their purpose The value of email systems	What can the government do?	
Week 12	Mock exams Unit 1 exam – use a previous series Unit 3/4/5 exam – based on Topics 3 and 4 drawn from previous series/SAMs			
Summer term Week 1	3.5 The wider world affecting business Ethics in business Environmental issues	4.4 Communicating via the web The internet Business websites Creating a business website Domain names and hosting Legal obligations of websites Successful business websites	5.5 Is the world fair? Is everybody equal?	
Week 2	Economic issues affecting international trade			
Week 3	The impact of government and the EU			Can international trade help? Other help
Week 4	Revision and exam preparation			Is there any other help?
Week 5		Successful business websites	Revision and exam preparation	
Weeks 6-8	Review of problematic topics	Review of problematic topics Revision and exam preparation	Review of problematic topics Revision and exam preparation	
	Mock exams: Unit 1 exam – based on past papers Unit 3/4/5 – based on past papers/SAMs			

Teaching ideas

This section of the guide contains ideas for teaching aspects of the content. There is a mixture of activities – some that will help you engage students in business issues and some that you may be able to use as taster lessons in Year 9 to attract students to the GCSE course. There is one idea given in each unit except Unit 2.

<p>Unit 1 (or Short Course Unit 6) 1.2 Showing enterprise</p>	<p>This is great as a first lesson in the course and is also a great way of recruiting Year 9s onto a business course. Students are really engaged by the idea of being creative and enterprising.</p> <p>At the start of the lesson let students sample some ‘Innocent Smoothie’ drinks. Working in task groups ask them to identify how much they think the drinks cost and compare this to other smoothie drinks (prices easy to find on supermarket websites). Ask students to take the Innocent Smoothie drink and examine the packaging and decide what allows them to charge so much more than their competitors. Give the group some background information on Innocent Smoothies (www.innocentdrinks.co.uk/). Ask students what it is about the creators of Innocent Smoothies that made them special or different – what skills and qualities did they have?</p> <p>Tell students they will now have an opportunity to develop some of these skills and qualities. In their teams students are now new businesses – their business idea is to try and break into the smoothie market. They must create their own smoothie drink idea that is different to Innocent; they must draw what their smoothie product will look like, for example its packaging; they must also decide on a company name and their target market; and be ready to feed their business idea back to the group. The feedback is to take place almost like in the BBC television show <i>Dragons’ Den</i>. Award a prize for the most innovative idea.</p>
<p>Unit 3 3.1 Marketing and 3.2 Meeting customer needs</p>	<p>The following idea is great to use over a series of lessons but can also be scaled down to use as a Year 9 ‘taster day’. This lesson leads to a real understanding of the issues surrounding marketing and developing a coherent marketing strategy, but is based on discovered rather than directed learning.</p> <p>Give students an item, for example a bar of soap, and ask them to devise a business idea using the item. They could construct a market map to identify any gaps in the market. Students could then carry out market research to establish customer needs and identify a market strategy in order to trial their product. Students identify how they will encourage repeat purchases. They must then prepare a report outlining their proposals.</p>

Section A: Content guide

<p>Unit 4 4.1 Communication</p>	<p>A great way of highlighting the issues surrounding communication and barriers to communication is to ask students to complete the following task. Give one student instructions to create a fortune teller widget (or chatter box). The class are all given a square piece of paper and the instruction giver stands at the front of the room. The class are not allowed to talk or communicate with anyone else in the room; if they need to ask a question they must tap the table twice. The instruction giver reads out step by step how to design the widget but cannot move onto the next stage until everyone in the class has indicated that they think they have followed the instructions given (it doesn't matter if it's wrong!). When they get to the end examine how many of the class have successfully completed the task. This leads onto a discussion about the process of communication and the barriers to effective communication. This activity is a nice introduction to the good and bad effects of business communication.</p>
<p>Unit 5 5.1 How can I start to think like an economist?</p>	<p>Divide your students into groups of Burberry stakeholders. One group must be the owners of Burberry. Present the facts about the closure of the Burberry factory in Wales, assume that the factory is still open and the closure is a proposal. Students work in small stakeholder task groups and identify what the impact of the closure will be and whether or not they will support the closure. Students can carry out internet research to find out the impact of the closure (www.bbc.co.uk/news). Call a meeting – the task groups must represent their particular stakeholders and the views of those stakeholders in the meeting. The owners must come to a decision about which stakeholder views are the most influential. Students should be able to recognise the conflicting views of the stakeholder groups and understand why some stakeholder groups are more powerful than others.</p>

Student guide

What do I need to know, or be able to do, before taking this course?

It is unlikely that you will have studied business before taking this course, but that does not matter. You might have an interest in business, and want to start your own business one day. You may have an enquiring mind and be interested in learning about the world around you, how businesses are set up, and what it is that makes someone a great entrepreneur.

Is this the right subject for me?

This course is both active and enjoyable. You need to be good at communicating and explaining your ideas, and not afraid of learning new things and working with numbers to solve business problems. You will learn how to be a creative thinker and how to make decisions. What's more, you will also learn about the world of business through research and investigation, as well as through practical tasks.

What will I learn?

While studying the first two units of this course you are likely to learn a lot of new things. You will be introduced to the world of small businesses and will look at what makes someone a successful business person. You will find out how to develop an idea and spot an opportunity, and turn that into a successful business. You will understand how to make a business effective and manage money well. You will also see how the world around us affects small businesses and all the people involved.

The route you choose to follow will affect what you learn.

GCSE in Business Studies

You will learn more about how small businesses are developed, and discover how businesses promote themselves and keep their customers happy. You will learn how businesses manage both their finances and the people who work for them.

GCSE in Business Communications

You will understand how important effective communication is to any business, and learn what communication is and the different ways businesses communicate with people inside and outside the business.

GCSE in Business Studies and Economics

You will find out how to think like an economist and learn how the economy functions, the government's role in the economy and its impact on business. You will also examine what causes businesses to fail and how businesses grow. You will study many issues within the world of business such as inequality.

Section A: Content guide

How will I be assessed?

During the course you will take written examinations and carry out a controlled assessment task. For Unit 1, in a Full Course GCSE, you will take a written examination paper with multiple-choice and objective test questions based on the unit. In Unit 2, you will be given a list of controlled assessment tasks to choose from. The tasks will be based on what you have studied in Unit 1. Whichever route you then follow, Unit 3, 4 or 5, you will sit another written examination paper giving you the other half of your marks. The questions will be a mixture of multiple-choice, data response, short-answer, extended-writing and scenario-based questions. For example, you might be given details of a business and asked a few questions based on that business.

For the Short Course, you will complete the controlled assessment task in Unit 2 and the Unit 6 written examination. For Unit 6, you will study exactly the same topics as in Unit 1, but your written examination will be slightly different. Your examination paper will consist of multiple-choice, objective test and extended-answer questions.

What can I do after I've completed the course?

No matter which route you follow, all these business courses can help you prepare for further and higher education. They prepare you for AS/A2 Levels as well as BTEC and NVQ courses in many different subjects. You will become skilled in making decisions, being creative, solving problems, understanding finance, dealing with data, communicating and working as part of team. Even if you do not want to go on to study business further you will have benefited from studying a GCSE Business course because many jobs you do will involve working for a business. However, a GCSE Business course could lead to work in a business-related profession such as accountancy, law, marketing or the leisure and tourism industry.

Next steps!

If you want to find out more about the skills you might learn or should develop when studying this course, watch BBC programmes like *The Apprentice*, *Dragons' Den* and *Working Lunch*. You could also look at the following websites to discover the types of things you might learn;

www.bbc.co.uk/schools/gcsebitesize/business

www.bized.co.uk

www.businessstudiesonline.co.uk

www.thetimes100.co.uk



Assessment overview

The ethos underpinning the assessment of learning in this qualification is one of finding out what students understand about business rather than what they know about related terminology. In completing the units, students will have engaged with the real world of business and applied their knowledge and understanding to different contexts.

Questions for all units are set within multi-faceted scenarios, whilst concepts will be evident across the units. This reflects the world of business where elements mix and are not stand alone.

In delivering the units you have the scope to ensure students are involved in realistic, interesting and local business issues and contexts, as well as those of larger businesses. Topical issues should be covered in the classroom to support what is being studied. By doing this, many students may see a 'mirror' of one of the scenarios which will enable better understanding and responses.

These investigations will:

- improve understanding
- widen students' breadth of knowledge
- improve their technical knowledge
- encourage them to apply that knowledge in various contexts, as happens in business
- engage students in the real world of business
- improve employability skills.

This GCSE course is not textbook driven. In fact, the opposite is true. The course is based on a real and dynamic environment, with textbooks providing technical back-up. Evidence of the real world will highlight the key issues in the specification and give students the confidence to tackle the different contexts that might arise in assessment.

There is, of course, an academic element. Concepts and phraseology need to be used correctly and effectively. The investigative nature of the course should ensure full understanding of concepts and phrases as students have to use the words, not merely decode them, and explain what they mean.

The course includes a range of important topic focuses which will ensure it is as valuable now as in five or ten years time. It has been specifically developed so that changes in the business world can be accounted for within the relevant specialism, whilst at the same time being referred to in the others. The course structure encourages teachers to share new, and often different, experiences, within a clear framework.

In summary, this course represents the optimum in business education with students able to gain a qualification with real experience supported by sound and appropriate technical knowledge.

Assessment grid

There is an assessment overview grid on the next two pages and we recommend that you make it available to all your students. The information in the grid will help students to prepare and know exactly what to expect in each assessment.

Unit 1	%	Marks	Time/pre-release	Availability
Introduction to Small Business 1.1 Spotting a business opportunity 1.2 Showing enterprise 1.3 Putting a business idea into practice 1.4 Making the start-up effective 1.5 Understanding the economic context	25	40	Compulsory unit for Full Course GCSE. Externally assessed 45 minutes.	June
Unit 2	%	Marks	Time/pre-release	Availability
Investigating Small Business (Content as Unit 1)	25% for full GCSE 50% for Short Course GCSE	40	Compulsory unit controlled assessment. Recommended time: six hours maximum for research, three hours maximum for write up.	June
Unit 3	%	Marks	Time/pre-release	Availability
Building a Business 3.1 Marketing 3.2 Meeting customer needs 3.3 Effective financial management 3.4 Effective people management 3.5 The wider world affecting business	50%	90	Compulsory unit – for Business Studies pathway only. Externally assessed 90 minutes.	June
Unit 4	%	Marks	Time/pre-release	Availability
Business Communications 4.1 Communication 4.2 Communication with stakeholders of a business 4.3 Business communication tools 4.4 Communicating via the web	50%	90	Compulsory unit – for Business Communications pathway only. Externally assessed 90 minutes.	June
Unit 5	%	Marks	Time/pre-release	Availability
Introduction to Economic Understanding 5.1 How can I start to think like an economist? 5.2 Risk or certainty? 5.3 Big or small? 5.4 Is growth good? 5.5 Is the world fair?	50%	90	Compulsory unit – for Business Studies and Economics pathway only. Externally assessed 90 minutes.	June
Unit 6	%	Marks	Time/pre-release	Availability
Introduction to Small Business (Content as Unit 1)	50%	40	Compulsory unit – for Short Course only.	June

Section B: Assessment guide

Description	Knowledge and skills
The paper is untiered and comprises multiple-choice and objective test questions. Students answer all questions. Formulae will not be supplied.	The Assessment Objectives: AO1: 16% AO2: 6% AO3: 3%
Description	Knowledge and skills
This controlled assessment task builds on the content of Unit 1 (Unit 6 for Short Course students). Students use the content to research, analyse and evaluate a task on enterprise issues. They select one task from five. Tasks are replaced annually.	The Assessment Objectives covered in this assessment are: AO1: 8% AO2: 9% AO3: 8%
Description	Knowledge and skills
The paper is untiered and in three sections. Questions will require a mixture of multiple-choice, short- and extended- answers and data response questions. Questions in Sections B and C will be based on a given scenario. Students answer all questions.	The Assessment Objectives: AO1: 11% AO2: 20% AO3: 19%
Description	Knowledge and skills
The paper is untiered and in three sections. Questions will require a mixture of multiple-choice, short- and extended- answers and data response questions. Questions in Sections B and C will be based on a given scenario. Students answer all questions.	The Assessment Objectives: AO1: 11% AO2: 20% AO3: 19%
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Examination guide

This examination guide gives some example questions, with answers and examiner comments, to help you familiarise yourself with the exam requirements quickly and easily.

The questions are organised by unit and there is a selection of questions from Units 3, 4 and 5. Answers are actual student answers and show how the command words are used, to ensure your students know what to expect.

Unit 3: Building a Business

Question



Read the passage and then answer questions 1-3

Jason and Balvir are planning to set up a restaurant in London. The restaurant scene in London is growing with a current total of 6978 restaurants. This is continuing to rise with many new restaurants starting up each year. Equally, there are many who do not succeed and close within the first year.

Jason has been involved in catering for over 10 years now and has come into contact with many restaurant owners, suppliers and customers. He has established many contacts and can draw from their knowledge to make the business a success.

Balvir has other qualities. She has experience in people management and human resources.

They have stressed that they are not looking to take on the likes of top chefs such as Gordon Ramsay (just yet!) and would like to start off relatively simply with a manageable restaurant that seats up to 60 people, serving good quality Mediterranean food.

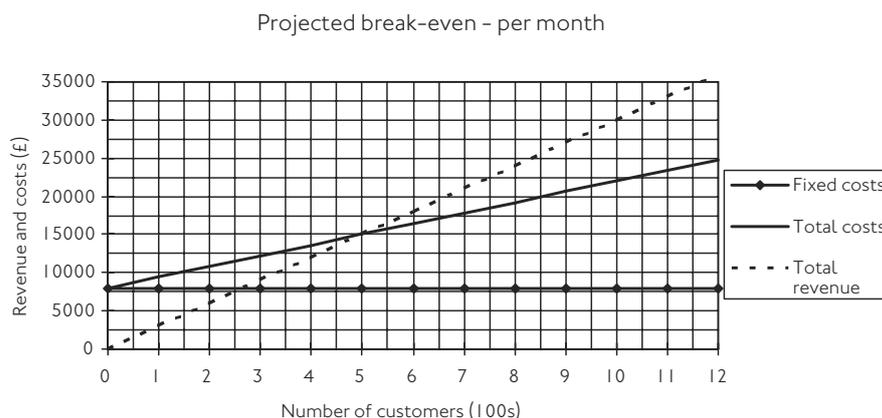
Jason adds "...as long as we get the marketing mix right and don't make any risky decisions then I think we are onto a winner".

Jason and Balvir have decided to use break-even analysis as part of the planning for their business. They are planning to offer a set menu for a price of £30.

They have estimated their costs as:

fixed costs = £8000
variable costs are £14 per set menu

Balvir constructs the break-even chart below.



- I (a) Define the term 'break-even point'.
- (b) Using the graph above, how many customers do Jason and Balvir need to break even each month?
- (c) What would be the monthly revenue earned by Jason and Balvir if they served 1000 customers a month?
- (d) What would be the profit or loss in pounds (£) if 650 customers were served?

(Total marks 4)

Student response

- (a) *The point where total costs equal sales revenue for a business.*
- (b) *5000 customers*
- (c) *£2500*
- (d) *£30000*

Examiner's comment



- (a) The basic idea of break even has been stated so this would receive 1 mark.
- (b) The student has misread the value on the horizontal axis here and given the answer as 5000 rather than 500. However, they do clearly understand the concept involved. This would be a good example of the sort of answer that would generate discussion at the standardisation meeting. It is unfair on students who read the information carefully and give the correct answer but at the same time there is some evidence of business understanding present. Benefit of doubt may well be given in this case and 1 mark awarded.
- (c) The student seems confused and has not identified the correct answer of £30 000. Once again the student has also misread the values on the vertical axis. If the student has managed to identify where 1000 customers are on the horizontal axis, it is hard to see how they have arrived at £2500. The lesson here is to make sure that students take note of the values and also that they are able to read these types of graphs accurately.
- (d) Again, there appears to be some confusion in the mind of this student over how to read information from the graph. It is hard to see how, given previous answers, they have arrived at this answer. 0 marks



Section B: Assessment guide

2. (a) Jason thinks they should charge a price of £35 for the set menu. Calculate the new break-even point. Give the formula and show your workings.
- (b) (i) Define the term 'margin of safety'.
(ii) Explain the relevance of margin of safety to Jason and Balvir's business.
- (c) Jason believes that they should charge a price of £35 for the set menu. Balvir thinks £30 would be a more appropriate price.
In your opinion, which price would be more likely to help the business to survive the first year? Justify your answer.

(Total marks 16)

Student response

(a) *Break even = fixed costs/contribution*

£ 80 000/£21 000= £4 000

New break-even point: £4,000

(b) (i) *The margin between a set point and the break-even point.*

(ii) *The business is in a competitive industry and this means that margin of safety would be the amount the business can lose before making a loss.*

(c) *Break-even point is the point where a business's sales revenue is equal to their total costs. This means that the business is neither making a profit or loss at this stage. With the price at £30 it means that the business has to attract more customers to break even. This is important decision as there is a lot of restaurants around and therefore with a competitive market with a price lower it means that the business can be able to attract a lot of customers. However having the price higher means that the business doesn't have to attract as much as 5,000 customers in order to break even but just 4,000. Although there is a lot of restaurants in the market and as a result this means that the business might not attract the customers needed. In my opinion it is a better idea to keep the price at £30 because as the market is competitive it means that the business can attract the 5,000 customers needed to break even a month.*

Examiner comment



(a) The extent of the confusion is compounded here with a number of mistakes. The student does know the formula for break even and gets 1 mark for stating this. The figures that have been substituted into the formula are incorrect in that the student has again shown some confusion over the interpretation of the axis values. They have not shown how they have arrived at these figures and so we cannot be sure that they have not simply guessed them. There has been a calculation but this has been expressed in pounds when the break-even point should be expressed as the number of units of output or sales. All in all there does not seem to be much evidence of understanding here and this would get only the 1 mark.

(b) (i) The answer given is not very clear – what is 'a set point'? To secure the mark there really needs to be some reference to the break-even point and the amount of profit made or the amount by which sales fall before break even is reached and losses begin to be made. This answer would not be good enough to secure a mark.

(b) (ii) The question is firmly rooted in the context of Jason and Balvir's restaurant and it would be expected that the answer would likewise apply some knowledge to the context of a restaurant. A basic link is made between the margin of safety and the point at which a

loss could be made but the reference to the highly competitive industry, whilst it could be pertinent, is not related to the second part of the answer. This would gain 1 mark for making the basic link between margin of safety and losses but there is little other development to support the answer.

(c) The first thing to notice is that there are some errors in spelling in the answer – students should be encouraged to take care with their written English. QWC is assessed as part of this answer. There is some evidence of understanding of the question in the answer. The student recognises that at £30 the amount of sales needed to break even would be much higher than at £35 (even though the figures given are inaccurate). The student offers some judgements and gives some support for these judgements set against the context of a competitive market. The second part of the answer tends to repeat much of the information in the first with little additional material. The answer concludes with a judgement with some limited support. This answer, therefore, is a clear Level 2 response. There is a judgement made but the support is limited. Both prices are referred to – albeit the £35 one is only implied. The QWC does contain some errors and this will influence where in the mark band the answer will sit. This answer would therefore be awarded 4 marks – the middle of the mark band.



3. (a) Identify two elements of the 'marketing mix'.
(b) Jason and Balvir will seek to increase their competitive advantage when they open the restaurant.
Assess how improved customer service could help them achieve this.

(Total marks 10) Total for Section B: 30 Marks

Student response

(a) 1. Price, 2. Place

(b) Good customer service which is making sure that the customers gets the food as quickly is important because it means that as the market is competitive the customers can get what they demanded. As a result this means that the business supply's the customers demands and this will then lead to the business being able to capitalise on demand. Another point is that with good customer service it means that the business can achieve repeat sales because with good customer service it will mean that the customers will see the business as good and will keep coming for more.

Examiner comment



(a) Two appropriate elements identified. 1 mark each – total of 2 marks.

(b) There is some evaluation offered immediately as the student starts by making some reference to the fact that good customer service is important. There is then some development of the answer to support the judgement and some limited analysis relating to the fact that the business can meet customer demands. The answer then offers a further point and relates customer service to repeat purchase. However, it does not place this (or the previous part of the answer) in any sort of context and the answer could apply to any business not just Jason and Balvir's. This is, therefore, a weakness in this answer. It would have been useful if the answer had pointed out that in the restaurant business repeat purchase is important because it relies on relatively small but repeated purchase to maintain sales over a period. Once again this would be a Level 2 answer – there is a judgement but with some weak support – and there is some attempt to use some

Section B: Assessment guide

terminology. The QWC is again limited – note the punctuation errors – and the whole answer does not really build any sort of argument but makes two points with the second almost bolted on as an after thought. This would therefore also gain 4 out of the 8 marks available.

Total Unit 3 marks awarded: 14/30.



Unit 4: Business Communications

I. (a) Many businesses now use videoconferencing as a means of communicating with other people in the organisation.

This is because:

- A videoconferencing can help save time and reduce costs
- B most managers enjoy using new gadgets
- C videoconferencing shows that the business is a part of the globalisation process
- D the use of technology shows its colleagues that the business is forward looking.

(b) State **two** disadvantages of using videoconferencing.

(c) (i) What is meant by a circular organisation chart?

(ii) Explain how a circular organisation structure might improve communication within a business.

(iii) Explain how a hierarchical organisation might make communication within a business more difficult.

(Total 10 marks)

Student response

(a) A

(b) 1. it is costly 2. Not guaranteed to always work

(c) (i) A circular organisation chart shows how a business is organised but is presented as a circle rather than a list like higherarchical chart.

(c) (ii) It will help the business to organise its resources properly. This will then mean that decisions can be acted upon quicker and then the business can gain more sales revenues as a result of good communication.

(c) (iii) With a lot of layers within the hierarchy it means that the business takes longer time for decisions to be made from the top of the hierarchy and therefore means that the business can take advantage of any gaps within the market and therefore lose sales revenue to their competitors.

Examiner comment



(a) Correct answer for 1 mark.

(b) Two appropriate responses for 2 marks.

(c) (i) A typical answer that tends to repeat the question rather than offering any additional information. The key to the answer would be some recognition of a lack of hierarchy or the emphasis on teamwork but neither of these is present. 0 marks.

(c) (ii) The lack of knowledge demonstrated in C(i) means that the student has some problems with this second part of the question. However, there is some reference to the

ability to make decisions more quickly and there is a link made to how sales revenue can be raised as a result of the improved communication. Appropriate terminology is used in the answer. This would therefore gain 2 marks.

(c) (iii) There is evidence of some links being made in the thinking but we cannot be sure that the student meant 'can take advantage ...' or 'can't take advantage ...'. Despite this possible mistake, there is evidence of understanding that hierarchies do mean decisions can take longer and that this could cause potential problems for the business. The benefit of doubt would be given here and the student would be awarded full marks.



2. Read the passage below carefully and then answer the following question that relates to the passage.

The Nectar Card and the Tesco Club Card are two examples of loyalty cards. Using them enables the shopper to collect points which can be redeemed against future purchases. They give businesses useful information about customer shopping habits enabling them to create individual customer profiles. Businesses such as Tesco also use advertising extensively; for example TV, newspapers, billboards, radio, and cinema – in fact almost anywhere where consumers are likely to see the message.

Adverts and loyalty cards are two means by which a business communicates with its customers.

Which of these do you think would be the more successful in increasing sales and why?

(Total 6 marks)

Student response

By promoting the products it means that the business can inform any potential customers about the business products/services. As a result this means that as consumers anywhere will see the message, there is a better chance of increasing sales revenue as everyone can see the advertisement anywhere. Loyalty cards track customers spending and make a profile of them which allows them to be able to give them the products they want.

Examiner comments



There is some evidence of understanding of both advertising and loyalty cards and the student seems to assume that advertising is a part of promotion. The student justifies promotion on the grounds that widespread visibility is more likely to increase sales. A definition of loyalty cards is given and there is a suggestion that this can help to target the right products to the consumer but sadly it does not offer any further development. This question is one that is designed to try and encourage some evaluation – at the very least making a judgement as to which of the two is the most successful. This student does not do this and whilst there is some analysis and knowledge shown there is little evidence of evaluation. This would tend to put the answer in Level 2 with 3 marks awarded. A great pity because the student could easily have increased their mark by paying more attention to the Assessment Objective targeted by this style of question. This style of question will be used

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as a means of encouraging evaluation, and when students become familiar with this style, it is expected that it will be a successful way of bringing out this higher order skill across the ability range.



3. Read the passage and then answer the question.

TWJ Sports



TWJ Sports are a high street sports clothing retailer. Currently, they have branches in five different high streets in Middlesex. They are looking into setting up a website that will allow customers to purchase some of their products online.

What is meant by the term **'domain name'**?

(Total 2 marks)

Student response

The name that a websites owns and has the right to use for their purposes.

Examiner comment



The key point of this is that a domain name is a means through which a computer is identified on the internet. There is no sign that the student has recognised this and as such there would be no marks for this answer.

Total Unit 4 marks: 11/18

It is important to notice in the student answers that it would not take much help and guidance for this student to increase their marks appreciably, particularly on the questions where the mark tariff is higher. On these higher tariff questions the marks are for the skills demonstrated rather than knowledge. This student appears to have a degree of base knowledge but needs a little more help recognising the Assessment Objectives being targeted and how to address these AOs.



Unit 5: Introduction to Economic Understanding

- 1 (a) 'Inflation' is an increase in:
- A the size of an economy
 - B the level of demand in an economy
 - C the level of supply in an economy
 - D the level of prices in an economy
- (b) (i) Identify **three** possible causes of inflation.
(ii) Explain **one** effect of inflation on a business.
- (c) Explain how an increase in the rate of interest by the Bank of England might reduce inflation.
- (Total 10 marks)**

Student response

(a) Answer C

(b) (i) 1. Decrease of interest rates, 2. Increase in the level of prices in a economy, 3. Increase in demand

(b) (ii) The prices will rise which means that businesses costs will rise and as a result that the business has to raise the products prices in order for them to meet the profits they want to make.

(c) The interest rates will mean that the economy will borrow less because the interest rate on payments will rise meant that the economy will spend less as a result and therefore mean that it will reduce the level of prices rising within an economy.

Examiner comment



(a) Basic misunderstanding demonstrated here. The lesson to be learnt from such a mistake is that key terms do need to be learned well as they can provide the opportunity to pick up marks on multiple-choice type questions designed to help build confidence early in the exam. 0 marks.

(b) (i) The command word is 'identify' so a list of points is acceptable. Unfortunately this student does to seem to have much of an idea about inflation and the first two answers are clearly wrong – it is likely that they have copied the second answer from the list above – which begs the question why did they not choose D as their answer? The third cause given does not have much detail in it but given the command word this would be awarded a mark. 1 out of a possible 3.

(b) (ii) The answer shows some understanding but the use of terminology is poor. The link between inflation, business costs, product prices and profits is present and this would be sufficient to be worthy of 2 marks. At this level we are looking for evidence of basic links being made to help provide the basis of understanding and this is a good example of how a (possibly) weak student can still make those basic links and make them sound intuitive.

(c) This is another good example of the aims of the course in developing basic understanding. Again, the language used is not of a high quality and the QWC is weak. Despite that, the student recognises that interest rates affect borrowing which means spending falls and that this can lead to a reduction in inflation. There are plenty of AS level students that do not grasp this basic relationship. This answer would be awarded the full 3 marks.



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2. (a) Which of the following is a method of external growth available to a business?
- A Reinvesting profits
 - B Merging with another business
 - C Investing in research and development
 - D Changing the marketing mix
- (b) Identify **two** disadvantages of a business having monopoly power.
- (c) Some businesses with monopoly power make large profits. Explain how large profits could benefit the shareholders of the business.
- (d) Describe the role of the Competition Commission in controlling businesses with monopoly power.

(Total 10 marks)

Student response

(a) Answer A

(b) 1. High level of costs 2. Lack of choice

(c) Large profits will mean the shareholders get more dividends, this will mean that they will get more money and as a result this will benefit the shareholders who have invested within the business.

(d) The competition commission can stop a business from merging or takeover another business if it believes that it will hinder other businesses from being able to compete on prices for example.

Examiner comment



(a) A question that is designed to give students of all abilities a chance to pick up some marks and to help build confidence in the paper. Unfortunately, this student seems to be excelling on the links in understanding but failing to get to grips with some basic knowledge that should be present. 0 marks.

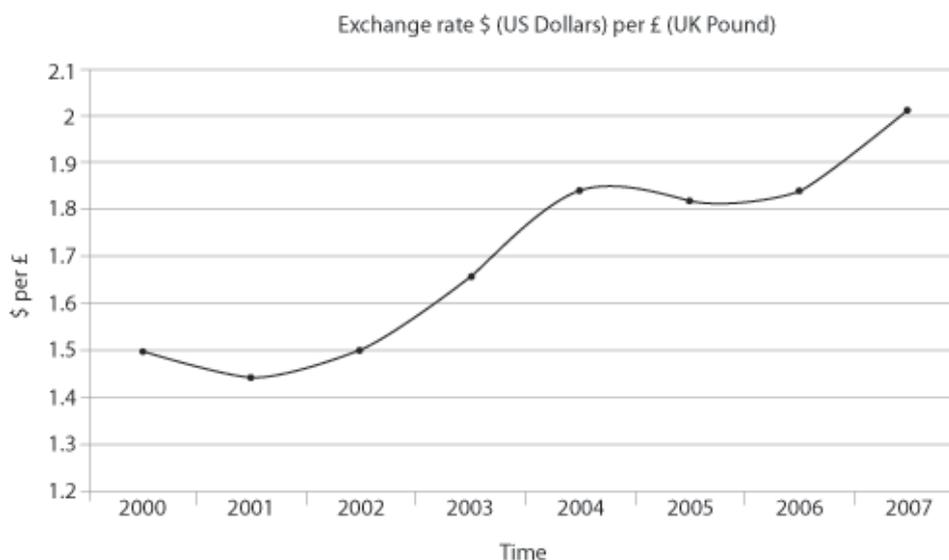
(b) One of the main problems with students at this level is the confusion between 'price' and 'cost'. It is something so fundamental that it should be focused on throughout the course. In this case it is not clear whether the student means 'cost' as in business costs or 'price' as in what faces consumers? We cannot put words into students' mouths and so have to take it at face value. This is a valuable lesson for students to learn in terms of the way many exams have to work. Lack of choice would gain 1 mark.

(c) A 3-mark question which is looking for the student to make some basic links between profit and shareholders. This student uses appropriate terms – even if spelt wrongly – and is able to make the link between profit, dividend and the benefit that shareholders get. As such, it would receive the full 3 marks.

(d) The student shows some basic knowledge about the role of the Competition Commission and what it does. The main problem with the answer is the lack of use of appropriate terminology. To gain the full 4 marks we would be looking for some evidence that the student can recognise the key role the Competition Commission plays in anti-competitive practices (that term would be useful). We might expect some reference to price fixing or predatory pricing (many students at this level seem to empathise with the practice of predatory pricing) but in this answer such terminology is missing. There would be 2 marks awarded for the basic description offered as a result. To get to the full 4 marks, therefore, we would be expecting some more appropriate use of terminology and a little more development of the description.



3. Look at the graph below.



Using an example from the graph, state what is meant by a 'strong pound'.

(Total 2 marks)

Student response

This means when the pound when converted in to dollars is for a high amount of dollars which therefore means that the pound is strong.

Examiner comment

“ The immediate thing to notice is that the student has ignored the command in the question to use an example drawn from the graph. The graph is there to try and help students. The student does, however, appear to have some understanding of the concept but struggles to articulate it clearly. The phrase 'high amount of dollars' is sufficient, however, for 1 mark to be awarded. ”

4. Read the following passage carefully, then answer question 4.

Bebo acquired by AOL

The social networking business, *Bebo*, has been acquired by media giant AOL in a takeover deal worth £417 million. AOL is part of the *Time Warner group*.

Bebo was set up by husband and wife duo Michael and Xochi Birch in 2005. The couple will get several hundred million dollars from the takeover deal.

AOL say that they think that the large user base of *Bebo* will help them make more money in the future from selling advertising on *Bebo* and they see it as a good deal.

Others are not quite so sure. Social networking sites like *Bebo*, *MySpace* and *DoubleClick* are being swallowed up by large media corporations and some have questioned whether they will retain their roots.

What is meant by the term 'takeover'?

(Total 2 marks)

Student response

When a business buys another company and therefore has total control over the business's resources.

Examiner comment



The mark scheme suggests that an answer which makes some reference to 'control' would be indicative of a level of understanding that will allow the full marks to be awarded. This answer does provide that evidence of basic understanding and so would get the full 2 marks. What needs to be made clear to students is that in such questions clarity of expression is vital. Examiners are often faced with sentences from students that are very difficult to interpret and long discussions are held at standardisation meetings about whether the student meant one thing or another. The student can make life for the examiner, and as a result themselves, much easier by making sure that they think about their answer before writing it down so that they make it clear what they are trying to say.

Total Unit 5 marks: 15/24



Controlled assessment

Controlled assessment focuses on **four** key skills:

- research
- presentation of information/data
- analysis
- evaluation.

The tasks, therefore, must allow students to experience and demonstrate these skills. The tasks that are set have a high level of control. Edexcel sets a selection of tasks that will be available and communicated to centres each year. Students will get to choose one task from five tasks provided by Edexcel. The tasks are based on the different sections of Unit 2. It is recommended that students be allowed a choice to facilitate differentiation and to develop ownership of the work.

Organising the controlled assessment

Edexcel-set tasks ensure that you are aware that key areas of Unit 2 will be the focus for assessment. This allows centres to build up resources and expertise to help students experience and demonstrate the skills being assessed.

Students can carry out research for the tasks under a limited level of control, meaning that they can complete their research outside of the centre, can work in groups and use the internet. They must gather all the information they collect into a research folder which they hand in before the writing up of the task begins. Writing up of the tasks is carried out over designated writing sessions (total 3 hours). Sessions can be split into more than one session. Each session must have a high level of control. This means that students must be supervised at all times whilst writing up their task, which they do individually under exam conditions. Students can have access to their research folder only during these designated writing up sessions. The written work and research folders must be collected in at the end of each writing-up session and kept securely until the next session. Once the writing up of the task begins, students must not have access to their work (including their research folders) between these designated sessions – they must be kept securely at the centre. This has the benefit of keeping the assessment tight, controlled and limited in scope – no uncertainty for students about deadlines, re-working of drafts and internal assessment.

Edexcel-set tasks give students clear guidelines as to what is expected. Each task will be framed as a question that directs students to research a problem to solve and towards giving some evaluation. The tasks are clear, focused and manageable, giving students clear direction on what is expected of them.

The fact that controlled assessment is based on the core content that all students follow means that centres will be able to build up resources to help support students in carrying out the tasks year-on-year. The five set tasks will be based around each section of the specification content for Unit 2. Most of the focus will be on that section, but not exclusively, so students can draw on their knowledge and understanding of other areas of the specification.

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The range of topics is designed to be generic, and this allows you to contextualise them to your own local situation. This facilitates the relationships that many centres have built up with local businesses, and allows students to gain an insight into the issues that face local, small businesses.

How it works in practice

Controlled assessment tasks must be carried out in a defined period of time, and the level of control for each of the core elements (task setting, task taking and task marking) is clearly laid out, making the process more manageable for you and your students. You will be able to plan ahead to set aside specific periods of time for controlled assessment which best suit your timetable and curriculum planning, which can help maximise student learning.

Students can have their research with them when writing up the task under highly controlled conditions. This research can be used as appendices to the task, showing evidence of where the student has gained their information from.

Centres must enter students for assessment at the end of Year 11.

Controlled assessment exemplar

This section contains an exemplar task followed by a short commentary explaining the characteristics of the work that highlight the key skills demonstrated.

Task: Based on a question from Section 2.1 of the specification.
Choose a local business that has three competitors in the locality.
What is the most important way in which the business you have chosen competes with its rivals?

Student answer

My research is based on Business X hardware store in Uppingham. The store is an established local business that has been operating for over 60 years. The three main competitors it has are Business W, another small business at the other end of the high street, Business Y, a large national store based in Corby, 4 miles away, and Business Z, another national builder's merchants based in Oakham which is 3 miles away. Appendix 1 shows a map outlining the location of the four businesses.

Main features of each competitor

Business Y and Business Z:

Both the larger national stores are in a position where they can exploit the advantages of size by bulk buying which reduces unit or average costs. This means that the discounts on materials and equipment they get can be passed onto the consumer in the form of competitive prices. They have a wide range of materials available and this provides consumers with a wide choice. Their size also means that they can store not only a wide range of different products but they can also store larger quantities of them so this helps consumers who are planning larger projects. For example, Business has a section of the store that has bathrooms, consumers could buy a complete bathroom suite for their house.

Both Business and Business Z have free delivery services on bulky item to customers in the local area and this means that customers are not reliant on their own transport. This provides convenience which is a key source of competitive advantage over Business X and Business W.

Appendix 2 contains a summary of the main offering of both Business Y and Business Z to demonstrate the wide range of choice and competitive prices that each are able to offer compared to Business X and Business W.

Business W:

Business W has been in existence or 35 years. Its location on the main high street in the town means that it is able to get passing trade. Its main source of competition is to provide local people with a range of essential items for the home and for small DIY projects.

It is able to respond to the needs of its consumers by changing its stock to suit the seasons. In spring, for example, it offers products for the garden including plants, barbecues, compost and so on. In the winter it has coal and Christmas decorations. In this way it aims to be flexible in meeting the changing needs of its customers. Unlike the larger national stores it does not have a wide range of choice and its prices are relatively high (see appendix 3) in comparison to both the national stores and to Business X. The store is laid out in a more open plan way than Business X giving it a less claustrophobic feel and allows customers to browse in relative comfort to select the items they require.

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Business X:

Business X is a very well respected and established business in Uppingham. It has the disadvantage of being small and pokey but it does have three floors which allow it to offer a greater range of goods than that of Business W but not as much as the national chains.

As detailed in Appendix 3, its prices are higher than those of the national chains and some are higher than Business W. It is clear from this that price is not a key source of competition with its rivals. However, it does contain a greater range of products than Business W so for local people who need to buy items and who do not want to travel Business X have a competitive advantage over Business W. Appendix 4 shows a comparison of the electric drills available at each of the four outlets. The range and choice of the two national chains is understandably higher than that of the smaller outlets and their prices are also cheaper. However, it can be seen that Business X has more choice than Business W. In addition, the price of a Black and Decker BD21 is only 5% higher than that in Business Z and 7% higher than in Business Y.

It may well be that the relatively small difference in price will not be that significant in purchasing decisions by consumers. It will, of course depend on the level of price sensitivity of the product concerned. In appendix 5, a small survey of 10 local people suggests that price sensitivity for drills is relatively low so Business X may well be able to compete effectively with its larger rivals.

Business X prides itself on meeting customer needs. The shop is very cramped despite being on three floors. Every space is utilised and it has the air of 'Open All Hours' about it. There are very few things that Business X cannot provide for its customers as a result of the high levels of different stock that the store carries. It does not have a delivery service and does not sell bulky items like bricks, sand and large quantities of timber. However, Business X do not see this type of customer as being their core business.

Business X rely very much on repeat purchase and for that they seek to provide a high level of customer service. In a survey of shoppers in Uppingham High Street, 65% thought that the personal service at Business X was better than at Business W (see appendix 6). In addition to this personal service, Business X know that its customers are likely to use the store because of the range of items it carries and the fact that they can acquire smaller quantities than might be the case with the pre-packed items on sale at the larger national chains. Its larger stock levels also means that it competes favourably with the more open plan Business W.

Conclusions

Business X has a distinct disadvantage compared to the larger national chains. It cannot compete on price or range of products but equally, it knows this and does not try and compete on this basis. Instead it focuses on meeting the needs of its customers. The fact that it has been established for many years means that it knows its customer base very well. One of the key features of successful marketing (see appendix 7) is to anticipate, identify and satisfy the needs of its customers and this is what Business X seeks to achieve.

The most important source of competitive advantage is the level of personal service it offers. However, this needs to be backed up by the availability of stock to meet the needs of its local customers. The staff in the shop, led by the owner Tom, know every inch of the shop and have excellent product knowledge as well as excellent knowledge of the area gained by their 60+ years of existence in the town. This means that if customers come into the store asking for items – even when the description of what they want is fuzzy, Business X can respond quickly and efficiently. By giving customers what they want, Business X are able to provide added value; customers are prepared to pay higher prices for the convenience and the degree of personal service they receive.

Once someone has shopped in Business X, they know that they can go back in and get that same level of personal service and this is what drives the repeat custom on which the success of the business relies. Business X accept that they are not going to generate the sort of revenues that the larger chains can but rely on relatively large amounts of small transactions to generate their

revenues. The lower overhead costs that they have compared to the larger chains means that they are able to generate the profit levels that has kept the business going for such a long time.

In addition, Business X know that the level of customer service they offer is superior to that of the larger stores. Business Z's main customer base are builders (see appendix 8) whereas in Business Y, the staff has limited product knowledge and have considerably less experience than the staff in Business X. This is a key source of competitive advantage over its larger rivals.

Business X's main competitor is really Business W. However, it meets this competition by offering a greater range of goods at more competitive prices compared to its high street rival. The fact that a majority of customers in the small survey felt the level of service at Business X was better is further evidence of the main way in which the business competes against its local rival and against the larger national stores.

Moderator comment

“ This is an excellent piece of work that shows a wide range of skills and which meets each of the elements of the assessment criteria at a high level. The work is well researched and the appendices show evidence of different forms of research, both primary and secondary. Appropriate business terminology is used throughout, and the whole piece demonstrates evidence that the student is comfortable and confident in the use of key concepts in the specification.

Research

There is evidence of extensive research being carried out. All four outlets were visited, there is evidence in the appendices of primary and secondary research which was carried out and where the research was interpreted appropriately in the write up.

Mark – 10/12

Present information/data

The submission was presented appropriately using relevant sub-headings throughout. The appendices showed a range of presentational techniques, including charts and graphs, and there is a clear attention to detail shown.

Mark – 8/8

Analysis

The task is broken down clearly into manageable sections, and a clear explanation of key elements of competition is provided. The analysis uses appropriate terminology, and the student shows the ability to organise and select material from their research appropriately to present a concise analysis. Relevant patterns are identified, and the commentary is clear throughout.

11/12

Evaluation

The judgements made throughout are supported with reference to the evidence collected – often through reference to the appendices. The analysis in the main section is drawn together and the student arrives at a clear conclusion about the main source of competition.

Mark – 7/8

Total mark: 36/40



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