

Examiners' Report
June 2015

GCE Business Studies 6BS02 01

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Introduction

This paper uses the same format as previous papers in this series. There is a supported multiple choice part - Section A, followed by a case study based on real life businesses - Section B. The total mark for section A is 24 and for Section B 46, giving a total of 70 marks. All questions are compulsory. Almost all candidates completed the paper and a large majority of candidates scored very well on part (a) of section A. The quality of response to part (b) of section A was less convincing. Question 3 appeared to be answered well whilst question 5 posed challenges for many candidates. Candidates appeared well prepared for Section B with only question 12b posing significant problems. Candidates generally scored well on question 9 but there were a number of zero marks on this question as well. An increasing number of scripts were sent to review because examiners found it hard to read candidates writing. On examining scripts for their candidates some centres may be frustrated that answers had not been given the context that was needed for a top grade. Examination preparation should always emphasise this point.

Question 1

Most of the candidates were able to answer part (a) of the question correctly and many attempted definitions of an overdraft and/or working capital. Working capital definitions were better than the attempts at overdraft but many candidates gained marks here. The favoured route chosen by candidates was to explain one or two distracters but on many occasions this was not well done, particularly on distracters B and C.

Many candidates choose the approach shown by this candidate, i.e. a definition and an explanation of two distracters. In this case the distracters were well reasoned but a common mistake was to select a distracter and not fully explain the reason for it being wrong.

- 1 (a) Robert Cairns, an operator of river cruises, has to raise £70 000 to meet working capital needs.

One way of financing this is to

(1)

- A arrange an overdraft
- B increase customer credit terms
- C increase stock levels
- D pay back existing loans

Answer

A

- (b) Explain your answer.

(3)

An overdraft is a short term loan from the bank which has to be paid back with added interest. Overdraft limits can be extended by negotiating with a bank manager. Increasing stock levels would mean more money is tied up in the business. Increasing customer credit terms means customers have more time to pay back the business which would mean money is not coming into the business. Paying back existing loans is not a method of financing.



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Examiner Comments

The first question facing the candidate and not the very best explanation of an overdraft but short-term is identified, interest payments also and the fact that it can be re-negotiated. Just enough for the first mark. The two distracters shown offer an explanation of why increasing stock levels is incorrect - it ties up working capital and why increasing customer credit terms is also incorrect - delaying payment means the business receives funds later.



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Examiner Tip

Very few candidates tried to develop their answer. Three marks can be gained by explaining positive points and answering in context always helps

All distracters must be treated separately if candidates are to gain marks for saying why they are wrong. Grouping them together will garner no marks

- 1 (a) Robert Cairns, an operator of river cruises, has to raise £70 000 to meet working capital needs.

One way of financing this is to

(1)

- A arrange an overdraft
- B increase customer credit terms ✗
- C increase stock levels ✗
- D pay back existing loans ✗

Answer

A

- (b) Explain your answer.

(3)

If an overdraft is arranged then money can be taken out to raise the £70,000 needed. An overdraft is a short-term source of finance for a business. ~~Items~~ B, C & D all result in him having to spend money not make it or receiving payment at a later date which is not beneficial.



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Examiner Comments

The candidate offers a vague explanation of an overdraft which is insufficient to gain a mark. Distracters B, C, and D are referred to as items of expenditure and are not treated separately. The explanation itself is inadequate and not linked to financing working capital and can gain no marks even if the items were separated.

Question 2

A common error made by candidates on question 2 was in assuming that higher revenue was enough to ensure higher profits. On very few occasions there was an understanding that what was happening to costs had to be taken into account as well. A question that looked straightforward elicited many correct answers to part (a) but fewer correct responses to part (b).

Candidates were told that there was a favourable profit variance so the definition being sought was that of profit variance as the evidence provided showed the favourable part. Once again the route chosen by the majority of candidates, including this one, was to explain why distracters were incorrect.

Read the following information and then answer Question 2.

B & A Scaffolding rented out crash barriers for the London 2012 Olympics. When the Olympics ended B & A Scaffolding analysed its performance.

	Actual	Budget	Variance
Hire Revenue	£10.7m	£10m	£0.7m
Total Costs	£9.5m	£9m	£0.5m
Profit	£1.2m	£1m	£0.2m

- 2 (a) Its favourable profit variance was **most likely** due to (1)

- A other crash barrier suppliers reducing their prices
- B fewer people attending than predicted
- C a greater value of orders than predicted
- D lower costs than predicted

Answer

C

- (b) Explain your answer. (3)

Favourable profit variance is when the actual profit made is greater than budgeted. Receiving a greater value of orders than predicted is most likely reason for this. ~~For~~ Option A would mean that the Olympics would have used other suppliers meaning B&A scaffolding would not have made a good profit. Option D would mean that actual outcome would be adverse not favourable.



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Examiner Comments

Two acceptable explanations of why distracters were incorrect provided the two marks for part (b). The definition wasn't clearly enough referenced to profit and the candidate made the common mistake of believing that greater revenue was enough to ensure greater profit.

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- A other crash barrier suppliers reducing their prices
- B fewer people attending than predicted
- C a greater value of orders than predicted
- D lower costs than predicted

Answer C

(b) Explain your answer. (3)

If the Olympic Committee ordered more barriers than they needed just to make sure they got enough, it would increase the actual profit. It would not be A because if other company's reduced their prices, the Olympics would choose them. It would not be B because that would mean not as many barriers would be ordered.



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Examiner Comments

Poor understanding shown of what would happen when a greater value of orders were placed with an assumption, once again, that this was enough to ensure greater profit. This answer is saved by two sound explanations of why distracters A and B were incorrect.



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Examiner Tip

The relationship between revenue, costs and profit is not well understood as evidenced by the answers to this question. Candidates need to work harder on this area.

Question 3

Of all the supported multiple choice questions this was the one that was best answered. It was pleasing to see an increased understanding of the concept 'flexible working' and a good number of candidates were not only able to answer part (a) correctly but went on to explain why this would lead to a decrease in labour turnover.

- 3 (a) A Regus survey of 4,000 UK companies found that 80% of the companies offered flexible working to their employees.

Flexible working is **most likely** to lead to a decrease in

(1)

- A employee morale X
- B productivity
- C labour turnover
- D empowerment X

Answer

B

- (b) Explain your answer.

(3)

Flexible working is when a business lets its staff/employees work when they want so they have more freedom and a more balanced work/home life. It is likely to decrease ~~labour turnover~~ ^{productivity} because employees could become too relaxed and not strictly controlled by managers so they will start producing less. A and D are incorrect because flexible working increases both of these as it gives staff more freedom.

(Total for Question 3 = 4 marks)



ResultsPlus Examiner Comments

Despite the answer to part (a) being incorrect a mark is awarded for an understanding of what flexible working is. There is an acknowledgement that the business agrees to allow employees more freedom to choose when they work. Unfortunately the candidate equates this freedom to under-achievement in the belief that this will result in a poor work attitude, hence the incorrect choice of decreased productivity

It was pleasing to note that a large number of candidates not only chose to define flexible working but also went on to make positive points linking flexible working to a decrease in labour turnover, rather than just explain the distracters.

- 3 (a) A Regus survey of 4,000 UK companies found that 80% of the companies offered flexible working to their employees.

Flexible working is **most likely** to lead to a decrease in

(1)

- A employee morale
- B productivity
- C labour turnover
- D empowerment

Answer

C

- (b) Explain your answer.

(3)

Flexible working is the ability to work irregular hours and at a short notice. Labour turnover is the amount of staff leaving the firm per year over the whole amount of staff. C is correct because if ^{workers} people are allowed to work flexible it means they can work whenever and have the ability to do so, as with bus which means they are likely to be remain at the firm. D is wrong as it would increase empowerment due to ability to work whenever. B is wrong because they can work when it suits them or the business so increases ^(Total for Question 3 = 4 marks) output.



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Examiner Comments

This candidate understands some of the aspects of flexible working and can see the link to fewer employees leaving. They provide a sound definition of labour turnover. The answer implies the agreement between employer and employee that is needed for flexible working, rather than the bland (and incorrect) statement that employees can choose when they want. The link to empowerment is acceptable as being in control of your working environment, e.g. hours, would lead an employee to feel a degree of control of their working life.

Question 4

It was somewhat amazing that candidates expected a knowledge mark for regurgitating the correct answer, i.e. a bonus is an addition to salary in recognition of work done. Where candidates stated that the bonus was a reward then marks could be achieved but the knowledge mark for a definition was awarded for 'labour turnover'. This question was not well answered as some candidates were not able to recognise that pay is a hygiene factor in Herzberg's theory, not a motivator, and they were also unable to explain what job enrichment was. This meant that attempts to explain these two distracters often went badly wrong.

4 (a) Barclays Bank pays bonuses to some of its employees to reduce labour turnover.

A bonus is

(1)

- A an example of job enrichment
- B an addition to salary in recognition of work done
- C one of Herzberg's motivators
- D always based on the number of units produced

Answer

B

(b) Explain your answer.

(3)

A bonus is a financial reward for performance given to an employee. ~~cannot be A as~~ cannot be D as not everyone works in production. cannot be A as has nothing to do with changing the job performed.



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Examiner Comments

A mark is awarded for stating that a bonus is a reward and a further mark for explaining, albeit briefly, that distracter A is incorrect - (bonus) is nothing to do with the job performed.

4 (a) Barclays Bank pays bonuses to some of its employees to reduce labour turnover.

A bonus is

(1)

- A an example of job enrichment
- B an addition to salary in recognition of work done
- C one of Herzberg's motivators
- D always based on the number of units produced

Answer

B

(b) Explain your answer.

(3)

labour turnover is the number of employees that leave a business each year ÷ the average number of staff. It's not A as this is giving staff different/more challenging jobs to motivate them. It's B because a bonus is a financial form of incentive or reward to motivate staff which makes them less likely to leave the business. It's not D as bonuses could be based on good ideas, the business making large profit...

(Total for Question 4 = 4 marks)



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Examiner Comments

This was a confidently written response when gained full marks. The candidate gave an appropriate definition of labour turnover and explained that the bonus was an incentive or reward (either term would have sufficed) and explained quite succinctly why job enrichment was not the correct answer.

Question 5

This question brought disappointing responses from many candidates. Particularly off-putting was the idea that capacity utilisation would be used to measure how many extra items an employee would sell if they did overtime. Whilst capacity utilisation is not just used for manufacturing firms (it is used by airlines also, for example) there is little likelihood that more people will come through the door to buy agricultural trailers if the shop is open a little longer. So whilst many candidates answered part (a) correctly their explanation of what would increase capacity utilisation was often poor and the explanation of why the distracters were wrong equally lamentable. On the positive side there were some very well crafted answers, particularly when candidates were able to explain that having larger premises improved capacity but not necessarily capacity utilisation.

5 (a) Employees of Weeks Agricultural Trailers only work from 8.00 am to 4.00 pm.

Which of the following would be **most likely** to increase capacity utilisation at Weeks Agricultural Trailers?

(1)

- A Increasing working hours
- B Increasing the price of the agricultural trailers
- C Buy or rent larger premises
- D Reduce the level of stock held

Answer

A

(b) Explain your answer.

(3)

Capacity utilisation is the actual capacity used by a firm, compared to its maximum capacity, expressed as a percentage. ~~Since workers at weeks weeks only work from 8am to 4pm, increasing working hours could mean that the machines are being used as much as they can and so are not sitting idle. This would help improve output. cannot be which may lead to a demotivated workforce. By buying or renting a larger premises, weeks can~~

Increasing working hours means that Week's workers will be using machinery for longer and so producing more for the ^{same} capacity that may have. So machines are not sitting idle. cannot be C since this is a way of increasing capacity but it does not mean that week's will use this extra capacity.

(Total for Question 5 = 4 marks)



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Examiner Comments

Despite the untidiness of this answer the candidate, eventually, provides a creditable answer not only being able to define capacity utilisation but also to relate it clearly to the question immediately showing good analytical skills. The explanation of why distracter C is incorrect is well explained given the constraints of an examination taken under pressure.



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Examiner Tip

All questions are taken from real businesses. It is particularly pleasing if the candidate then relates the answer to the business in question, not least because it puts the answer in context.

5 (a) Employees of Weeks Agricultural Trailers only work from 8.00 am to 4.00 pm.

Which of the following would be **most likely** to increase capacity utilisation at Weeks Agricultural Trailers?

(1)

- A Increasing working hours
- B Increasing the price of the agricultural trailers
- C Buy or rent larger premises
- D Reduce the level of stock held

$$\frac{\text{actual}}{\text{maximum}} \times 100$$

Answer

A

(b) Explain your answer.

(3)

$$\text{Capacity utilisation} = \frac{\text{actual level of output}}{\text{maximum level of output}} \times 100$$

The higher the percentage, means the better the capacity utilisation is. To help improve this, increasing work hours ~~more~~ would work best as they can then get more done. Buying larger premises would only waste money as the same amount of productivity would be getting done, and the money ~~is~~ spent on this could be put to better use.



ResultsPlus Examiner Comments

This response has a solid foundation. A precise formula for capacity utilisation is given and an explanation that working longer hours enables more work to be done. Although there is no specific mention of using the same resources (as in the mark scheme) the judgement made is that the candidate is not suggesting employing more workers. There is an attempt to explain distracter C but it is not clear enough to warrant a mark.

Question 6

It was acceptable for candidates to give two definitions in this question and some did so quite well. Revenue is a concept that should be understood by all candidates - it is fundamental to business at any level. It is disappointing, therefore, that there was much carelessness in defining it. It is not money 'made'. Neither is it profit minus costs. In a similar vein the answer to the question revolves around negative cash flow - so a definition of cash flow alone would not suffice. When candidates related their answer to negative cash flow then there were some excellent responses, including explanation of distracters. A number of candidates wrote quite a lot, however, without gaining much credit. This was because they lacked sound reasoning. For those who may take this paper again, this needs to be improved.

- 6 (a) Sam Carroll owns a hotel in Keswick, Cumbria. After a profitable 2011 he started to add more rooms to the hotel. Revenue for 2012 fell and the bank withdrew his overdraft facility.

The **most likely** reason for the bank's action would be that the hotel's

(1)

- A suppliers improved their credit terms
- B profit for 2012 had been underestimated
- C actual costs were below budget
- D bank statements showed negative cash flow

Answer

D

- (b) Explain your answer.

(3)

Negative cash flow refers to the money coming in and out of a business. By having less revenue in 2012, it gives the indication that Sam's hotel is suffering from his outflows exceeding his inflows which means that he is not making a profit. He then in which he must have relied on his overdraft to survive but did not repay it. Therefore the negative cash flow led to less the withdrawal of the overdraft facility.



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Examiner Comments

The candidate starts as if to explain negative cash flow but then changes to an explanation of cash flow - not enough for a mark. A mark is awarded for stating that the business is probably suffering from outflows exceeding inflows, a reasonable assumption in that there would be greater reliance on the overdraft as this is a consequence of having a negative cash flow.

- 6 (a) Sam Carroll owns a hotel in Keswick, Cumbria. After a profitable 2011 he started to add more rooms to the hotel. Revenue for 2012 fell and the bank withdrew his overdraft facility.

The **most likely** reason for the bank's action would be that the hotel's

(1)

- A suppliers improved their credit terms
- B profit for 2012 had been underestimated
- C actual costs were below budget
- D bank statements showed negative cash flow

Answer

D

- (b) Explain your answer.

(3)

An overdraft is an agreement with your bank that allows you to spend more than you have in your account and pay back with interest. * Cannot be. As this is positive and would encourage the bank to keep the overdraft, would instead decrease Sam's need for it.

* Due to negative cash flow, the bank may have predicted Sam would not be able to pay back overdraft so withdrawn



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This candidate provides a reasonably short answer (perhaps the small writing makes it appear more so) but manages to secure full marks, albeit with what appears to be an afterthought at the bottom of the answer, which provides a reason linking the negative cash flow to the withdrawal of the overdraft. Initially there is a good definition of an overdraft and a sound explanation as to why distracter B is incorrect.

Question 7

It is pleasing to note that some candidates are writing on their scripts where marks are likely to be allocated, e.g. 2 marks for knowledge, 1 mark for application and 1 for analysis. Whilst it cannot always be guaranteed that this is always so, it is in this instance, and a number of candidates benefited from it. Having said that, the same candidates should also know that this knowledge should be related directly to the question, for instance a knowledge of what labour costs are - wages for example; before explaining the reason for lower labour costs for online retailers. This question was answered more successfully than previous question 7s and candidates are to be congratulated on this.

7 Explain **one** likely reason why online retailers such as ASOS have lower labour costs than traditional shops.

ASOS has lower labour costs than traditional shops because they are based in the online sector. This means that they have less employees than traditional shops as they don't have lots of stores with lots of employees because they operate the business online from one place and therefore they have less employees to pay which reduces labour costs for the business.



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Examiner Comments

There is nothing wrong with what is written but only two points are made. Fewer employees for online businesses are noted and that this will reduce labour costs. Unfortunately there are no examples of labour costs and there is no context. Online is mentioned in the question so this cannot be counted as context.



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Examiner Tip

Context is key to good marks nowhere more so than in the lower mark questions.

7 Explain **one** likely reason why online retailers such as ASOS have lower labour costs than traditional shops.

Labour costs ^{is} the amount of money needed to pay for the work of employees in the form of a salary or wages. ASOS is an online retailer and therefore will not have to pay for as many staff as not high street shops are needed. Therefore with only having a warehouse in Barnsley, Head office in London and customer care it will only need to employ a small amount of people instead of the 100's needed to operate all the high street shops. Therefore lower amounts of employees means lower labour costs.



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Examiner Comments

This answer, which secured full marks, appears deceptively simple. It includes an example of labour costs (salary/wages) and reasons that the online retailer ASOS does not need to employ as many staff as high street shops are not needed. There is context - 'only having a warehouse in Barnsley', plus analysis that 'lower numbers of employees means lower labour costs'. This last point could have been stronger but the mark is awarded.

Question 8

This question was generally quite well answered although it was surprising the number of candidates who referred to high labour costs when the question explicitly tells them not to. To labour the point please read carefully what is required. Whilst it was not surprising the majority of candidates identified competition from online traders as the main reason, what was rather disappointing was the inability of candidates to contextualise responses, in particular when there was evidence that Marks & Spencer's had not kept up-to-date with competitors. Few full marks were awarded but plenty of twos and threes.

- 8 Explain **one** likely reason, other than high labour costs, why it is claimed that '40% of shops in the UK will close by 2017' (Evidence A, line 1).

One other reason why shops in the UK will be likely to close by 2017 is because of growing E-retail market. Lots of people are now shopping online instead of going to shops. 'E-retailing now accounts for 17% of total UK retail sales' and this figure is growing. With more and more people shopping online the need for shops decreases and this will lead to more ~~peop~~ shops being closed down. That is why it is claimed that '40% of shops in the UK will close by 2017'.



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Examiner Comments

This answer clearly identifies the E-retail market as being the problem and the candidate gives the answer credence by using the statistics from the case study to back up the statement. What is lacking is an explanation as to why this might occur - busy lifestyle for example.

- 8 Explain **one** likely reason, other than high labour costs, why it is claimed that '40% of shops in the UK will close by 2017' (Evidence A, line 1).

One likely reason for this is because of "customers increasingly reject traditional shops in favour of online retailing" therefore the advent of online retailing has made physical stores less important so it is likely for businesses to close down stores as the need for high street stores fall and the need for online retailing increased so that money saved may be used to grow their online presence.



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Examiner Comments

This candidate clearly understands the remit given and produces the acceptable reason of the growth of online retailing but there is no attempt to use any of the information in the case study - and there is plenty, to contextualise the answer and show ability to put into practice what will have been taught.

Question 9

The format for this question requiring analysis but no evaluation gave candidates the opportunity to score well, and many of them did. It was not uncommon for candidates to score 6 marks; what was disappointing was that there were not enough scores of 7 or 8. Another worrying feature was that there was a not insignificant minority of candidates who scored zero marks. This represents a lack of knowledge and understanding of quite a well-flagged concept from the specification. Candidates were not required to give a balanced answer, i.e. the question demanded positive points regarding ASOS and centralisation. What was often provided was evaluative comment, i.e. negative comments, for which there was no reward. Although marks were not deducted here the time wasted here could, perhaps, have been spent more productively elsewhere.

9 Analyse why centralisation might lead to improved performance for ASOS.

Centralisation is where there ~~are~~^{is} more power coming from the top, and ~~the manager~~. As ASOS is an "online clothing retailer", they ~~do~~ employ less staff, especially skilled staff as a high number of employees will be people packaging and driving cars to deliver the products to houses. This means that efficiency is really the key to this business ~~so~~ and they don't really need many people to delegate to smaller groups of people, meaning that if ^{firm} orders come from the top ~~and~~ then this might make people ~~more~~ take their jobs ^{more} seriously and work harder, boosting performance.

However, centralisation might actually do the opposite as these people don't ~~also~~ really interact with customers and teamwork is a key aspect, meaning that ~~spreading~~^{spreading} that power will motivate people more as they will ~~feel better~~ ~~also~~ have an increased work morale due to good relations with managers and team-leaders and their own teams in general, which could ~~also~~ also reduce labour turnover and make the business more efficient.



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Examiner Comments

This candidate understands the concept of centralisation - decisions taken at the top of the organisation, and immediately puts the answer into context by referring to 'ASOS the online clothing retailer', before giving a couple of straightforward reasons why centralisation could be beneficial to ASOS. Perhaps the candidate was untrusting of themselves as the answer went on to look at potential downsides of centralisation.



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Examiner Tip

Know how marks are allocated. Eight marks might appear a lot for a question with marks for only knowledge, application and analysis but when asked to analyse there will be no additional marks for providing balance, for evaluation.

responsibility

9 Analyse why centralisation might lead to improved performance for ASOS.

Centralisation is a management method where the decision making is not made by ~~so~~ a manager who is high up in the hierarchy of the shop. This means that workers ~~are~~ are more independent and don't rely on their managers.

If workers have more independence then they will become more motivated and become a theory Y worker, because they have been given responsibility.

~~At~~ If workers are making decisions for themselves, ~~the~~ and not being monitored closely, this will save time in the company and potentially improve efficiency, which could increase capacity ~~at~~ utilisation and decrease costs.

Furthermore, if people are working independently, then the amount of managers needed will be low, therefore saving money for ASOS.

This then shows that centralisation can improve staffs attitude to work, increase ~~the~~ workers performance and encourage and motivate them to work hard. ~~the~~ self-actualisation and responsibility are all factors of Maslow's hierarchy of needs.

(Total for Question 9 = 8 marks)



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Examiner Comments

A detailed answer is provided. Unfortunately it is wrong. It explains almost the complete opposite of centralisation. It is included here as a warning to candidates. No matter how often you look at this answer there is no merit to it.

Question 10

The big challenge here was understanding the content required. Candidates had to grasp that forecasts are predictions, often based on good data, which should be used as a guide and companion to the actual figures in order to make comparisons, and, as a result of those comparisons use the information to make better, informed decisions in the future. Some candidates referred only to cash flow; others to only one example of cash flow forecasting (namely income); acceptable but disappointing, whilst others seemed content to regurgitate textbook answers without thought to the importance of CFF to ASOS. To be fair there were many excellent scripts where candidates could show the advantage of using information in a fast changing industry to steal a mark on rivals. Where these views were expressed high marks were awarded.

10 Assess the usefulness of cash flow forecasting to fast growing businesses such as ASOS.

A cash flow forecast is predicted future cash inflows and outflows, ~~so~~ taking into consideration previous figures as well as the changing market in which the business functions. ASOS, being in the online retail industry, ~~could~~ could benefit from cash flow forecasting since the retail market is very dynamic, hence ~~the~~ ~~it is~~ consumer tastes are ~~consistently~~ ^{constantly} changing. Hence if ASOS can predict changing demand ~~of~~ ^{for} certain products ~~in~~ ^{within} their 65,000 products for sale, they can adapt to that demand and hence accurately predict cashflow. This can help ASOS set clear targets that ~~it~~ need to ~~be~~ met. Also, ~~ASOS~~ ASOS can identify when negative cash flow ~~may~~ occur, by doing this, ASOS can adapt its strategy in order to increase sales by say advertising, or introducing a new product ~~so~~ expanding its product mix, in order to achieve a positive cash flow. On the other hand, cash-flow forecasting is just a prediction and ~~forecast does~~ cannot predict external influences ~~of~~ such as changing economic climate or perhaps a new online retailer that may take sales away. ~~the~~ ^{How} much ASOS benefit from cash flow forecasting ~~hence~~ ^{hence} depends on how accurately they can predict ~~sales~~ ^{sales} (Total for Question 10 = 8 marks) and demand, while incorporating a possible ~~set back~~ ^{set back} such as a new competitor.



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Examiner Comments

This is a beautifully crafted answer, well worth full marks. The essence of what cash flow forecasting is about and is used for in the real world is grasped succinctly and illustrated precisely. The positives were that good that there was fear that balance would not be possible but belatedly it was provided. Congratulations to this candidate and to the centre for careful preparation.

10 Assess the usefulness of cash flow forecasting to fast growing businesses such as ASOS.

Cash flow forecasting is a method of predicting the likely amount of cash inflows and outflows per month in a business by using historical data. It includes net cashflow, an opening balance and closing balance for each month.

These would be useful to ASOS because they allow them to see how much they can spend (outflows) before cash flow becomes negative. This means that it is less likely for ASOS to go into debt. Also, they give ASOS a clear goal as to how much they need to sell to maintain a positive cash flow which could increase motivation as employees have a target to meet.

However, like the weather, a cash flow forecast is only a prediction and a number of factors could change cash inflows and outflows. For example, the economic climate could change or the government could increase taxation leading to less cash inflow. Overall, I think that a cash flow forecast is significantly useful to ASOS as the pros outweigh the cons.

(Total for Question 10 = 8 marks)



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Examiner Comments

This is a well written, clearly presented, correct answer but could have been about any firm. All the points are relevant to the advantages and disadvantages of cash flow forecasting but there is no indication that any of them could apply specifically and only to ASOS.



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Examiner Tip

If a candidate has good theoretical knowledge they will get a reasonable grade in the examination but only if that candidate frames the answer in a contextual surrounding will they come close to a top grade.

Question 11

On section B of the paper question 11 was answered better than the other questions. This may have been because candidates are used to the concept of Just In Time and it may be that they could see the relevance clearly to the question. It was encouraging to see use of the evidence - 65,000 stock items was a key piece of evidence used. When used carefully the evidence separates the more able candidates from the rest. For example, many candidates referred to warehouse costs in 'modelled' answers. If candidates had referred to ASOS's only warehouse in Barnsley and geared their answer to 65,000 items of stock held there they move up a couple a marks. More candidates should be able to do this.

11 Evaluate the use of Just in Time management of stock for ASOS.

Just in Time (JIT) management of stock is ~~manage~~ holding minimal stock just enough to meet demand. ASOS has a large warehouse in Barnsley where their stocks are held. ~~It~~ JIT stock management can be very useful in reducing costs and wastage. As minimal stock is held, there is no need to spend on electricities or renting large warehouse. When stock constantly going in and out to customers, money are not held at one place which improve cash flow. This is good for ASOS as they will have cash to make investments and it also prevent negative cash flow. JIT also reduces risk for the stock held. ~~Stock~~ Stock being held for longer time might faces risk of being outdated. For ASOS, ~~the~~ customers change taste constantly and it is important to update style every day. JIT stock management help ASOS to be more flexible to changes. However, if demand increase unexpectedly, ASOS will not be able to meet customers needs. This will effect their brand image and customers may ~~with~~ switch to competitors.



ResultsPlus

Examiner Comments

This is a good answer. The candidate has a good knowledge base and is able to apply it in context showing the benefits of JIT to ASOS. The section on the downsides is a little prosaic without features that distinguish it from the textbook theory but nevertheless a high scoring answer.

11 Evaluate the use of Just in Time management of stock for ASOS.

Just in time management (JIT) leads to a business holding as little stock as possible.

The advantages of JIT for ASOS is that they do not have to pay as much money for storing their stock. They also do not have to pay for the insurance of their stock as they do not need to worry about people breaking in or their being a flood within the warehouse. By having a JIT management system this also leads to them not having money tied up in stock which therefore allows them to spend that money on other parts of the business. By having a JIT management system it literally means that once they receive an order they will produce the stock for it.

The disadvantage of JIT is that you rely heavily on your supplier. If your supplier is late this leads to your customers not getting their products on time. This leads to bad reputation for your ^{ASOS} business and a loss of sales. Having a good relationship with your supplier is vital.

Business however, usually have a buffer stock just in case of an emergency usually if the supplier is late.



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Examiner Comments

The candidate clearly understands the benefits and drawbacks of JIT but although the name ASOS is featured it could be replaced by any retailer, online or otherwise.

Question 12

The concept of the marketing mix is well known and frequently visited in the examination paper. It is reasonable to assume that the vast majority of candidates will know it and its constituent parts. The challenge is then to make it relevant in the real business world. The use of price to increase Marks and Spencer's online trading was well enough understood by candidates even though there were those who referred to ASOS and those who missed the online part altogether, thus achieving no score. The most common score in part (a) was 4, an indication of analysis provided but either without context or without evaluative comment. The concept of promotion was again understood by the majority of candidates but despite a quoted 'richer purchasing experience' being given, complete with line guidance, the idea was not understood by many or was ignored. Whilst time pressure may have been a contributory factor it is reasonable to expect an AS student to be able to write about more than 'use more television adverts' to explain this part of the question. A mark of 1 was common. Most disappointing as the whole idea of the case study was how to respond to online competition.

*12 Evaluate how major retailers, such as Marks and Spencer, could use:

(a) Pricing to increase online sales

(7)

Pricing is one of the elements of the marketing mix and retailers like M&S can use this to their advantage. They can use tactics like price penetration where they price their products at a lower price than their competitors. They could also give discounts or have free delivery in order to increase online sales. Customers are likely to purchase products if prices are low, however they would need to be careful because if prices are too low the company image could be damaged as customers may feel that the quality is not very good and so may go elsewhere.

M&S are highly successful business and are also well known for providing top quality products so they could aim to use price skimming where prices are set high for products. Loyal customers are likely to continue to buy from them and so they are likely to make a higher profit.

However, ~~the~~ P.E.D of clothing is likely to be elastic as ~~there~~ there are a number of substitutes available so customers may feel the high prices are too much and buy from cheaper substitutes instead.

(b) Promotion to create a 'richer purchasing experience' (line 24)

(7)

Promotion is another element of the marketing mix which is the marketing and advertising of products and services.

Promotion can help to create a richer purchasing experience as for retailers like M&S as they can use adverts on TV or posters to advertise their products.

As well as this, their customer bases which is mainly women middle-aged women can use to help them benefit from word of mouth advertising to help promote their business and create a richer purchasing experience.

In addition by showing adverts and promoting their additional services like the bakery or their restaurant they are likely to create the rich purchasing experience as consumers will be persuaded to shop at M&S due to the added benefits of the cafe and bakery to complete their shopping experience.

Overall, promotion is a useful way for retailers like M&S to create the rich purchasing experience as it helps advertise them and makes M&S more known to the public.



ResultsPlus
Examiner Comments

All credit to this candidate who not only understood how Marks and Spencer could respond to online threats but provided balance to the response. Not only was this candidate alert in part (a); in part (b), although it took some time arriving, there was a clear understanding of how shopping in store could be promoted to provide the 'richer purchasing experience'.

*12 Evaluate how major retailers, such as Marks and Spencer, could use:

(a) Pricing to increase online sales

(7)

Pricing is one of the 4 ~~of~~ P's found in the marketing mix. Marketing mix is a strategy where businesses aim to meet customer needs by looking at the 4P's - pricing, promotion, place and product. There are many different pricing strategies M&S could adopt, e.g. price taker - following pricing patterns of their competitors e.g. Waitrose. When launching a new product, e.g. new food item or M&S clothing, they could set a really high price at the beginning of the PLC, because its new, price won't be compared and this way, M&S can capture a share of the market. Price destroyer is when M&S set a lower price than competitors, short term loss is accepted so they can attract customers, the price can be readjusted. ~~But~~ M&S are well established and profitable so they can sell their products at lower prices than their competitors can afford to sell at. Finally, promotional pricing is when a lower price than normal is offered, purely to promote sales - this would increase online sales of ~~of~~ for M&S for example their clothing line.
line.

Promotion is one of the 4P's found in the marketing mix. Marketing mix is a strategy where businesses aim to meet customer needs by looking at the 4P's - pricing, promotion product and place.

There are a many ways of promoting your product, for ~~an~~ example TV adverts, Radio adverts, newspapers, online adverts etc. Promotion for Marks and Spencer needs to be appropriate for their target audience for example, the elderly generation, rather than the young teenagers. So advertising in newspapers and magazines such as the reader digest, rather than on Facebook and twitter where I feel that this would be a waste of money as twitter / Facebook are social sites found within the younger generation.

However, Marks & Spencers could see this as an opportunity to attract new customers, e.g. the young teenagers, by attracting them through facebook.



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Examiner Comments

This candidate provided a fairly comprehensive answer as to how M & S could use various pricing strategies to increase online sales. Unfortunately no downsides were given so there was no evaluation. On part (b) the candidate recognises the type of customers most likely to shop at M & S but does not relate this information to the 'richer purchasing experience' referred to in the question. There is plenty of evidence to use including the section on Mary Portas so it is disappointing to see the mark restricted to 1.

Paper Summary

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

- Write clearly.
- Always explain distracters carefully making sure that there is a separate reason for each distracter.
- Aim to give a clear definition in Section A of a key point from the question.
- Try to give context to all answers especially in Section B where context can take analysis to a higher level.
- Know the difference between analysis and evaluation. This may save you time and help you answer all questions within the time framework.
- Use the case study to help explain answers. It is there for a purpose.
- Remember that content/application cannot just be achieved by copying sections of the case study.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London WC2R 0RL.