

# Examiners' Report January 2009

GCE

GCE Business Studies/Economics & Business  
(6BS01/6EB01)

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January 2009

Publications Code US020854

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## Principal Examiners Report: 6BS01/6EB01 January 2009

Overall candidates' performance on this paper showed a reasonable to sound grasp of business concepts and theory. Answers suggested that candidates had, on the whole, been effectively prepared for topics that in some case were quite a departure from traditional GCE specifications in Business Studies/Economics and Business.

It was disappointing to note that a significant number of candidates struggled with the concepts Market Positioning and Product Trials. These concepts are as pivotal as enterprise/entrepreneurship to Unit 1 given its title (Developing New Business Ideas). On the other hand it was refreshing to see that candidates were able, in the main, to at least analyse the value of BEA to a business.

### Section A

Examiners were exposed to a full range of approaches, from what appeared to be candidates carefully drilled in handling supported multiple choice questions to others where there appeared to be no evidence of preparation. The good spread of marks obtained in Section A owed more to variations in the grasp of the assessment objectives, but also something to the extent of preparation. At GCE level, the use of supported multiple choice questions enables an awarding body to test more than straightforward recall. The three explanation marks proved good discriminators, particularly for questions 1, 2, 5, 7 and 8 which really required candidates to analyse and to evaluate.

### Questions

1. Candidates generally struggled with the economic concepts; few used a demand and supply diagram. Stronger candidates for this particular question (mainly amongst those who had been entered for the combined Economics and Business option) were able to separate demand from supply factors and also identify that, if anything, answer C might reduce pasta prices. Stronger answers quickly identified that C referred to a fall in costs (and just one supermarket chain) so was least likely to explain an overall 20% price increase in pasta. Other candidates became bogged down in irrelevant detail.
2. The majority of candidates answered this question correctly, though some explanations in part (b) often lacked focus. Stronger answers tied their response to characteristics and motivations of successful entrepreneurs and to the stem, i.e. Sue Russell and/or Denby Potteries (UK) Ltd. Working independently is a typical feature of small business ownership and often a major attraction to start-up.
3. Many candidates struggled with market mapping, often mixing physical location with market positioning, indeed suggesting it had something to do with place or location. This question had the lowest mean mark for Economics and Business candidates. The stem relating to Virgin Active Holdings Ltd was rarely referred to in part (b) which was really expected to gain higher marks since this is how candidates can show application and therefore a secure understanding of concepts.

4. This question had the biggest standard deviation in Section A, with scores of both 4 and 0 common. Candidates who are reluctant to use numbers have a real disadvantage in this subject. Incorrect answers simply stemmed from not knowing the ratio and making incorrect guesses. Those candidates who did correctly work out the answer as B 4.09% in part (a) 4 were able to gain either 1 knowledge mark for stating the formula (operating profit/sales X 100) or extra marks for showing application by inserting data correctly into their formula, e.g. £33m/£807m.

5. Use of the context (application) is always significant, but was crucial here. A university student was unlikely to have collateral for a debenture or a bank loan; the risk taking of a venture capitalist was therefore necessary. Many candidates missed this and felt that a commercial bank loans would be the most likely source of the \$500,000 start-up capital. In some cases there was a 'timeline' error made: candidates assumed that because Facebook is a success now, that it was always destined to be, so the risk of investing in it from the start was actually quite low!

6. On the whole, this question was tackled easily by candidates. Most were generally clear on the contrast between primary and secondary research and the stronger candidates applied this grasp to the University of Warwick context. Taking part (a) and (b) together, this was the best answered supported multiple choice question.

7. Examiners see the use of unfamiliar terms in a wrong answer as a legitimate distracter; some teachers are uncomfortable with this. Candidates who understood that A, C and D were significant external influences scored well as they were able to access full marks in part (b) by explaining these factors. Nonetheless, a number of candidates appeared to have been bogged down by not knowing what was meant by balance of payments, since it is not referred to directly in the specification, though featuring prominently in the resources. Consequently, this question was answered with variable levels of success. Some candidates knew what the balance of payments was; several guessed that it was something to do with the internal accounts of the business and therefore scored badly in part (b) despite correctly choosing answer B in part (a). Stronger candidates explained how all of the three remaining factors would have an effect on the Bannantynes Leisure. Notably, Economics and Business candidates scored better on this question.

8. The majority of candidates correctly identified autocratic leadership; this was another question on which marks were relatively high. Candidates used the Ikea stem successfully, identifying the 'restrictive' nature of Kamprad as a clue to his autocratic style. Stronger candidates were able to bring in outside information such as McGregor's Theory X and Y to aid their evaluation.

## Section B

The Levi Roots and Reggae Reggae Sauce case study appeared to be accessible to most candidates. Given the Edexcel support material and guidance provided to centres for this Unit through 'Getting Started' and other sources, it is clear that candidates were well prepared for the topics which featured, namely financing start-ups and product trials.

### Questions

9(a). Most candidates showed little difficulty in explaining reasons why Levi Roots conducted product trials. However, there were still a significant number of candidates who either failed to refer to the context at all or repeated their ideas. Full marks were achieved by those who developed each reason well.

9(b). Most candidates used the context and identified Levi's financial predicament and linked this to the fact that other sources of finance were not likely to be available to him, given that he had little, if any, collateral. Many candidates identified the 'Dragons' as the venture capitalists and contextualised analytical points to do with expediency and risk. Marks were lost in some cases because knowledge of venture capital was not developed fully. Stronger answers to (b) often mentioned the fact that venture capitalists are a source of contacts and advice as well as money, in this case links to Sainsbury's.

9(c). Generally candidates scored well on this question. They defined break-even well and many responses were written in context, with many candidates scoring 6 out of a possible 8 marks. Those who offered analysis, but without context, still managed to score 5 marks. Several candidates offered break-even diagrams, which were largely useful. Most candidates wrote sensibly about the value of break-even and often combined this with its potential to impress the Dragons and then went beyond this to achieve balance by referring to the limitations of estimates and/or the fact that break-even analysis is no guarantee of sales. Such analysis frequently supported sound evaluative conclusions.

9(d). This question was answered with varying degrees of success. There was some confusion as to whether Reggae Reggae Sauce was or was not currently market oriented. Much of the knowledge in answers was assumed. Most answers were well contextualised, with reference to the community and the appeal of the product. Few candidates were able to identify the problems, such as alienating the original niche market of a market oriented strategy. Market orientation seemed broadly understood, though some candidates tended to limit their answers to describing a niche market. Some assertions about likely implications required a leap of faith as they were neither obvious nor explained.

9(e). Answers to this question may well have suffered for being the last on the paper as it appeared that a significant number of candidates did not have sufficient time to answer it fully in several cases. A surprising number were unable to apply their responses, writing vaguely of shareholders and suppliers, thus limiting themselves to an award of 1 or 2 marks. However, once application was present, higher marks were often achieved. The most common responses explained how Levi Roots might lose control, or that Sainsbury's as the main buyers, might face competition from other stores as the brand grew. A number of candidates erroneously answered the question as if it were asking about the advantages and disadvantages of becoming a PLC. Weaker answers here were either narrow (the 2 Dragons were hardly "two stakeholder groups") or failed to distinguish clearly between stakeholders and shareholders. Stronger answers considered, for example, suppliers of ingredients like peppers as one of the stakeholders. Other candidates examined the position of financiers, by considering the implications of the potential for extra orders, if the business grew. Stronger candidates noted the greater risk involved in dealing with a limited liability business, since it would no longer be Levi Roots personal assets which would be at the mercy of lenders/creditors if the business failed.

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Order Code US020854 January 2009

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