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Examiners' Report

June 2011

GCE Economics & Business 6EB04 01

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June 2011

Publications Code UA027747

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Introduction

The digital broadcasting topic proved accessible for the vast majority of candidates and a similar mark distribution was seen to June last year. Again many candidates brought useful newsworthy evidence in from outside the pre-release as things have moved on since the paper was written. Where used in conjunction with the evidence provided, reward was given. One cautionary note was that some candidates were re-taking from January, whilst others had taken this paper as a mock exam. A number of candidates attempted to skew January answers to fit June questions. Whilst in some cases it was possible to relevantly use some of this information and gain some credit, candidates who solely sought to use pre-prepared answers generally fared much less well than those making full use of the wide range of pre-release material to directly answer the questions we asked rather than trying to twist the questions to ones they would have preferred. Almost all candidates completed the paper in the time allotted, and thankfully, the majority were more willing to cut to the chase and make sound evaluative points on the higher mark questions without repetition. Unnecessarily lengthy answers were thus avoided and it was clear that centres had taken notice of previous advice. It was clear that many centres had made excellent use of the pre-release materials in the classroom, but equally clear that a minority had not. Candidates often need help in analysing information.

Question 1

Most candidates were able to clearly define duopoly, usually extending this to give the pre 1982 example of the BBC and ITV as a belt and braces approach to gain both available marks.

1 What is meant by the term 'duopoly' (see Additional Evidence J, line 4)?

It means when the market is dominated by 2 large firms
such as licence fee-funded BBC & commercial TV (the ITV).
They both dominate more than half the market share
of the overall for the industry.



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Examiner Comments

A good example. Candidate gives a clear definition, worth two marks on its own, but gives an example just in case.



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Examiner Tip

Always give an example when defining, it will lift a less clear definition

Question 2

This was a very straightforward question. The expectation was that the majority would gain both marks. Disappointingly, nearly half the entry were unable to give a valid definition of publicly owned, often confusing this with Public limited companies or perhaps more understandably, public goods. Public ownership was discussed in Evidence G of the pre-release evidence.

2 What is meant by the term 'publicly owned' (see Additional Evidence J, line 2)?

Publicly owned means the item / firm is owned by the public, not members of the public that have shares invested in the firm own the business so it is not privately owned by one person or group.



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Examiner Comments

The weakest reverted to tortology e.g. "Publicly owned means owned by the public". This gained zero marks.



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Examiner Tip

Just reflecting the wording of the question back is never worth any marks. Always use different words to demonstrate real understanding.

2 What is meant by the term 'publicly owned' (see Additional Evidence J, line 2)?

It's funded by the govt. either through a grant or they pay for it, such is the case for Channel 4 where it needs revenue & profits to break even especially through adverts as such.



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Examiner Comments

The first sentence is enough for both marks.

Question 3

A clear definition of merit goods' was given by the majority of candidates, identifying either positive externalities or under-consumption if left to the free market. Definitions were often very detailed but only awarded one mark in line with mark scheme. Application was often made but a large number of candidates were awarded only three of the four marks due to lack of analysis.

Candidate is slightly less precise than many on defining merit goods.

3 Comment on the view that Channel 4 is a 'merit good' (see Additional Evidence J, line 20).

A merit good is something which is socially desirable and can benefit society for example education and healthcare provided by the government. Channel 4 can be considered a merit good in the way that it provides external benefits to society by demonstrating educational and diverse content to society although there can be external costs associated for example the adverse health effects of watching too much TV, or effects of sexual/violent content.

(Total for Question 3 = 4 marks)



ResultsPlus Examiner Comments

Socially desirable, though on the right track, isn't by itself much of a definition. Candidate gains a mark for the examples and a further mark for "external benefits" to gain two of the four marks. Attempts analysis, but doesn't explain the effects.



ResultsPlus Examiner Tip

A clear definition is always a good way to gain marks at the start of this type of question.

3 Comment on the view that Channel 4 is a 'merit good' (see Additional Evidence J, line 20).

A merit good is one which has a positive effect on those who use it (private benefit) and also those outside of the immediate ownership of society as a whole (social benefit). A merit good ~~from~~ is often a public service as it features positive externalities on a third party.

By including programs of an educational nature and of educational value, Channel 4 can be seen as a merit good, as it is educating society, furthermore the emphasis on 'programming outside of London' implies regional programs, an area often neglected by other broadcasters, proving the channel is even more of a merit good.



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Examiner Comments

This candidate gives chapter and verse, demonstrating clear understanding, application and analysis for maximum marks.

Question 4

Most candidates gained three of the four available marks for this question with lack of analysis losing them the final mark. Weaker candidates failed to identify the source of Channel 4's revenue leading to generic answers offering limited scope within the mark scheme. A small minority confused revenue with profit and wrote about the costs of producing educational programmes.

- 4 Analyse the likely impact on Channel 4's revenue of being obliged to provide programmes of an educational nature (see Additional Evidence J, line 16).

By channel 4 having to provide educational natured programmes, they are spending money from their advertisement on programmes they might not want to provide. This could mean that people won't watch the educational programmes and revenue will fall. But this could also mean that people are aware it is free education and watch it. This could increase revenue, because more advertisers' see a chance to advertise their products and services. They will have to spend money, but could also make more money if they get it right.

(Total for Question 4 = 4 marks)



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Examiner Comments

This candidate, though mentioning advertising, doesn't really explain the links between viewer preferences, viewing figures and revenue (adverts around less popular programmes are cheaper). 1 mark.



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Examiner Tip

The command word analyse indicates the need to use the word "because". A full, clear explanation is required.

- 4 Analyse the likely impact on Channel 4's revenue of being obliged to provide 'programmes of an educational nature' (see Additional Evidence J, line 16).

Channel 4's revenue may suffer as educational programme may not be of interest to the majority of viewers. This may result in a decrease of advertisement's (as it is not a prime time spot) and so less funding. However, educational programming may be of more interest to foreign markets, exports restoring the loss in revenue. The money invested into educational programming may have an opportunity cost as this could go into more popular programmes which would earn more revenue.



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Examiner Comments

Although flawed in respect of foreign market assertion, the candidate makes a clear link between low viewership and and revenue. Analysis in the final sentence is sound. 4 marks.

Question 5

The focus of this question was on the likely consequences of economic downturn. Marks were often thrown away by choosing to focus exclusively on technological change instead (January's question) or ignoring the fact that ITV and C4 were in "deep trouble" and focusing exclusively on the limited opportunities recession offered. Candidates who answered the question as set generally obtained at least six marks.

The command "assess" means both sides of the argument are needed.

- 5 Assess the likely consequences for Channel 4 and ITV of finding themselves 'in deep trouble owing to ... economic downturn' (see Evidence F, lines 28–29).

ITV and Channel 4 could benefit from the recession because people are likely to stay in rather than going out. This would see an increase in viewing figures meaning ITV and C4 could charge businesses more for advertising space, increasing revenue.

On the other hand, the recession could damage ITV and C4 as business start to cut back and advertising is normally one of the first areas to be cut leading to a fall in revenue. Also they have the competition from Sky which seems to be recession proof as it's a relatively cheap form of entertainment. C4 and ITV are also at a disadvantage against the BBC because they have a fixed revenue from the licence fee meaning they can afford better content than ITV and C4 which would see their viewing figures fall further leading to a negative multiplier.

In conclusion, I believe the recession would be extremely bad for ITV and C4. (Total for Question 5 = 8 marks)



ResultsPlus Examiner Comments

Candidate gives a wide-ranging response considering pros and cons with some balance. 8 marks.



ResultsPlus Examiner Tip

For an 8 mark question, no conclusion is required.

- 5 Assess the likely consequences for Channel 4 and ITV of finding themselves 'in deep trouble owing to ... economic downturn' (see Evidence F, lines 28–29).

As channel 4 and ITV are funded by advertising revenue, they could face problems as a result of the economic downturn. This is because they ultimately have less money to spend, therefore advertising may need to be reduced. This will result in decreased profits. Another reason is because in a recession, people have less money to spend because unemployment is high, and so demand is low. If people are not buying the products from their adverts then this could lead to allocative inefficiency, and cause market failure. A consequence of Channel 4 and ITV finding themselves in deep trouble owing to ~~the~~ technological change could be that as a result of more people using the Internet, and the growth of the Internet, they would need to migrate to the Internet in order to survive.



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Examiner Comments

Candidate offers no consequences, only causes. Section on technological change answers a different question. 0 marks

Question 6

Many candidates had made good use of the advice given in January's report to check out feature length programmes on YouTube and were able to write knowledgeably about the consumer experience. However, many who hadn't generally saw the consequences for consumers as entirely negative.

- 6 Assess the likely consequences for consumers of YouTube's deal with broadcasters (see Evidence B).

YouTube has made a deal with ITN, Channel 4, Discovery, National Geographic and BBC Worldwide to show pre-roll advertising before content (Evidence B). For consumers this will mean they are subjected to advertising before they can view a clip online. For some this will prove to be an annoyance and a reason to skip or reduce Video on Demand viewing (VOD), however many will still see the advertising as trouble in comparison to ever increasing long television advert breaks. As the advertisements are individual to each clip they can be tailored to the content, for example Nissan advertising before Top Gear on BBC Worldwide. As a result, some may see the advertisements as relevant and effective. However, Video on Demand market is new (Evidence F, line 516) and emerging, as a result placing figures of comparison low. Due to this, more consumers will be unaffected by the emergence of VOD advertising, as they rarely, or never watch television online. Furthermore, as the VOD market is currently comprised of many young people, some may suggest it will lead to more illegal downloading, ie programmes from where users can avoid advertising. This is unlikely however, and based on assumptions that all the target people behave the same way, stereotyping.



ResultsPlus Examiner Comments

A good range of consequences for consumers. Pros and cons. 9 marks



ResultsPlus Examiner Tip

Again, for a 10 mark question, a conclusion is not necessary.

Section B

Quality of Written Communication was much better than in January although the word "paid" was almost universally spelt as "payed". What we are looking for in this section to gain the highest marks is a balanced discussion based on well founded evidence using toolkit (the concepts, theories and methods underpinning the subject) and ideally a brief conclusion which does more than rehearse the arguments already put, so if the analysis is heavily flawed, the raw assertion that "the green ones are better than the blue ones" may not access level 4 and a narrow analysis may even limit the mark to the lower end of level 3. Politics and sociology have some validity in government policy arguments, but candidates would be well advised to remember that we are examining Economics & Business concepts here. Extreme right wing (or indeed left wing) political views, unless supported by sound economic analysis, are unlikely to add much to the quality of argument.

Question 7 (a)

Generally well answered. Success in this question depended on candidate understanding of general taxation. Income tax, VAT and taxes on business needed to be considered. The best recognised that the licence fee was in effect an hypothecated tax and regressive in nature. They also recognised that enforcing it had a cost. Many considered the budgetary implications post credit crunch and came up with a convincing conclusion. Most candidates were able to access Level 4, though a weaker minority wrote irrelevantly about the option of funding state television from advertising or wrongly assumed state funding would automatically be shared with commercial channels.

*7 (a) Assess the case for funding state television from general taxation rather than from the licence fee in the UK.

(20)

The Current way to fund BBC channels is through the licence fee, which every household is obliged to pay, otherwise they are unable to own a television, as it is a legal requirement.

The licence fee is a regressive tax, meaning that everyone pays the same amount, regardless of their income. To some, this may be seen as unfair as the wealthier families are paying less of their income for the licence. Compared to a smaller family who would be paying more of their income. Although it may be the case that although wealthier families are paying the same, they may own more televisions. To overcome the inequalities that the licence fee may bring the government could place a tax on each individual television that is brought, however, this would be hard to monitor, meaning that a general taxation may be more likely to promote equality. This is because by having a general

taxation, it may also prevent 'free riders' who are able to watch TV online, without paying a licence fee.

Also, ~~by having~~ a general taxation, could be placed onto the purchase price of each television, so would reduce inequalities between people with different incomes, meaning it is a much fairer system than paying a one-off licence fee.

consumers may benefit if they have a ~~few~~^{small} number of televisions, however a family with multiple televisions would suffer as they would be paying more - paying per television.

In the long term, ~~per~~ households may reduce the number of televisions they own, meaning that state television funding may suffer, however they may benefit in the long term due to technological advances meaning the number of television purchases increases; therefore generating more funding for state television. By creating more revenue, this may help to improve the quality of programmes being shown, which may increase viewing figures, and the diversity of programmes may also improve. The state televisions may choose to invest the revenue, to programmes, or may invest in other channels, or refund money to consumers.



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Examiner Comments

Candidate starts well, but demonstrates a very poor understanding of general taxation. 8 marks.

*7 (a) Assess the case for funding state television from general taxation rather than from the licence fee in the UK.

(20)

~~Public~~ State television is currently ~~financed~~ ^{financed} in the UK is currently ~~financed~~ ^{financed} by a unique funding arrangement; ~~of~~ the licence fee.

The licence fee is a regressive tax, free from government forces. Funding ~~the~~ ^{State television} ~~general~~ ^{via} progressive taxation may be seen by some quarters as a fairer way (than the licence fee) of redistributing wealth as ~~less~~ ~~percentage~~ ^{lower} ^{percentage} of lower income households spend percentage of their income on TV. However, higher ~~the~~ ^{income} households may see a general tax on state ~~television~~ as unfair as they have to pay more than they need to. An argument ~~can~~ could be made that a progressive tax may mean that the ~~revenues~~ ~~for~~ ~~the~~ ~~BBC~~ ~~may~~ ~~drop~~ ~~so~~ ~~low~~ ~~that~~ ~~they~~ ~~have~~ ~~to~~ ~~give~~ ~~up~~ ~~on~~ ~~their~~ 'quality rather than ratings'

approach to programming. It may also have ~~the~~ the consequence of the BBC having to become funded through ~~commercial~~ ^{commercial} activity, which may further hinder the quality of programming.

The license fee for ~~the~~ solely funds the BBC, ~~and~~ ^{this} ~~has~~ ^{has} given the company the ~~freedom~~ freedom to act in a way ^{that} "resistant" to government and commercial pressures. By making state television funded through general taxation it could mean that the ~~later~~ BBC will be under less pressure to "inform, entertain and educate", ~~as~~ leading to news programming potentially being politically biased through government forces. However ~~a~~ one could argue that a variety of news is better for making an informed ~~decision~~ opinion rather than ~~one~~ one supposedly ~~impartial~~ impartial view.

Overall, even though changing from ^{the} license fee to general taxation may cause a shock to ~~the~~ an ~~established~~ old and well-established system, it ~~may~~ ^{would} be a way of redistributing income in a way that is not redundant at this point in time. The BBC will change from ~~that~~ its traditional and prestigious history technically, however some see the BBC ~~as~~ as a corporation ^{that} ^{'resting on its laurels'} ^{being comfortable so they} ^{don't try} ^{as hard to deliver} ^{quality} programming.



ResultsPlus Examiner Comments

Candidate evaluates, though again is a little vague about general taxation, only really considering income tax. Nonetheless, enough for low Level 4 and 16/20



ResultsPlus Examiner Tip

Higher tariff evaluative questions do gain more marks with a conclusion

Question 7 (b)

Marks on this question were often disappointingly lower than its predecessor as the question was open to extensive support from much of the pre-release evidence. Knowledge and understanding were evident and the majority of candidates explored different examples of intervention, often validly including the licence fee itself. Evidence of sound evaluation and analysis was seen with ideas which students supported with relevant material and use of toolkit. Many recognised that Sky and Virgin had brought some quality programming to the market without state intervention. Balance here centred around arguments on the extent of desirable state intervention. A sizeable minority limited their mark by attempting to repeat their answer to January's question regarding the Project Kangaroo decision to the exclusion of anything else. Extent was often unclear.

*(b) Evaluate the extent to which the UK government should intervene in the broadcasting market.

(30)

Although government intervention can lead to positive outcomes, it can also lead to government failure. This is where, by intervening, they make the situation worse.

Take, for example, Evidence F. The Competition Commission intervened in the proposed merger of UK VOD of ITV, Channel 4 & BBC world wide as ~~they~~^{it} was said to be too much of a threat to competition and although globally competitive as it would be, the project would enjoy a monopoly within the UK as consumers stick to what they are familiar with.

Here, it can be argued that intervention was a positive thing for other online VOD services, however, looking at it from a consumer perspective they missed the opportunity to enjoy a wider variety of choice with the ease of it being all in one accessible place.

also

Not intervening at all may ^{also} create externalities. For example, Evidence 1 suggests the adverse health impacts of watching too much television. It can lead to obesity and reduced metabolic rates. It also displaces exercise as it is associated with a sedentary lifestyle. However,

one can argue that it is an individual's choice as to how much television to watch. But, children do not have the right knowledge to decide this. Therefore, government intervention here has a positive outcome. By not showing junk food advertisements and ads for smoking or alcohol, as well as taxing these demerit goods, they are helping the economy in creating a healthier, more active workforce.

Another way the government has intervened is through the '9pm watershed'. This is where programmes containing sex and violence may only be shown on TV after this time. This also is a positive intervention as programmes of this content have said to contribute to behaviour & attitudes of children growing up which is not healthy in the long run as it may (worst case scenario) lead to commitment of crime.

If the government did not intervene in these above mentioned cases, society as a whole would be worse off.

Other ways a government can intervene is economically. For example when providing the License Fee for BBC. There were complaints

about the steady rise of it & therefore, during the recession, it was said that it should be frozen for a minimum of one year at the rate of £145.50.

Environmentally, the government can intervene as it has outside the broadcasting industry through tradeable permits and so on. But

they must weigh out the two sides of the argument. For example, although with technology rising, computers being left switched on is increased the carbon footprint, the social~~ly~~ aspect of television means more people are staying at home & watching television opposed to going out in their car & increasing their carbon footprint.

As you can see here, there is no need for government intervention.

Overall, the government must look at the trade offs. However, the market can never be left free to provide TV as although the quantity may be the right amount, the quality may be skewed to less educational & cultural content, leading away from the very objective TV started with in the ^{first place}.

(Total for Question 7 = 50 marks)



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Examiner Comments

Candidate is clear on modes of intervention. Effective evaluation and an attempted conclusion. 22/30



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Examiner Tip

Always give a conclusion on 30 mark questions.

*(b) Evaluate the extent to which the UK government should intervene in the broadcasting market.

(30)

Currently, within the broadcasting market, different broadcasters are funded in different ways, giving some of those an advantage over others.

On one hand the government should intervene in order to create fair competition within the market. This would involve the same funding for all broadcasters and allowing the same percentage of market share, unlike the BBC who currently has over 60% of the market. An advantage of the government intervening could be that consumers wouldn't watch as much content online.

on the other hand the government shouldn't intervene because tv viewing figures are already decreasing ~~because~~ because of the accessibility of content elsewhere which is free to view. However all broadcasters in the UK are equal, that they don't receive government grants. If the government was to intervene and either cut the licence fee or funding through advertising, the likely consequence for broadcasters would be a fall in their content

quality, decreasing consumer satisfaction. Government actions could give consumers more choice over the programmes they watch and the place they watch. However this could have the negative effect that consumers still view content online

~~one way~~ one way in which the ~~government~~ government could intervene is by making the revenue and funding the same allowing all broadcasters the same. However some if not most broadcasters provide content all over the world therefore ones revenue can't clearly be justified. Some broadcasters provide more content online than others therefore they have a competitive advantage.

If the government was to intervene it could help decrease some of the negative externalities society faces. A negative externality is a negative affect on a third party. for example evidence of the increase in child obesity due to a lack of physical exercise and advertisements of junk food between childrens programmes.



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Examiner Comments

Candidate gives no valid examples of intervention until the bottom of the second page and makes a couple of inaccurate assertions. No recommendation is made and understanding is limited. Candidate attempts to analyse (weakly), but is unable to construct a valid argument. 7 marks.

Paper Summary

Overall, the paper proved accessible to all and enabled the strongest to obtain some very high marks. A normal mark distribution was seen.

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Order Code UA027747 June 2011

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