

Examiners' Report Summer 2007

GCSE

IGCSE Business studies (4330)

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

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

For further information please call our Customer Services on + 44 1204 770 696, or visit our website at www.edexcel-international.org.

Summer 2007

All the material in this publication is copyright

© Edexcel Ltd 2007

Contents

1.	General Comment	4
2.	Paper 1F Report	6
3.	Paper 2H Report	12
4.	Paper 03 Report	15
5.	Paper 04 Report	23
6.	Statistics	29

GENERAL COMMENTS

The overall performance of candidates in this examination was generally satisfactory, with some strong answers based on sound content knowledge and the ability to apply, analyse and make judgements. In general, the Higher Tier candidates proved more comfortable writing answers in context, whereas the Foundation candidates found this a more challenging task.

In this series, approximately one in three candidates found the space allocated insufficient for their purposes, and therefore continued their answers in the space below the last answer line, and/or submitted continuation sheets with their completed scripts. This is of course quite acceptable. Whilst it is appreciated that the length of candidates' answers vary not only in depth and detail, but also as a result of the difference in handwriting size, centres will be aware that the layout of these examination papers is designed to indicate a typical maximum length of answer needed to obtain full marks. Centres are therefore encouraged to work with their candidates on examination technique in terms of using the space available (both answer lines and the space below them) including - if necessary - any blank space below the final answer line.

Centres are also advised that it is good examination practice for candidates - where they have filled the space available under the question but their answers are still incomplete, or where they have deleted their original answer and do not have the space available to write their replacement answer - to indicate that their answer continues elsewhere: for example, by writing 'see continuation sheet'.

In terms of the future design of the question paper, therefore, some questions will continue to have space below their final answer line, and such space on a page should be used by candidates who needed more space for their answers in preference to deciding to stop at the end of the final answer line and then continue with the rest of the answer on a separate continuation sheet, leaving the space below the answer lines blank.

The standard of written communication was again satisfactory. Even so, centres are still encouraged to continue working with their candidates to ensure that incorrect phrases or figures are clearly deleted, with the replacement information or figure being positioned close by.

Centres will be aware from past Reports of the importance of candidates understanding and following the command words given in each question. As a reminder:

- **AO 1 Demonstrate** - this Assessment Objective tests candidates on their ability to demonstrate their knowledge and understanding of the business term, idea or concept featured in the question. Command words such as 'Define', 'Describe', 'Name', 'List' and 'State' confirm the question is at this level. For example, see paper 1F, 3(a) (paper 2H 1(a)).
- **AO2 Apply** - this Assessment Objective tests candidates' ability to relate their answer to the context. In this Series, candidates were required to use the information provided about *FF Ltd*, a furniture manufacturer. Command words such as 'Apply' and 'Give [an example in context]' confirm the question is at this level. For example, see paper 1F, 3(b) (paper 2H, 1(b)).
- **AO3 Analyse** - this Assessment Objective requires candidates to select, interpret or otherwise analyse some issue presented by the question. Command words such as 'Analyse', 'Compare' and 'Select' confirm the question is at this level. For example, see paper 1F, 3(d)(iii) (paper 2H, 1(d)(iii)).
- **AO4 Evaluate** - this, the most demanding Assessment Objective, tests candidates on their ability to formulate some judgements. Command words such as 'Evaluate', 'Explain why', 'Judge' and 'Justify' confirm the question is at this level. For example, see paper 1F, 3(d)(ii) (paper 2H, 1(d)(ii)).

The Mark Schemes for 4330 will continue to provide indicators of what is expected from candidates. Centres were informed in the previous Report that the answers given in the Mark Scheme are **not** meant to be exhaustive. This is confirmed by the use of the statement 'Valid points could include', and by the use of the abbreviation 'eg'.

The possible answers are structured using dashes and obliques ('slashes'). It is the practice in this examination to use a dash in order to separate points that are worth **additional** marks, and an oblique to indicate an **alternative** way of making the same point.

PAPER 1F

Question 1

1 (a)

Answers to (a) were largely accurate, with candidates finding this section slightly easier than in previous series.

1 (b)

The best responses were generally found on the Production department in (iii). Answers to (b) (i) and (ii) often contained vague responses from many candidates that showed a lack of application of activities within departments. Too often candidates gave two activities, but only one mark was available for an activity.

An example of a good response for (b) (i) was where a candidate identified budgeting as the activity and then tied that to the money available to spend on raw materials; and another candidate identified cash flow forecast as the activity and then linked that to the ability to take appropriate action. Most candidates were able to identify an appropriate activity but then did not gain the second mark because they could not state clearly how this would help *CC plc*. Responses to (b) (ii) tended to be on the vague side and it was this department that candidates appeared to have the most difficulty with. Few were capable of gaining both marks available, and the number gaining one mark for an activity was less than for the other parts of (b). In (ii), an example of a typical weak response was when a candidate wrote *'The activity of the department is concerned with the health of each employee.'* This response was not worthy of a single mark. The candidate who wrote, *'... making sure the workers are all treated equally.'* did gain one mark for the activity. Examples of good responses were rarely seen but the following was worthy of two marks. *'Training new staff that have come into the company, giving them a feel of what the company is about and what their duties are.'* Here the activity was training, and the help it gives to *CC plc* is that workers will know what their duties are.

The Production department that drew the best responses from most candidates, although even here many still tended to give to activities and ignored that part of the question that required them to say how this activity would help *CC plc*. This response *'Productivity - to see how much products are being made.'* Gained no marks due to the confusion between Production department and Productivity. Often the simplest response was *'Making cars to sell in the market.'* and this was worth one mark. Another simple response worthy of one mark was the reference to quality. A response worthy of two marks was *'The activity of this department deals with how many products are produced and how much raw materials is required.'*

1 (c)

This question was generally poorly answered as many candidates concentrated on how the departments communicated with each other and not how they worked with each other. Few candidates gained all four marks even though many wrote long responses. The following is an example of a lengthy response that scored no marks. *'Each factory would have an office to make sure the product is made but the factories would all have a main office for the Human Resources to make sure that the Human Resources do their work correctly and in quality.'* The question has not been answered and the candidate has simply rephrased aspects of the question to no avail.

A better response was, *'The working conditions in the Production Department are vital so the personnel department examines the conditions making sure that they are followed properly and that the conditions are satisfactory.'* Here the two marks were given for reference to working conditions and the role of Human Resources in monitoring them.

Few candidates took the recruitment route.

1 (d)

Few candidates were capable of gaining both the mark available in (i). An example where a candidate did gain two marks was the following response *'... where the system checks (1) the production, its high quality and the production is suitable for the customers (1).'* More frequent responses worthy of one mark mentioned satisfying customers, ensuring a consistent level of quality, checks on production and testing durability.

The majority of candidates concentrated on quality control of the production of the cars although a few did mention quality control on suppliers and raw materials.

In (ii), some candidates did not gain marks because they stated three problems but did not analyse any of them. Where there was analysis it was sometimes limited, at a simple level and not sufficiently developed to give access to all marks. An example of a good response to this question was *'The competitors will sell more cars (1) than CC plc and will take profits from them (1) and they could then go out of business (1).'*

A more typical response was, *'The company will loss and shut down (1) because the customers will not buy poor quality cars (1) . . .'*

Question 2

2 (a)

Although there were a number of fully accurate answers, many candidates were not aware of the stages associated with the product lifecycle.

2 (b)

Many candidates appeared to experience difficulty with this question: for example, there was often a concentration on the possible impact that that children would have on the media selected. However, it was encouraging to note that the majority of candidates did attempt a two-sided response, albeit at a simple level in most cases. Some candidates presented long responses where there was little reference to the benefits of the media and thus gained few marks. The choice of media pairs by candidates was approximately equal.

At the lower end of responses candidates tended to make general comments along the lines of '*. . . you can see the whole car from inside and outside . . .*' (a comment worthy of one mark). An example of simple two-sided approach is the following response '*. . . the car will be seen driving in the film advertisement . . . newspapers and posters would have been boring . . .*' This response, in full, was given two marks. Higher scoring responses mentioned and analysed the persuasive/visual appeal and target audience when talking about the first pair, and the provision of more information and permanence of the second pair.

2 (c)

Part (i) was generally well answered, with the stronger candidates describing the figure fully as '*£120 million*'. In (ii), the great majority of candidates did well on this question with few failing to gain at least one mark.

2 (d)

Some candidates appeared to have misunderstood this question and only described two differences, thus limiting the maximum number of marks they could gain. Few candidates gained all four marks available. A typical response that demonstrates this is '*Bank loan . . . borrow money from the bank (1) . . . paid back in an amount of time (1)*.' There is and was no mention of share capital in this response.

A typical response that gained three marks was, '*Share capital is shareholders . . . investing in the company (1) and a bank loan is . . . getting money from the bank (1) . . . that has to be paid back (1)*.' To gain the extra mark the candidate would have had to have mentioned that share capital is not normally repayable.

2 (e)

Few candidates made use of the information provided and it was rare to see any candidate making use of the figures provided in the Balance Sheet. Responses were too often of a general nature that demonstrated knowledge related to a Balance Sheet but showed little application to **this** Balance Sheet as required in the question.

The candidate who wrote *'They can see how much money is being put in the business and how much money the business is getting back, so can directors can decide if to increase production or decrease production.'* gained one mark for the for the concept of assets and liabilities and one mark for the impact this could have on production. The use of information from the Balance Sheet to support this response would have gained the candidate the third mark.

Typical responses that were worthy of no marks did not answer the question through a basic lack of knowledge of the purposes of a Balance Sheet, as can be seen in this response. *'To see if the production can be changed in anyway and to tell if the customers are happy with the product.'*

Too many candidates stated that the Balance Sheet would tell *CC plc* what their profit and loss was.

Question 3

3 (a)

Part (a) was generally well answered. The following answer clearly shows full knowledge of the secondary sector for 2 marks, and does not contain any needless additional description: *'The sector that takes raw materials and makes them into finished goods.'* Compare with a three-word answer, which only received 1 mark: *'The manufacturing sector'*.

3 (b)

Although some candidates vaguely referred to 'retailers', many easily obtained both marks for (i). Popular selections of tertiary businesses were banks, insurance companies, car retailers, car hire firms and taxi firms. In (ii), weaker candidates often described what the selected business did, which was not a requirement of the question: for example, *'A rent-a-car company provides a service for holiday-makers who wish to rent a car whilst on holiday'*. The question asked for an example of how the car company would trade with the named business, therefore a good response in the case of banking was *'CC plc may need to borrow money, which it can do from its bank in return for paying interest'*.

3 (c)

In part (i), it was clear that some candidates knew what objectives were because they gave examples in their answers. However, the question asked for the 'importance' of objectives, and so these candidates failed to answer the question correctly. A typical correct answer was *'Setting objectives allows measurable targets to be set for CC plc, and managers know what the business is aiming to achieve and can measure achievement.'* Other full answers referred to features of establishing objectives such as providing plans or motivation for employees. Note that the question referred to a business "such as" CC plc, so an answer in the context of a car company was not necessary.

Most candidates found part (ii) easy, clearly identifying the two correct selections. Virtually all followed the instructions correctly.

3 (d)

For (i) it was expected that candidates would name, rather than describe, an Act (or Directive, etc) with some accuracy, but this proved difficult for many. Reasonably accurate references - for example, *'Health and Safety Act'* or *'Equal Payment Act'* - were accepted.

Many candidates gave a description of the law in (ii) rather than linking it to the work of CC plc as required by the question. Examples of appropriate applied responses include: *'When employees can only work for a maximum of 48 hours, this may mean that CC plc cannot meet its production deadlines. When this happens, CC plc's reputation and revenue will go down, leading to fewer customers and lower profits.'* An answer worth the full 5 marks was (for HASAWA) *'... CC would have to make sure the workers are provided with the correct safety equipment to carry out their work safely... would also have to make sure the working conditions are safe and not hazardous in any way. For example... To make these things happen, CC would have to spend money. This would cause a decrease in profit... they may have to use some of their retained profit but it would lead to an increase in job satisfaction and motivation... because of better working conditions.'*

Many answers to (d) (iii) were based on Acts, an approach excluded by the question wording. It was agreed for this series that a generous interpretation was applied by markers due to the relative newness of the question type and approach, but it is anticipated that such generosity will not continue. Another important weakness (also noted in part (ii) as well) was the selection of more than one way, with candidates listing a number of different ways rather than identifying one way and then developing their answer. This is an AO3 question ("Analyse"), and therefore lists of different ways do not receive more than one mark in total. A final weakness was where a number of candidates incorrectly used the same Act from (i) and (ii) when answering (iii). Centres are therefore encouraged to continue working with their candidates on appropriate exam technique, to ensure that candidates follow the question wording and requirement: in this case, to analyse one (other) way in detail rather than list several ways. An example of a good answer referred to interest rates: '*. . . if the government increases interest rates, loans would become more expensive . . . consumers are less able to buy cars . . . CC plc's own borrowing costs would increase . . . profits and sales may fall.*'.

PAPER 2H

Question 1

See comments in Paper 1F Question 3 above.

Question 2

2 (a)

Many answers to (i) mentioned that email was 'quick and easy', with candidates failing to clarify why. The stronger candidates either concentrated on the immediacy of email - the fact that it can be almost instantaneous transmission - or explained the benefits of using a written communication medium, which can save and generate hard copy, for detailed numerical information.

Answers to (ii) were usually better, with most candidates explaining the value of a two-way conversation where discussion is clearly important in terms of clarifying the message and information.

2 (b)

Although there was some confusion between Maslow and Herzberg, or between Maslow and McGregor, most candidates were able to provide at least a simple analysis as to why the theory did not fully support the director's belief. Stronger answers identified where money/pay appears in the hierarchy of needs, with some arguing convincingly that bonuses indicated higher order achievement/motivation. Good answers typically illustrated each level of the hierarchy by outlining a relevant function or activity at work. Weaker candidates were content simply to describe the theory, which is not what is required when a question asks them to 'Analyse' something.

2 (c)

Part (i) was generally well answered, with most candidates considering the likely greater speed and accuracy. In part (ii) there was some confusion between whether output was divided by input or vice versa, and also measuring productivity and the measurement of efficiency were often treated as being the same (allowance was made for this, for example by accepting output over time rather than over resource input, and accepting references to capital employed).

2 (d)

Many candidates were not aware of the difference between TQM and quality control, or simply chose to ignore this and based their answers on TQM. A number of other answers were purely knowledge-based, with candidates being content to describe features of quality control (or TQM), but then not linking these features to the question asked. Stronger answers tended to focus on the use of 'all' in the question, relating this to the sampling processes associated with quality control: for example, *'A quality control system would reduce the number of poor quality cars but it cannot guarantee that all cars made will be of good quality since not all cars are quality tested. Only a sample of cars will be tested and so some poor quality items may be missed. The number sampled is also important . . . Total Quality Management would be a more effective method in maintaining quality because . . .'*

Question 3

3 (a)

Knowledge of both penetration and cost-plus was generally good in (a), and many candidates started by offering appropriate definitions or descriptions of both. Stronger candidates acknowledged the benefit of cost-price in generating profit, and the possible problem that it might bring for the new range: although including a profit margin, such a price may be uncompetitive if for example competitors' prices are ignored. Penetration pricing was often well justified in terms of the company entering a new and competitive market. Other stronger candidates recognised the likely difficulty for CC plc, if using penetration pricing, of increasing prices at a later date because it operates in a competitive market. Alternatively, some argued that buyers in a luxury car market will tolerate high prices and may be suspicious of cars carrying the 'luxury' label but which are sold at a low price. However, weaker candidates tended to assume that penetration pricing, with its lower price, would automatically mean that the company would be selling at a loss (rather than simply cutting into its profit margin), whilst others argued that cost-plus pricing automatically means 'expensive', failing to contextualise this by not including comments about, for example, the competitive market or competitor prices.

3 (b)

In (b), the stronger candidates used the context well, for example by referring to issues such as the level of competition - thus the value of persuasive advertising, to convince customers that the car is better than competitors - and the fact that it is a new car range (thus the need to inform prospective customers). Although the question contained the phrase ". . . in this situation", a high percentage of candidates wrote answers that gave good definitions or descriptions of persuasive and informative advertising, but failed to even mention 'CC plc' or 'car' in their answers. This dramatically limited the number of marks available to them. Centres are therefore encouraged to continue ensuring their candidates use the context or situation where questions ask for this.

3 (c)

Part (c) was designed to allow the most able candidates to express and justify their arguments in some depth, and many did so. Many of the stronger answers tended to include the pros and cons of both methods, acknowledging the fact that there is not one obviously correct choice. Examples of relevant arguments expressed are as follows.

(Share issues) 'It is a permanent source of capital for CC plc, whereas the bank loan has to be repaid after ten years . . . CC must pay interest on bank loans which increases the overall cost of the loan, but no interest is payable on capital . . . however, shareholders will expect dividends, even though these may not have to be paid every year . . . With the new share issue no security is required . . . When borrowing from banks CC has to provide documents such as profit and loss account . . . However, loans can be borrowed for varying lengths of time . . . The Stock Exchange needs to give permission to CC plc, and many formalities have to be met . . . costs of a share issue can be high . . .'. (Banks) 'The amount borrowed is known with certainty, but if a share issue takes place there is no guarantee that it will be fully subscribed . . . The interest and amount to be paid monthly is known, and can therefore be budgeted for . . . Interest is paid out of untaxed profit, whereas dividends have to be paid from profit with tax already deducted . . . full ownership of the company is not affected . . . However, this makes the company higher geared, which means . . . The bank loan is likely to be received more quickly than the proceeds of a share issue . . .'

With many candidates, however, there was a general belief that a new share issue was a readily available source of finance, without cost, and there was also a lot of confusion between the issuing of new shares by a company and the buying of ('second-hand') shares on the open market. Many candidates did not appreciate that new share issues take time (and expense) to organise, and that the rise or fall in the value of shares has no direct effect on the existing amount of a company's issued capital. There were also some speculative answers, for example with candidates guessing that the amount of interest would be more (or less) costly than the payment of dividends.

Paper 03

GENERAL COMMENTS

The general performance of candidates remains encouraging and there was some evidence to suggest that an increasing number of candidates had a clearer understanding of the four assessment objectives. This was demonstrated in some responses to questions and responses that fitted into the space provided for each question.

To encourage this improving understanding of the command words related to the Assessment Objectives, a list of the main command words used, with an explanation of how they are used, is given below.

Advise	Suggest ways of solving a problem; benefits and drawbacks for each suggestion supported by evidence
Analyse	Break something down into its parts to show cause and effect
Apply	Use knowledge and apply it to a commercial situation/problem
Assess	Weigh up two or more arguments/possible solutions, state the pros and cons and draw a conclusion - another way of asking for <i>Evaluation</i>
Calculate	Work out answers using arithmetic, working should always be shown.
Compare	Note the similarities and differences drawing on your knowledge of business, may require a conclusion supported by the evidence.
Consider	Think carefully about or take into account when making a judgement - not just a statement of knowledge.
Decide	Make a choice between options available and support your choice with relevant evidence.
Define	State the meaning of a term as clearly as possible and support with an example.
Demonstrate	Either show your understanding of a business idea or how the idea can be applied to a problem.
Describe	Use your own words to show what something is or how it works - paint a word picture.
Discuss	State both sides of a problem and draw conclusions.
Evaluate	Weigh up the pros and cons of a situation/problem and then draw conclusions (making judgements).
Examine	Look at a situation/problem applying your knowledge and using appropriate information.
Explain	Can be used at different levels: expand something clearly by providing detail.
Give	Similar to <i>State, List, Identify</i> or <i>Name</i> , requires you to show your knowledge.
Give an example of	From your knowledge, case study or other information.

How	How something works or is applied to a situation/problem.
Identify	See <i>Give</i> .
Justify	Confirm a conclusion or judgement by reference to evidence/case study.
List	See <i>Give</i> .
Name	See <i>Give</i> .
Organise	Arrange systematically or order.
Outline	A brief description of a concept, problem or theory.
Select	Choose from a number of options.
Show	See <i>Explain</i> .
State	See <i>Give</i> .
Suggest	Put forward your ideas relating to a commercial problem.
What is	See <i>Define</i>
What would be	What would happen if something occurred
Why	See <i>Explain</i>

Candidates should note that their responses should fit within the space provided on the paper. This series saw a large increase in the number of additional sheets attached to the paper. In nearly every case such candidates added very few marks to what they had already written in the space provided. The worst example was a candidate who had 10 extra pages, all filled with writing, that gained an additional two marks! In this example, and in most cases, candidates are just filling the additional sheets with text that only demonstrates knowledge and as only 1 (a) and 2 (a) are marked for knowledge it means that most of what is written is of no value. The time candidates spent writing this largely irrelevant information would have been better spent ensuring their answers to parts (b), (c) and (d) contained evidence of respectively, application, analysis and judgement.

There was no evidence that candidates had insufficient time and it was encouraging to note that many candidates made good use of the time available to think through their responses. Only a very few candidates did not attempt every question.

An increasing number of candidates evidenced planning of their responses to questions.

This paper is taken by those candidates who have chosen not to submit coursework and therefore, unlike Papers 1F and 2H, covers the complete range of awards, ie A*-G. There are two questions with each being sub-divided in exactly the same fashion, as set out below.

- Questions 1 (a) and 2 (a) address Assessment Objective 1 that requires candidates to demonstrate their knowledge and understanding of the specified subject content.
- Questions 1 (b) and 2 (b) address Assessment Objective 2 that requires candidate to apply knowledge and understanding using appropriate terms, concepts, theories and methods effectively to address problems and issues.

- Questions 1 (c) and 2 (c) address Assessment Objective 3 that requires candidates to select, organise, analyse and interpret information from various sources to analyse problems and issues.
- Questions 1 (d) and 2 (d) address Assessment Objective 4 that requires candidates to evaluate evidence, make reasoned judgements and present conclusions accurately and appropriately.

Each question is worth five marks and matches the balance of Assessment Objectives as applied to coursework. The Principal Examiner's Report for Papers 1F and 2H gives further details on these Assessment Objectives and over writing that also apply to Paper 03 as does his commentary on how the mark scheme format works.

Centres are encouraged to work with their candidates to ensure that they have a clear understanding, not only of the structure of this paper but also of the Assessment Objectives as this should enable candidates to work towards their full potential.

The number of candidates who use great skill in repeating the question as their answer increased this year and where this happened in specific questions it is detailed in this report.

As a general point candidates must understand that if they are given information in either the stem to the question or in the question itself there will be no marks available for repetition of that information no matter how well it is disguised. It remains a valueless activity and is a waste of candidates' time.

Question 1 (a)

This question was usually well answered with many candidates gaining full marks. Less able candidates continue to adopt a 'scatter-gun' or 'pattern' approach that demonstrates their lack of basic knowledge in this specification area.

Question 1 (b)

This question is assessed against Assessment Objective 2 - application. The best candidates recognised this and listed details that did apply to the context given in the question, a senior chef working in a large five-star hotel. Other candidates gave responses that were generic and could be applied to virtually any position in any business. Inevitably, such candidates had greater difficulty in gaining marks for application.

The following response gained full mark.

job details - cooking and control of subordinates (1)
qualifications - degree in cooking (1)
skills - ability to cook meals appropriate to a five star hotel (1)
physical fitness - able to stay on feet for long periods (1)
personal characteristics - can lead a team of other chefs (1)

This response gained only two marks and demonstrates the generic responses referred to above.

job details - work six times a week
qualifications - degree in cooking (1)
skills - need to be a chef with experiences
physical fitness - needs to be fit and healthy
personal characteristics - communicate with other chefs (1)

This response gained no marks.

job details - show what kind of job it is
qualifications - shows what qualifications are required
skills - what skills you need in working
physical fitness - shows that you should be fit at all times
personal characteristics - shows what kind of character you should have

This response is a simple demonstration of knowledge of a job specification. There is no application to the context given in the question.

Some candidates simply repeated the five bullet points as their answer.

Question 1 (c)

This question required candidates to analyse the data they had been given. Many candidates had difficulty with this question for a number of reasons that included:

- stating but not analysing what they had already been told in the question, ie that the company had been successful;
- calculating the difference between the 2001 and 2005 figures but only doing that, no analysis of what the calculations showed;
- not analysing what had made the company successful;
- a potted history of Tesco in the United Kingdom - the question referred to Europe and Asia;
- repetition of data given, but no use of that data;
- concentrating on only one year or only one set of data;
- simple statements of knowledge along the lines of turnover has gone up by £4,231 million, but no indication of the significance of this increase, ie turnover has more than doubled in four years;

All of the above, plus, for some candidates, a simplistic approach meant that the majority of candidates did not access the higher mark range. Often candidates made generic knowledge-based statements about turnover, operating profit, number of stores and ROCE that made no use of the data that had been provided and did not relate to Tesco plc.

Candidates were most successful in their analysis of the ROCE data and many used words such as 'fluctuating' and 'static' as part of their analysis. The ROCE data was better analysed than the other three pieces of data given.

One candidate wrote, '*. . . turnover grew fast and has doubled (1) . . . operating profit has gone up four times (1) . . . there are 3 times as many stores in 2005 as there were in 2001 (1) . . . ROCE has moved down but then moved back up (1) . . .*' To gain the fifth mark this candidate could have quoted the figures for ROCE over the four years to support their analysis.

A typical example of the most common type of response was, '*As each year passed Tesco introduced more stores which increased the turnover. They turned over 6828 million in 2005 which is more than the previous year and obtained 11.5%. However in 2001 when they had almost a quarter of the number of stores (1) they managed to save 11% on capital employed. Overall Tesco have become more successful over the years and continue to carry on being Britains leading supermarket.*' This response gained one mark for the reference, implied, to the growth in the number of stores from 2001.

Question 1 (d)

The most common error in responding to this question was to discuss more than one benefit and/or not to do that from the franchisor perspective. This was a question where many candidates demonstrated good knowledge and understanding of a franchise operation but could not use that knowledge and understanding to clearly show how one of the three benefits given would benefit the franchisor.

Candidates who discussed all three benefits had all three marked and were then given the mark for the benefit that scored highest. Some candidates gave a potted history of McDonalds. Such an approach rarely had sufficient evaluation to gain any marks.

Against this some candidates did give good answers including evaluation of expansion on market share, increase in brand awareness across the world and the impact on sales. The majority of candidates used the expansion benefit in their responses and this benefit was generally better than either commitment of franchisee (here candidates often confused the franchisee with the franchisor) and finance.

Question 2 (a)

Candidates generally responded well to this question.

The main area of confusion was between the total revenue/sales line and the total costs line. The great majority of candidates were able to correctly label the fixed cost line and the break-even point. If candidates used the word 'sold' or 'sales' as part of their label for the output line the mark was not allowed as that axis does not represent units sold, rather output and this is the preferred term.

Question 2 (b)

This question was well answered by most candidates and many responses were a pleasure to mark as candidates applied their knowledge well and in detail - sometimes too much detail and unnecessary detail. Candidates who performed less well did so because they either concentrated on a single reason even though the question asked for 'reasons' or they were repetitious with a single point that they tried to apply throughout their response.

The most common reasons given were: a cheap and available labour force, sometimes there was also a mention of a skilled labour force; the availability of land and government grants, incentives and more business-friendly legislation or lack of legislation, such a pollution; availability of raw materials and transport costs. The best candidates completed their responses by applying all of this to a reduction in costs compared to manufacturing in the United Kingdom.

Less successful candidates and these were few, concentrated on China as a market for goods and this meant that they generally did not do well. A typical response of such a candidate was, *'To expand the business and people in China can buy products that they can't find in their country so the business becomes multinational and this makes it famous and they can increase the profit the company and survive in the business.'* This response was not given any marks.

At the other end of the achievement scale the following response gained full marks as indicated. *'The land would be cheaper (1) so costs is cheaper which increases profit if sold at the same price (1). There might be greater availability of cheap labour (1) which also reduces costs. The government may be more lenient about waste products of the production method (1). The company's largest market may be nearer to China so they locate there to reduce transportation costs (1).'*

Question 2 (c)

It was this question, with 1 (d) and 2 (d) that led to the greatest use of additional answer sheets, usually too little avail as already explained.

This question was not well answered by most candidates with few gaining more than two marks. It was not necessary for candidates to demonstrate their knowledge and understanding of either of the ratios, this was assumed. In a similar vein it was unnecessary to explain that these were liquidity ratios as candidates had already been told this in the stem to the question. Too many candidates thought these ratios were to do with profit and loss.

No candidate gained full marks on this question. The following response shows a reasonable, but not complete response. '*. . . it measures the ability of a firm to pay their creditors (1) . . . acid test ratio is a stronger ratio as stock cannot so easily be turned into cash (1) . . . how well they can pay their short-term debts (1).*' If this candidate had made reference to the actual ratios then more marks would have been available.

A candidate who filled the lines on the paper and then wrote another page and a half gained one mark when they wrote, at the start of their response, '*. . . shows how many times the business can cover its debts not including stock which cannot be sold or is out of date.*'

Question 2 (d)

This was the question that attracted a high level of skill in repeating the stem and question in the vain hope of gaining marks. Candidates should be very clear that such an approach, no matter how well written and how interesting does not and cannot answer the question.

Despite this many candidates gave good answers to this question and were able to analyse why job production was required rather than just demonstrating their basic knowledge of job production. An example was those candidates who gave a definition of job production - totally unnecessary as this was defined in the stem to the question! It was not necessary to refer to batch or flow production to answer this question.

A good response was, '*. . . each suit is different (1) because the customers size and personal taste varies (1) and the suit has to be made according to the customers requirements (1) . . . making such a suit requires skilled labour (1) . . .*' Candidates may wish to note that in this response there were six lines prior to this extract and nine lines after it that did not gain a single mark.

Paper 04

Coursework Option

In the May 2007 series only two centre entered candidates for this option. Both these Centres have received detailed reports.

As in May 2006 the intention of this report is to give guidance on the application of the coursework criteria to assist any Centre in its decision whether to enter candidates for coursework or the 03 paper.

Centres should note that where the marketing coursework is undertaken it is not necessary for candidates to include a copy of every questionnaire they have administered. It is sufficient to include a copy of either an uncompleted questionnaire or one completed questionnaire. What is important is the use that candidates have made of the data they have collected from their questionnaire and this will be evidenced in the report.

No excuse is given for again including the information relating to the assessment of coursework that follows.

ASSESSMENT OBJECTIVE 1

Demonstrate knowledge and understanding of the specified subject content

- 1.1 Candidates are expected to have a basic knowledge of the subject content so they could mention, for example, profit, revenue, costs in a given context and gain this criterion. Obviously knowledge from any section of the specification is equally acceptable.
- 1.2 Candidates are expected to identify their sources of knowledge. This criterion is linked to 3.4 and 3.7. The plural should be noted and to gain this criterion candidates would have to have somewhere in their coursework something along the following lines, 'In doing this coursework I used a textbook called Business Studies by Karen Borrington and Peter Stimson and received help from my teacher Mr A. N. Other.' In this case the candidate has identified from the text and people group.

For the latter group the person must be named and a candidate who wrote my business studies teacher would not be identifying the person. For the other two groups relevant references would be for organisations, Tesco plc and for electronic a full web address such as www.bized.ac.uk. In a well designed piece of coursework this criterion would normally be found either in the action plan or in an information log kept by the candidate.
- 1.3 Candidates have to identify a minimum of **two** business aims or objectives. These must not be personal aims of the candidate. The business aims should be in the context of the problem or issue that the coursework is addressing. For most candidates they are likely to be from the following, profit, profitability, survival, expansion, market share.
- 1.4 Candidates have to recognise a minimum of **two** constraints. It is sufficient that candidates recognise the constraint. Examples of constraints could be location, capital or communication.
- 1.5 Candidates have to recognise differences or check availability. If it is differences (the most usual reason for this criterion to be given) then **two** differences must be mentioned. Financial differences could refer to sources of finance; in marketing it could be primary and secondary research, in production job and batch, in Human Resources on-the-job and off-the-job training. The availability option in this criterion is rarely seen. To gain it candidates might for sources of finance, look at the availability of different sources in the context of the problem or issue.
- 1.6 Candidates have to consider influences. The word 'consider' appears in a number of criteria, specifically 1.7, 2.4, 3.6, 4.4 and 4.6. In each of these criteria consider means that the candidate has to do more than just state facts. Candidates have to be taught to deliberate and to think about, in this case the content of the specification. It is at this point that the 'understand' part of this Assessment Objective really comes into play. A candidate who just lists points relating to location will not have met the criterion whereas the candidate who looks at location within a context and shows evidence of thought and deliberation will have met the criterion.

- 1.7 Candidates have to consider alternatives from a knowledge and understanding perspective. Taking as an example measuring success, then a successful candidate will be able to show their clear understanding of how the different ways of measuring success can be used within in the context of the problem they are dealing with.
- 1.8 This is often seen as a difficult criterion to give. It is not. Teachers will instinctively know when a candidate is showing their own sound knowledge and are not just repeating what they have found in a textbook or a download from the internet. A candidate looking at the way businesses organise themselves would be expected to demonstrate and understand well two forms of organisation, say partnerships and franchises. This would go beyond simple statements about partnerships and franchises and would demonstrate clear understanding by the candidate.
- The recognition of relationships could be between revenue and costs, employer and employee.
- 1.9 Candidates would be expected to make critical comments on the subject content or to make comparisons making use of their own knowledge and understanding.

ASSESSMENT OBJECTIVE 2

Apply knowledge and understanding using appropriate terms, concepts, theories and methods effectively to address problems and issue.

- 2.1 Candidates are expected to be able to state the basic terms, concepts or theories that relate to business, for example they might mention that a sole trader takes all the risks and has to do everything themselves if the context and problem were so related.
- 2.2 Candidates are expected to apply basic methods to the problem or issue they are considering. This could be a graph, chart, tally or table.
- 2.3 Candidates will prepare a basic action plan. This could be as simple as a few sentences stating what the candidate intends to do. It must be in the future tense. Candidates should be encouraged to draw up an appropriate action plan that sets out what they are going to do, how they are going to do it and what they need to carry out their plan
- 2.4 Candidates will need to consider issues or legislation. Most candidates tend to go for the legislation option. If this is so candidates must be told that this is the 'Apply' assessment Objective and it is not sufficient just to list details of legislation but that they must show how this legislation will impact upon their issue or problem.
- 2.5 Candidates will be given this criterion where the methods being applied are relevant to the topic being studied or the issue or problem being considered.
- 2.6 Candidates will have already met 2.3 and will now further develop their action plan by adding deadlines for completion and indicating if such deadlines have been met and if not why not.
- 2.7 Candidates have to undertake three distinct activities; (i) recognise strengths of ideas they have used, (ii) recognise limitations of ideas they have used and then (iii) make decisions. In many cases this could be achieved through a SWOT analysis if relevant to the issue or problem being addressed. It does not have to be a SWOT analysis as long as there are a minimum of two strengths, two limitations and two decisions.
- 2.8 The candidate will have effectively addressed the issue or problem that has been set through the use of their knowledge and understanding and application of appropriate business terms, concepts, theories and methods.
- 2.9 Candidates will present their action plans, probably as a table, which will include full references to the sources used, the value of these sources, dates and deadlines and an indication of changes to the original plan with reasoning.

ASSESSMENT OBJECTIVE 3

Select, organise, analyse and interpret information from various sources to analyse problems and issues.

- 3.1 Candidates will gather basic information from the sources that they have indicated in 1.2. A typical response could be: 'I went to see the bank manager and the local building society to get my information on borrowing money for a business' This would then be followed by an indication of the relevant information gathered from that source.
- 3.2 Candidates can record information, be it textual, numerical or graphical, in a number of formats. These could include candidate's own notes, tables, charts, graphs and diagrams as appropriate.
- 3.3 Candidates can collate information in a number of ways. Examples could include a tally chart that relates to a questionnaire, a pie chart for the purpose of comparison, a spreadsheet showing cash flow or reports from a database.
- 3.4 Candidates will either gain this through evidence of having used three sources or, and this is more likely, through demonstrating their ability to organise and use the information they have gathered.
- 3.5 Candidates will be able to interpret and analyse the evidence they have gathered, recorded and collated. They might, for example, comment on a graph relating to profit or responses to parts of a questionnaire they have carried out.
- 3.6 Candidates are expected to consider alternative ways of selecting, organising and interpreting. This could be evidenced through the use of different types of graphs so the most suitable is chosen to match the purpose or through a consideration of types of questions in a questionnaire.
- 3.7 Candidates must have made use of all four sources and must then further demonstrate clearly the system they have used to ensure that the information they have gathered does what they have planned for it to do. This criterion cannot be given just for the use of four different sources. It is possible that a very good action plan as explained in 2.9 **might** enable a candidate to achieve this criterion.
- 3.8 Candidates are expected to use their information with specific reference to the issue or problem they have been set and that the use of this information is both effective and valid in addressing that issue or problem.
- 3.9 Candidates should note the two key words; these are **logical** and **comprehensive**. Logical implies that there is a recognisable format to the report or presentation and comprehensive implies that all that has to be covered has been covered.

ASSESSMENT OBJECTIVE 4

Evaluate evidence, make reasoned judgements and present conclusions accurately and appropriately.

- 4.1 Candidates are required to make at least two basic comments that have an implied sense of either judgement or evaluation. A typical response might say: 'The figures show The Body Shop has not got a very high net profit margin, which could mean that the firm is not very good at controlling costs.'
- 4.2 Candidates are required to draw a minimum of two conclusions that relate to the issue or problem they have been set and that are supported by what has already been written. Again, a typical response might be: 'When new employees were trained in the factory they kept getting interrupted so it was agreed that in future all training would take place at a College.' For the criterion to be given another conclusion, related to the task, would still be required.
- 4.3 Candidates can make reference to either social, financial or environmental effects, but they must be effect. So there could be two financial effects or one social and one environmental effect, but there must be two. A typical social effect might be: 'By engaging the employees I will be helping Cairo and the wider Egyptian economy in a small way by reducing unemployment.'
- 4.4 Candidates are expected to consider any results they have indicated in their work or make a limited attempt at analysis and conclusion. It should be noted here that a full conclusion is not required but there should be evidence of an attempt at making a conclusion from the analysis.
- 4.5 Candidates can gain this criterion through the statement of a hypothesis and then either proving or disproving it. When using a questionnaire a candidate can state what they think the opinion will be and then compare that with the facts gathered from the questionnaire. Limited conclusions are required. The following example gives an indication of what is being looked for. 'The cash flow gave an estimate of the amount likely to be made and spent in the first 12 months. However the actual income and expenditure showed that £40,000 and not £30,000 had to be invested. This improved overall cash-flow.'
- 4.6 Candidates would develop the basic references given in 4.3 and would show that they had thought about the effects and not just described them. Again such considerations can be for the same area of different areas.
- 4.7 Candidates need to note that a minimum of two outcomes need to be evaluated and that there must be an indication of at least two improvements.
- 4.8 Candidates need to present a detailed evaluation based on what they have researched and written and the suggested improvements (a minimum of two) have to be justified in the light of their own findings.
- 4.9 Whilst 4.3 and 4.6 can be of a more general nature this criterion requires candidates to link the financial, social or economic effects to the suggestions they have made.

Statistics

4330										
Option 1 (03 & 1F)	*	A	B	C	D	E	F	G	U	
Raw Mark				48	42	37	32	27	0	
Option 2 (04 & 1F)	*	A	B	C	D	E	F	G	U	
Raw Mark				49	43	37	32	27	0	
Option 3 (03 & 2H)	*	A	B	C	D	E	F	G	U	
Raw Mark	79	65	51	37	28	23				
Option 4 (04 & 2H)	*	A	B	C	D	E	F	G	U	
Raw Mark	80	66	52	39	29	24				

Further copies of this publication are available from
Edexcel Regional Offices at www.edexcel-international.org/sfc/schools/regional/

For more information on Edexcel qualifications, please visit www.edexcel-international.org/quals
Alternatively, you can contact Customer Services at www.edexcel.org.uk/ask or on + 44 1204 770 696

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