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Examiners' Report January 2010

GCE Business Studies 6BS04/01

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January 2010

Publications Code UA022655

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Overview

January 2010's 6BS04 paper was the first time that this unit had been examined. The format of a pre-released case study available since July 2009 would have been a new experience to some centres, but much of the specification content will be familiar to those used to the 6124 and 6126 Business Studies legacy specification. The pre-release material undoubtedly improved the quality of candidate responses in the examination - it was clear that centres had spent a great deal of time and effort undertaking background research on Brompton Bicycles Limited. Candidates' responses showed a clear understanding of the company, its ethos and culture and the market place in which it operates. Preparation was helped by accompanying articles which appeared in publications such as the Guardian and Business Review in the period before this examination. Having said that it is important to emphasise that the examination is intended as a test of candidates' understanding of the unit specification content; the business example is a context on this knowledge should be applied. A thorough understanding of the pre-release material, as well as the additional evidence received on the day of the examination is all that is required for candidates to achieve the highest grades. However, the examination of this unit and its use of pre-release material means that candidates' responses must be clearly in context if they are to achieve the best results.

Responses suggested that students were interested and stimulated by the business example. This made classic A-level Business concepts such as Corporate Culture and even Investment Appraisal accessible. Section B, particularly question 7b on Brompton's location gave the opportunity for candidates to show their Evaluative skills; this opportunity was taken advantage of by many candidates.

Section A

Section A questions are designed to be accessible, succinctly answered, and with the exception of question 6, point-marked, rather than level-marked. There was a particular emphasis on Knowledge in question 1 and question 2, where candidates were required to define the terms of 'Stakeholder' and 'Corporate culture'. Question 3 introduced the need for some Analysis, with the use of the trigger word 'Explain'. It is important that centres appreciate the use of these trigger words and that candidates have an understanding of the skills that are required for each one. Some centres have clearly taken this on board, with the result that students are writing responses that concisely achieve the required assessment objectives. Although questions 4 and 5 are asking about two important concepts: the Boston Matrix and 'Power' Corporate culture respectively, it is important to note that both ask candidates to apply these to Brompton Bicycles - hence application marks in each case. Many candidates missed marks due to lack of application here.

Question 5 was split into two sections: the first requiring calculation of the Gross Profit Margins for 2006 and 2007, and the second section asked students to comment on these results. Students, perhaps understandably found this question, particularly section a, accessible. Centres are reminded that Unit 6BS04 has a synoptic element and that AS topics, particularly those in Unit 6BS02 can be examined. In section b, better candidates quoted the results of their calculations, commented on how they had changed (i.e. increased 1.9%) and then suggested reasons why this might have occurred in order to achieve the two Analysis marks.

Question 6 provided the first opportunity for students to show their Evaluative skills. 'Contingency planning' is a classic A2 specification topic, and one that many students are comfortable with. However, many students focused purely on the exchange rate movements

and the potential impact these might have on Brompton Bicycles. The question and is asking students to 'Assess the impact ... of contingency planning'. Better candidates identified what a contingency plan might include (e.g. a flexible approach to pricing the bikes in the US market), whilst also noting that the US only accounts for 5% of Brompton's sales and therefore a contingency plan might not be a priority. It is important to remember that candidates need to be making Evaluative comments in context to achieve Level 4 marks (in this case 7 to 9 marks).

Section B

Some excellent responses were seen by the marking team to both of these questions. It is important to clarify that candidates are not required to set out their responses in the form of a 'report' in the strictest sense of the term: i.e. with Headings/Sub-headings, terms of reference etc. Candidates were certainly not penalised for doing this, but with time being so precious, it is not worth candidates spending additional time on this style of presentation.

Investment Appraisal is always a tricky subject area for students, but the majority of candidates showed an impressive level of understanding in this paper. The publication of projected cash flow information in the pre-release material obviously helped students' preparation here. There was quite a large amount of information in the 'stem' of question 7a; better candidates clearly read and digested this before planning and writing their responses. It should be emphasised that particular aspects of the question were printed in bold writing; the question required students to focus on the information provided by Net Present Value (Discounted Cash Flow) and one other investment appraisal technique, as well as additional information. The question, as posed was not simply about the costs and benefits of Computer Aided Design/Manufacture. Candidates responses where they had attempted to make the required calculations, but made mistakes, were still able to access the higher level marks, providing the Analysis and Evaluation were clearly in context and 'correct' in terms of the Own Figure Rule.

The responses to question 7b were generally of a very high standard. Importantly, candidates seemed to have managed their time effectively - 30 out of 80 marks in total are available in this last question, so it is important that students give themselves time to plan and write a response that reflects this mark allocation. The open-ended nature of these questions means that the emphasis is on students, and centres during preparation time, to bring in as wide a range of factors as possible to responses. In January this question was about Brompton's decision to locate its manufacturing in West London. There was a wealth of evidence in the pre-release that candidates could draw on in their responses. These would include: brand image and company culture; government initiatives to support green transport; labour costs in the UK and in other economies; the actions of competitors; quotes from the Brompton owners and management; proximity to a large market etc. To this candidates could bring in strategic thinkers such as Ansoff and Porter (both important features of the specification). It really is up to the candidate to use as many analytical and evaluative 'tools' as possible to achieve the higher level marks.

Question 1

1 What is meant by the term 'stakeholder' (see Evidence B, line 41)?

A stakeholder is defined as anybody who has an interest which is affected in some way by the success or failure of the business such as the small bike shops shown in evidence B.

(Total for Question 1 = 2 marks)



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Examiner Tip

This question simply asks for Knowledge of the term stakeholder. Application is not required to achieve the two marks.



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Examiner Comments

This response gives a clear definition of a stakeholder, along with an example. Although the example is not required to achieve full marks, the fact that this is included helps to emphasise the security of the Knowledge shown.

1 What is meant by the term 'stakeholder' (see Evidence B, line 41)?

A stakeholder is someone who owns part of the business & has a say in how the company is run & a vote in all other decisions.

(Total for Question 1 = 2 marks)



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Examiner Comments

This response can clearly be contrasted with the previous example. Some candidates are still confusing the terms 'shareholder' with 'stakeholder'. Although a shareholder is an example of a stakeholder, the latter has a much broader definition and does not automatically imply ownership.

Question 2

2 What is meant by the term 'corporate culture' (see Additional Evidence I, title)?

'Corporate culture' is the ethos and behaviours within the business, it can be defined as 'the way we do things around here'.

Part of Brompton's corporate culture is the hand made quality in the UK, reflected by the craftsmanship.

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Examiner Comments

Through using phrases such as 'ethos and behaviours' and the recognisable 'the way things are done around here' the candidate shows clear knowledge of corporate culture. Again, although not needed for two marks, the candidate also applies this Knowledge to the Brompton example.

Question 3

Boston Matrix is a scientific method to assess the products within a business in terms of the market growth and market share. It looks like

star	cash cow	high market share
problem child	dog	low market growth

Corporate planning refers to the process of organising and marketing the products efficiently.

For Brompton, the business only has one type of product – the folding bikes which could be a constraint to its further growth. Boston matrix could, therefore, help to identify the gaps in the niche market for Brompton and come out a new ^{range} product of product in order to achieve the business's corporate objective of sales growth over the next three years.

(Total for Question 3 = 5 marks)



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Examiner Tip

Examiner's tip: the question is requiring more than one aspect to the response – an outline of the Boston Matrix and its key features, but also an analysis of how it can contribute to Brompton's corporate planning. In other words: 'what is it?' and 'how can it be used?'



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Examiner Comments

Examiner's comments: This response clearly outlines the Boston Matrix and its key features. A diagram is used here, but is not essential for candidates. The candidate clearly applies their response to Brompton Bicycles and the folding bike market and goes on to explain one way in which the Boston Matrix might be used.

Question 4

Power corporate culture is a style of business that means... Brompton would be greatly influenced by a main dominant leader (MO). Will Butler-Adams has took on a "power" corporate culture in the sense that he is willing to change the 'sloppy' ways that Andrew Ritchie allowed through his inexperience ~~within~~ within business. This would help Brompton succeed in reducing production time (which had been reduced from six months to three weeks), this would make the business more efficient, customers will be ultimately more satisfied, resulting in their reputation increasingly becoming more positive as their marketing is through word of mouth. Also they will become more professional as a business which will give them a competitive advantage to other competitors.

(Total for Question 4 = 4 marks)



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Examiner Tip

Again, this question has two aspects – an understanding of 'power culture', but also an analysis of whether this would help Brompton Bicycles to succeed in the folding bicycles market.



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Examiner Comments

This response briefly explains Power culture, but goes on to apply this Knowledge clearly to the personalities of the people running Brompton Bicycles. The comment about reducing production time shows a clear understanding of the business, but also links one of the main advantages of a Power culture to this specific situation.

Question 5

2007	$\frac{2027}{5278} \times 100 = 38.4\%$
2006	$\frac{1786}{4894} \times 100 = 36.5\%$

(b) Comment on results of your calculations.

Their gross profit margin has increased by 1.9% from 2006 to 2007. This means that the cost of making the bikes has decreased. One reason for this may be an increased efficiency in the production making the bikes so more bikes are made per number of man hours. The reduced constant physical production techniques could also be a key player and staff know completely what to do and also a good staff motivation helps workers work faster.

(Total for Question 5 = 8 marks)



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Examiner Tip

It is important that candidates show their workings in any calculation question. There are Knowledge marks attached to the technique, so should errors occur in the execution of the calculation, reward is still possible. If candidates are required to 'comment on the results' it is important that they explain what has happened to the results, as well as attempt to interpret what this means for the business.



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Examiner Comments

In this response the candidate clearly shows their workings to the calculation and expresses their results with percentage figures. In part b they explain by how much the ratio has changed and a possible reason for this (reduced costs). This response is particularly impressive because it is clearly analysing possible causes of the change in context (manufacture of bicycles).

Question 6

- 6 Assess the likely impact on Brompton Bicycle Limited of contingency planning for the US \$ falling against the £ sterling. 9 Q06

A contingency plan is a back-up plan in case the unexpected ever happens which might affect part of the business.

Contingency plans are part of a corporate plan and have an outcome for most scenarios that happen, including fires, theft or even a computer crash with loss of data.

A contingency plan for the \$ falling against the £ will be likely in Brompton's case as they have begun to trade in the US. If the US \$ fell against the £ sterling then there would be a problem because the dollar may then be closer to equaling the £.

This would mean the products that Brompton sells overseas would be worth less as there would be less \$ for every £1. A contingency plan would be necessary for this situation and in order to recover from this Brompton need a solution to try and boost sales in the US, which should be a corporate objective. This could consist of reducing the prices of their products in the US, so demand would increase and sales should increase with it, all Brompton will hope the bikes are price inelastic.

Evidence B shows that Brompton has 10 outlets in the US and they accounted for only 5% of their total sales in 1 year. Therefore if Brompton did see a fall in the US \$ to the UK £, it would not be the worst scenario but they may see a dip in their total sales for a period of time.

As a contingency plan. By producing this contingency plan Brompton Bicycle Limited should be more prepared in case something like this did happen, a fall in the US \$ will

help a corporation buying but not a corporation selling. When a corporation produces a contingency plan it does not mean that they will recover from the incident if it did ever happen, but it does mean that they could be well prepared and protected for the fall in the US \$.

It is more than likely Brompton would see a fall in sales in the US and as a result would need to react to it immediately, whether this be reducing the price of the product overseas or ceasing to sell in the US until the situation has ended.

Nearly all businesses will have a contingency plan in case the unexpected or out of the ordinary does happen.

Due to Brompton Bikes selling such a small proportion of their products in the US they should still have a contingency plan for this but it should not be their priority, as this situation can be resolved. If there was a strong fall in the US \$ then perhaps Brompton Bikes should consider pulling out of the US as it will probably see them make a loss by staying there.



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Examiner Tip

The question is about Contingency Planning, in the context of exchange rate movements, NOT simply about the effect of the fall of the \$ against the £. As the trigger word in the question is 'Assess', students are required to Evaluate in order to achieve the highest marks. Again, it should be emphasised that in order to gain reward this must be in the context of the business, Brompton Bicycles Limited.



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Examiner Comments

The conclusion to this argument makes an informed judgement clearly in context. The candidate re-emphasises what is meant by Contingency Planning, but argues that possibly it is not important to Brompton because the US accounts for a small proportion of sales, thus limiting the overall effect of a fall in the \$ to £ exchange rate.

Question 7a

standing repayment. Due to the high levels of costs Beampton have meaning there is no risk and with an average rate of return of 12.5%, this is worth considering. Although this may only be successful if it was part of a much larger production campaign such as the one proposed by new M.D., whereby he is investing this into improving costs per product an overall efficiency. (Lines 9-11, Evidence B) As long as both of these investments are carried out with each other in mind while also being built into the corporate culture to improve efficiency, Cam would be a good step towards better efficiency, productivity, market share while keeping customers happy and loyal by benefiting them with cost cuts.

* In terms of the Ansoff Matrix, a technique that allows companies to assess how risky a decision is; Beampton's investing in Cam would be labelled as 'market penetration', meaning that they are trying to

**ResultsPlus****Examiner Tip**

The question has a number of dimensions and it is important that candidates recognise these in order to achieve the best marks. The first aspect is the Investment appraisal calculations. Again, candidates are encouraged to show their workings. The nature of the pre-release material should allow centres to prepare candidates with many of these calculations during lesson times. As with most quantitative decision making tools there is a distinct 'flow' to answers involving their use: firstly make the calculations and interpret what they mean for the business in context; secondly look at the limitations of the quantitative technique e.g. the fact that it based on estimated data; finally identify other qualitative and external factors that will impact on the decision (in this case the decision as to whether to install computer-aided machinery). Each stage needs to be securely in context to gain reward.

The use of emboldened script in questions is intended to communicate important information about what is being examined. Candidates are urged to take note of this and tailor their responses accordingly. Failure to do this will place a severe limit on the marks achieved.

**ResultsPlus****Examiner Comments**

This candidate has previously completed accurate Net Present Value calculations and interpreted these. He/She has chosen Average Rate of Return as the second Investment Appraisal technique, again doing so accurately and interpreting the result accurately. The candidate in this response qualifies his/her support for Computer Aided Manufacture with the need for the business to invest in other areas that have been highlighted in the pre-release. The candidate uses line referencing to make this link – candidates are encouraged to use this technique to emphasise their understanding of the pre-released context material; it also reduces the need to simply copy out large sections of the stimulus material which in itself is time-consuming. This response is strengthened further with the use of Ansoff's Matrix to evaluate the investment decision. This is an excellent example of 'other evidence' that the candidate has brought in from his/her understanding of the 6BS04 specification content.

Question 7b

... machine to help with addressed domains,
 ... Perhaps outsourcing some of their other non-essential
 parts and ~~has as a result~~ if they really want to
 ... consider moving to a different area or country, suggest
 moving somewhere within the EU where there are
 no taxes and some other restrictions removed, so
 that moving goods between countries is easier.
 So that things like after care service is easier
 and cheaper to manage. Although the initial
 savings from moving may attract investors etc.
 Stakeholders such as the community, which would
 lose jobs would have to be taken into consideration.

Porter identifies three generic strategies of cost
 leadership, focus (or cost of differentiation) and
 differentiation. Since staying in West London shall
 not help them to gain cost advantages they
 should focus on differentiation focus, since they create
 value for quite a niche audience;

(Total for Question 7 = 50 marks)

**ResultsPlus****Examiner Tip**

This question is deliberately open-ended, providing candidates with the opportunity to Analyse and Evaluate by using a wide range of the 6BS04 unit specification. It is incumbent upon candidates to use their own judgement in applying a wide range of arguments in order to achieve the highest grades (itself part of the skill of Evaluation). Although this question was focused on business location, there were a number of factors pertinent to Brompton Bicycles specifically that would impact on the decision to locate manufacturing in West London. Candidates need to address arguments for and against this decision and could use information in the pre-release e.g. comparative minimum wage rates, or bring in wider specification areas such as stakeholder analysis. The highest marks were gained by those candidates who made a wide range of arguments for and against the decision, but did so in a way that was clearly contextualised. Top responses provided a contextualised conclusion that drew on the Market, Objectives, Product, and Situation ('MOPS') of Brompton Bicycles Limited.

**ResultsPlus****Examiner Comments**

Examiner's comment: after a wide-ranging Evaluation of Brompton's location decision, this candidate completes his/her judgement by using Porter to add clarity. The candidate distinguishes between short-term and long-term considerations (cost saving vs. Alienation of the local community); this is always a good means of Evaluating a business decision. Both Porter and Ansoff are clear 6BS04 specification features - each provide useful and powerful tools for students to use in questions of this nature. In this example the candidate supports Brompton's decision to manufacture in West London with reference to Porter and the 'niche' nature of the folding bicycle market. The question does not explicitly ask this, but Porter's arguments are clearly relevant to such a decision and the candidate has used it to good effect.

Statistics

6BS04

Grade	A	B	C	D	E
Grade Boundaries	61	54	48	42	36

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