

Mark Scheme (Results) Summer 2010

GCE

GCE ECONOMICS & BUSINESS(6EB02) Paper 01

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6EB02/01 Mark Scheme Summer 2010

Section A Mark Scheme

NOTE: If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b)

Maximum 2 marks for explaining why distracters are incorrect

Question Number	Question	Marks
1(a)	<p>Which of the following businesses is most likely to be associated with Structural Unemployment in the UK?</p> <p>Answer – (C) Shipbuilding</p>	1
1(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Structural unemployment is caused by structural change within an economy cause by the decline of traditional industries (1 mark) or technological change. (1 mark). • Structural unemployment exists where there is a mismatch between their skills and the requirements of the new job opportunities. (1 mark) e.g. their skills are not needed in other industries • Shipbuilding has declined over recent years and is a traditional industry in the UK (1 mark). • Structural unemployment tend to be long term due to the need for retraining (1 mark) • Many ships are now made abroad due to cheaper labour (1 mark). • Food retailing, hairdressing and catering are more likely to be associated with demand deficiency (cyclical) unemployment rather than structural unemployment because they are linked to a drop in Aggregate Demand (1 mark). • Unemployment for hairdressing, food retailing and catering are more likely to be caused when there is less income within a household (1 mark). <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
2(a)	<p>Which of the following is most likely to cause firms like Cadbury to decrease the amount of investment they undertake?</p> <p>Answer – (A) a fall in business confidence</p>	1
2(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Investment is when firms spend on capital goods (1 mark) with the hope that this will increase in productive capacity (1 mark) e.g. Cadbury would spend on machinery with the hope of future gains. • A fall in business confidence is when businesses in the UK are uncertain about the future (1 mark) and this would lead Cadbury to invest less in the business due to increased risk (1 mark) • A rise in consumer demand suggests more sales which will lead to more investment not less investment (1 mark). • A fall in corporation tax is more likely to lead to an increase in investment as Cadbury will have to pay less tax and therefore may invest this in the business (1 mark). • A fall in interest rates will make borrowing cheaper and may lead to an increase in business investment for Cadbury (1 mark). • A fall in interest rates can lower the opportunity cost of holding money, which may encourage spending. (1 mark) • If candidate uses costs data to illustrate (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
3(a)	<p>The ability of a business such as house builder Barratt Homes to use its larger size to negotiate better terms with its suppliers of raw materials is an example of a:</p> <p>Answer – (D) Purchasing Economies of scale</p>	1
3(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Economies of scale occur when the average cost per unit falls as output increases (1 mark) • Purchasing economies occur when businesses are buying large enough quantities to be charged a lower price per unit (1 mark) either because unit supplier costs are reduced (1 mark) or because the buyer has market power/monopsony power (1 mark).e.g. cheaper bricks for Barratt Homes (1 mark). • Marketing economies are when larger firms can advertise using national media and therefore spread the fixed costs across more units so reducing average cost. (1 mark). • Technical economies arise when larger and more efficient capital items can be used because their high costs can be spread across a larger quantity of output (1 mark). • Diseconomies of scale are increases in unit cost that occur as a business grows larger, often associated with communication issues (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

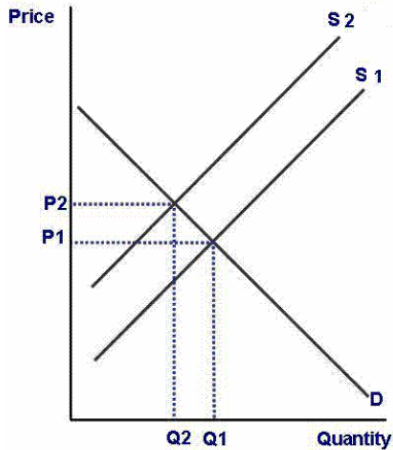
Question Number		Marks
4(a)	<p>If an increase in a consumer's income causes the consumer to decrease the quantity demanded of baked beans, then baked beans might best be described as</p> <p>Answer – (B) An inferior good</p>	1
4(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Inferior goods have a negative income elasticity of demand i.e. demand falls as income rises (1 mark). • Sales of inferior goods such as baked beans are likely to decrease when incomes rise as consumers change to 'better' or more attractive alternatives (1 mark) e.g. organic vegetables (1 mark). • A complementary good is one which is linked with the purchase of another good (1 mark) e.g. DVD and DVD players and baked beans are not linked to any other product (1 mark). • A substitute good is an alternative to a product (1 mark). • A normal good is a good for which demand increases as incomes rise (1 mark) therefore baked beans cannot be classed as a normal good if the quantity demanded decreases as incomes rise (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
5(a)	<p>Tesco PLC has a flat organisational structure across its stores in the UK. Tesco managers typically delegate responsibility. The degree of delegation within Tesco is most likely to rise following an increase in</p> <p>Answer – (A) Span of Control</p>	1
5(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Delegation is the transfer of responsibility down the chain of command (1 mark) • Flat organisational structure has very few levels and a wide span of control (1 mark) • The span of control is the number of employees for whom a manager is directly responsible (1 mark) e.g. checkout supervisors at Tesco might be expected to open additional checkouts without having to refer to a manager (1 mark). • An increase in a span of control may lead to more delegation as a manager has more employees to look after so may have delegate more tasks (1 mark) • The chain of command refers to the sequence of authority down which instructions are passed in an organisation (1 mark). Tesco has a flat structure so will have fewer managers (1 mark) • Centralisation refers to when a business is managed from top staff within an organisation or HQ (1 mark) and may lead to less delegation (1 mark) • Capacity utilisation measures how much of the maximum possible output is actually produced (1 mark) and has no direct link with the degree of delegation within Tesco. <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	<p>Lean management at the car manufacturer Jaguar, is most likely to lead to</p> <p>Answer – (D) Less Wastage</p>	1
6(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Lean management is an approach by business to increase efficiency (1 mark) in which may include just in time production/ short product development leads times / minimising waste (1 mark). • Lean management aims to remove waste whilst maintaining quality (1 mark). • Stock levels using JIT will be minimised rather than increased by using Lean management (1 mark). • Labour Intensity will either remain the same or will have no impact on the use of lean management (1 mark). • Excess capacity should be reduced with lean management as the business is more efficient (1 mark). <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Section B Mark Scheme

Question Number	Question	
7	<p>What is meant by the term ‘economic downturn’? (see Evidence A, line #)</p>	
	<p>Answer</p>	<p>Mark</p>
	<p>Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks are available for defining or describing what is meant by economic downturn</p> <p><i>A stage in the business cycle where there is a decline/fall/contraction (1 mark) in economic growth /GDP (1 mark).</i></p> <p><i>There also maybe some reference to rising unemployment, falling share prices, falling house prices, falling aggregate demand, low confidence and falling investment. (1 mark)</i></p> <p><i>NB This is NOT a recession so do not accept a definition of recession.</i></p> <p>Continu</p> <p><i>Vague or incomplete definitions should only receive a maximum of 1 mark. However a clear and relevant example can gain the second mark</i></p>	<p>1-2</p> <p>(2 marks)</p>

Question Number	Question	
8	Using a suitable diagram, illustrate and explain the likely effects of rising costs on the sale of winter holidays. (Evidence A, Line #)	
	Answer	Mark
	<p>(Knowledge 2, Application 3, Analysis 1)</p> <p>Knowledge: up to 2 marks are available for the diagram: There should be a demand and supply diagram with a leftward/inward shift of the supply curve. NB No marks are available if the candidate draws an incorrect diagram or shifts the demand curve.</p> <p>Application: up to 3 marks are available: Diagram: 2 marks for the diagram showing an inward shift of the supply curve causing a movement along the demand curve (1 mark) showing an increase in price and a decrease in quantity demanded (1 mark).</p> <p>NB: A total of 4 marks are available for the correct diagram below:</p>  <p>Written explanation: set in context e.g. linked to winter holidays (1 mark). Application mark is only to be awarded if explanation correctly refers to supply and NOT demand.</p> <p>Analysis: 1 mark for explaining that increased costs mean that less will be supplied at a given price e.g. less winter holidays will be supplied by businesses due to the rising costs</p>	<p>1-2</p> <p>1-2</p> <p>1</p> <p>1</p>

	<p>NB: Answers lacking a diagram, maximum of 2 marks. For a diagram only, they must be perfect and clear to gain 4 marks. Otherwise 3 marks or less, dependent upon quality.</p>	<p>(6 marks)</p>
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Question Number	Question	
9	Explain why high profits can act as a signal to producers to enter the UK travel market.	
	Answer	Mark
	<p>Knowledge/understanding 2, Application 1, Analysis 1</p> <p>Knowledge/understanding: up to 2 marks are available for explaining that profit is the aim of most businesses (1 mark), is the difference between revenue and total costs (1 mark). Profit signalling mechanism may attract new entrants into the market. (1 mark)</p> <p>Application: up to 1 mark for contextual answers e.g. the UK travel market is currently experiencing growth (1 mark) e.g. holidays, tours, weekend breaks and this may attract new entrants into the market (1 mark).</p> <p>Analysis: up to 1 mark for demonstrating that high profits could therefore attract new entrants into the market (1 mark) or existing businesses to supply more (1 mark) e.g. holidays, tours, weekend breaks. More able candidates might refer to and develop the profit signalling mechanism (1 mark) e.g. may lead to higher business confidence which may encourage enterprise. (1 mark)</p>	<p>1-2</p> <p>1</p> <p>1</p> <p>(4 marks)</p>

Question Number	Question		
10.	<p>Recommend two ways a European ski firm could try to increase its sales. (Knowledge 1, Application 1, Analysis 1, Evaluation 1 per method) Mark each method and then add together to give a mark out of 8</p>		
Level	Mark	Descriptor	Possible Content
1	1 - 2	<p>Knowledge: up to 2 marks are available for describing what is meant by sales or identifying a way of increasing sales</p>	<ul style="list-style-type: none"> • Sales are price x quantity • Cutting prices • Focusing on service • Advertising • Diversify • Cutting costs • Sales promotions • Product innovation/development
2	3 - 4	<p>Application: up to 2 marks are available for contextualising the response by explaining how a European ski firm can increase its sales.</p>	<ul style="list-style-type: none"> • Cutting prices would make holidays more affordable. • Advertising would make consumers more aware of the ski firm
3	5 -6	<p>Analysis: up to 2 marks are available for developing their chosen methods or indentifying a consequence of their chosen method for the business</p>	<p>More affordable holidays should increase demand as they are a normal good.</p>
4	7 - 8	<p>Evaluation: up to 2 marks are available for providing options that are balanced. Advantages and disadvantages of the two options are considered.</p>	<p>There are a range of factors which might cause demand to fall despite falls in prices e.g. poor exchange rates/poor ski conditions/ economic conditions.</p> <p>Advertising may increase demand and awareness of the ski holidays but has an opportunity cost associated with it.</p> <p>Cutting prices may increase sales but will reduce profit margins.</p>

Question Number	Question	
11	Analyse why a depreciation of £ sterling against the Euro might have reduced the demand for overseas holidays.	
	Answer	Mark
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge: up to 1 mark is available e.g. for defining or describing what is meant by depreciation. e.g. a fall in the value of a currency OR what is meant by an exchange rate e.g. the value of one currency expressed in terms of another (1 mark)</p> <p>Application: 1 mark is available for contextual answers, e.g. a weaker £ will likely mean that one £ will buy less in terms of €(1 mark). If candidate uses exchange rate data to illustrate (1 mark)</p> <p>Analysis: up to 2 marks are available for explanation e.g. this makes a holiday in the Eurozone more expensive (1 mark) so less UK holidaymakers are likely to visit than before (1 mark). Spending power in the resort will be less (1 mark) therefore making it more expensive to travel abroad (1 mark). Some may decide to stay in the UK rather than travel overseas in the Eurozone. (1 mark). Some tourists may decide to travel outside of the Eurozone e.g. USA (1 mark)</p>	<p>1</p> <p>1</p> <p>1-2</p> <p>(4 marks)</p>

Question Number	Question		
12	Assess the extent to which the economic downturn might affect providers of budget holidays such as Butlins.		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying what is meant by economic downturn/business cycle	e.g. economic downturn is a decline in growth/output/incomes/GDP
2	3-4	Available for contextualising the response by referring to Butlins or can refer to a firm of their choice in the budget holiday market and show how the economic downturn may affect them	e.g. The economic downturn may reduce income and increase unemployment. This may lead to a decline in the number of people taking holidays. Some consumers may see a drop in income due to the economic downturn.
3	5-6	Available for considering the impact of the economic downturn on Butlins or budget holiday firms	e.g. Depends whether consumers see holidays as a normal good. Some consumers may consider holidays to be an essential part of life and therefore Butlins may not see a drop in demand. Some may see Butlins as an inferior good or a substitute for an overseas holiday. Other factors also may affect Butlins e.g. Exchange Rate fluctuations, unemployment and consumer confidence.

4	7-8	<p>Available for providing balance e.g. showing possible advantages and disadvantages to Butlins of the economic downturn.</p>	<p>e.g. Butlins may benefit from a downturn in the economy as Evidence B indicates that the current recession has not had a negative impact on the demand for holidays with many UK benefitting from the recession.</p> <p>Consumers may switch from overseas holidays to cheaper UK breaks.</p> <p>Some consumers may have lost their jobs and cut back on luxuries such as holidays so Butlins may see a drop in demand.</p>
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Question Number	Question		
13	<p>Evaluate two ways a business in the travel industry might try to reduce uncertainty</p> <p>Marks per method: (mark each method out of 7 and then add together to give a mark out of 14) (Knowledge 1, Application 2, Analysis 1, Evaluation 3)</p>		
Level	Mark	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by uncertainty or ways uncertainty can be reduced</p> <p><i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i></p>	<p>e.g. uncertainty brings a variety of risks and that businesses want to try and reduce uncertainty</p> <p>e.g. May identify ways to reduce uncertainty including risk spreading, diversification, market research/forecasting, R&D, collaboration, Use of macroeconomic indicators, market orientation, mergers, contingency planning, forward exchange rate (hedging)</p>

2	2-3	<p>Application must be present, i.e. the answer must be contextualised and the ways to reduce uncertainty must be applied to the travel industry</p> <p><i>Low Level 2: 2 marks</i> Examines the effect on the travel industry of trying to reduce uncertainty</p> <p><i>High Level 2: 3marks</i> Clear and perceptive examination of the effect on the travel industry of trying to reduce uncertainty.</p> <p><i>QWC: To achieve a mark of 2-3 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i></p>	<p>e.g. Uncertainty can be reduced in the travel industry by risk spreading, diversification, market research/forecasting, R&D, collaboration and contingency planning, macroeconomic indicators, market orientation.</p> <p>Some travel companies may carry out market research in order to find out customer views and new improve current holidays.</p> <p>Travel companies may monitor macroeconomic indicators such as consumer confidence and GDP in order to predict future trends.</p>
3	4	<p>Analysis must be present, i.e. the candidate must analyse the consequences of adopting various techniques to reduce uncertainty</p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p>	<p>e.g. Travel businesses are also affected by external factors such as exchange rates and PED. Some external factors such as the weather cannot be predicted or planned for. E.g. 9/11, Tsunami, the recent volcano ash cloud and even with planning, exogenous events such as these cannot be foreseen.</p>
	5-7	<p>Low Level 4: 5 marks. Evaluation must be present, i.e. the candidate must present arguments for how a business in the travel industry might try to reduce uncertainty and how these techniques have advantages and disadvantages</p> <p>Medium Level 4: 6 marks Evaluation must be present to convincingly illustrate the advantages and disadvantages of these techniques to reduce uncertainty</p>	<p>e.g. Market Research can identify broad trends and gaps in the market which can help a travel business plan for the future. Market research is not always accurate and cannot fully predict the future.</p> <p>R&D can help keep ahead of competitors especially in a dynamic market. It is also very costly and many products fail to reach the market.</p> <p>Macroeconomic indicators can</p>

	<p>High Level 4: 7 marks A convincing and balanced answer throughout making good use of concepts and terminology with a conclusion.</p> <p><i>Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>only record what has already happened and even with time series analysis can only give pointers on future trends and market events.</p>
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