

Examiners' Report  
June 2012

GCE Business Studies 6BS01 01

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June 2012

Publications Code US031842

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## **Introduction**

Candidates had generally been well prepared for this paper and continue to show sound approaches to answering both supported multiple choice questions in Section A and the structured questions found in Section B. Questions in both sections were designed to test knowledge and understanding, application, analysis and evaluation.

Candidates' performance on this paper as a whole showed an effective grasp of business / economics concepts and theory, together with a satisfactory understanding of business behaviour. Successful candidates were able to make effective use of the stems in Section A questions, as these provide a context so that candidates can explain their answers in part (b) of the questions. Likewise, candidates who wrote answers in context in Section B scored better than those who did not since this enabled access to higher marks, particularly for levels of response questions 11, 12 and 13.

The more exposure candidates have to a variety of businesses as part of the teaching and learning, through use of case studies, company reports, newspapers and educational visits/visitors from business in to school, the more likely they are to develop and transfer their contextual understanding which is often the key to success.

### **Section A**

Examiners expect to see that candidates will at least offer a guess to part a) of these questions; this was not always done. As with previous papers, the ability of candidates to gain the three marks for 'explain your answer' (show your workings), distinguished better candidates, particularly for questions 2, 3, 4, 7 and 8, which required candidates to explicitly apply their knowledge/show workings, analyse and/or evaluate. Most candidates were able to score at least 1 mark out of 3 for part b) in answers to questions 1 to 8 by giving appropriate definitions/descriptions/formulae to help them support their responses to part a), for example by describing what was meant by niche marketing in answer to question 4.

### **Section B**

The Button's Bakery case study appeared to be accessible to most candidates across the ability range. A surprisingly large number of candidates confused entrepreneurial characteristics with motives in question 10 and, likewise, commercial bank loans with overdrafts in their answers to question 11.

## Question 1

A fairly straightforward opening question which relied on candidates knowing what was meant by secondary research (B) and appreciating the forms it takes, as opposed to primary research (A). Secondary research is essentially second-hand data which is collected for general use by businesses rather than for a specific businesses use, in this case the retailer. Primary research **can** be collected by other businesses, as often a company will task a market research company to conduct the market research on their behalf.

Better responses in part (b) explained why qualitative data (C) was not the correct response given that the ONS announced 'an unexpected jump in retail sales on 0.7%' (quantitative measure) and/or explained why biased data (D) was not correct given that this implies a lack of objectivity which the stem on the question did not allude to.

- 1 (a) In July 2010, the Office for National Statistics (ONS) announced an 'unexpected jump in retail sales of 0.7% in June'.

For a retailer, the ONS is **best** described as a source of

(1)

- A primary research data
- B secondary research data
- C qualitative data
- D biased data

Answer

**B**

- (b) Explain your answer.

(3)

Secondary research data is data that already exists and has been collected by other sources, whereas primary research data is data that is collected first hand by the business. The Office for National Statistics is a source of secondary research data as the data found on there is existing data that the business does not need to collect themselves.



**ResultsPlus**

**Examiner Comments**

1 mark for correct responses to (a)

1 mark for 'already exists' and 1 mark for 'primary research data is collected first hand by the business'

(b) Explain your answer.

(3)

ONS is best described as secondary research data as it has already been collected and also is available for every business in the market.

It is not a primary research data as it is available for everyone where the main thing about primary research is that it is collected for the first time and results are not available for everyone on a public market but only for a business who conducted the research.

It is also not a qualitative data as it is about giving the opinions, finding about what people think about certain product which is also primary research so it won't apply.



**ResultsPlus**  
Examiner Comments

This explains what secondary research data is (1 mark), why the answer is NOT primary research (1 mark) and why the answer is not C (1 mark).

## Question 2

A question which proved difficult to both GCE Economics and Business and GCE Business Studies candidates. Many appeared to confuse exchange rates with interest rates so chose B for part (a).

Few candidates were able to fully explain any distracter in part (b), such as B is incorrect because if interest rates were high then consumers may be put off buying a car with a loan because of higher loan repayments, thus causing demand for cars to fall.

A common error was to attempt to define market orientation by referring to the market not the consumer. The better answers were able to link demand to production.

2 (a) In June 2010, compared to the same month in 2009, car production increased in the UK by 28%.

Which one of the following is the most likely explanation for this increase in production?

(1)

- A Market orientation
- B Higher interest rates in EU countries that are major importers of UK cars
- C Product trial failures of new UK car designs X
- D Ending of the UK Government's car subsidy scheme X

Answer  A

(b) Explain your answer.

(3)

Market orientation is ~~specified~~<sup>basically</sup> a product on the wants and needs of the customer, so that they will purchase it. The most likely explanation for the 28% increase may be Market orientation, as car manufacturers are now catering for the consumer wants and needs. For example leather interior, or eco fuel, to increase their sales and profits.

The answer wouldn't be D, as ending a subsidy scheme would increase costs to car companies, and they may have to increase prices, reducing demand for cars. (Total for Question 2 = 4 marks)



**ResultsPlus**  
Examiner Comments

Part (a) correct - 1 mark

Part (b) Describes what is meant by market orientation (1 mark), applies this with contextual reference 'leather interior, ecofuel' (1 mark) and explains distracter D (1 mark)

A solid answer, showing a strong grasp of the effects of changes in economic variables.

(b) Explain your answer.

(3)

Interest rates are the charge on borrowing money, if interest rates in EU countries increases this means that foreigners have to spend more money to gain the same thing. ie a loan to buy the car would cost more as interest rates are high therefore this wouldn't increase production in UK because less foreigners would be purchasing, as now its too expensive. Market orientation is meeting the demands of the market as your overall highest priority. Therefore if car manufactures would increase production, if there now meeting the needs and demands of the consumers sales increase so demand must to keep up. Sales increase as consumers needs are being met as car productions are market orientated.

(Total for Question 2 = 4 marks)



**ResultsPlus**  
Examiner Comments

Part (a) correct - 1 mark

Part (b) describes what is meant by market orientation (1 mark); explains why this would lead to an increase in car production (1 mark); explains distracter B.



### Question 3

This question was either well answered or completely misunderstood. A good number of candidates recognised that if a son/daughter returns home, then they would no longer need the same amount of electricity for their separate accommodation: in which case the correct answer for part (a) was C - electricity.

Poor responses suggested that the demand for holidays would suffer most because by moving back home then young people would no longer be able to afford to go on holiday. The key here was not so much the idea that the young person may be jobless or on a low income, but that they had moved back to the parental home.

A well-argued explanation, which uses the context well to explain response C.

- 3 (a) It has been reported that Britain has produced a 'boomerang' generation of young adults between the ages of 21 and 24 who, on leaving university, choose to return to their parental home.
- An increase in the 'boomerang' generation is **most likely** to reduce the demand for (1)
- A computer games
  - B holidays
  - C electricity
  - D clothing

Answer  C

- (b) Explain your answer. (3)

Demand is the quantity of products needed in the market at a given price. The amount of electricity is likely to be affected by the 'boomerang' generation because there are less homes being acomodated, so less electricity will be used on things like heating or cooking, which every house will need regardless of the <sup>number of</sup> people living in it. It is not clothing, as this is a nessecity, so demand rarely changes.



#### ResultsPlus Examiner Comments

Part (a) correct - 1 mark  
Part (b) defines demand (1 mark); explains answer (1 mark); contextualises answer (1 mark)  
This candidate secures 3 marks for part (b) by explaining distracter D.



#### ResultsPlus Examiner Tip

This response follows a 'belt and braces' approach to securing the 3 marks available in part (b), i.e.  
Define an appropriate term used  
Explain answer  
Develop explanation by utilising the context  
Explain a distracter.



Part (b) shows clear understanding, but there is no definition of demand or explanation of distracter

(b) Explain your answer.

(3)

With the boomerang generation returning to their parental homes, young adults are living in the same household as their parents, therefore are sharing the electricity of their parents. For example, parents and their children share the same room, therefore share the lighting in that room. This will ~~decrease~~ reduce the demand overall in the country, as if young adults moved into a home of their own, more houses would be occupied therefore an increase in the demand for electricity.



**ResultsPlus**  
Examiner Comments

Part (a) correct - 1 mark

Part (b) explains answer (1) and utilises context to develop explanation (1)

## Question 4

On the whole, a well answered question which suggested that candidates appreciated what was meant by niche market

Some thought the answer may have been market mapping, but this was not the **best** illustration of the stem of information.

A typical response which gained 3 marks overall.

- 4 (a) In 2010, Muslim businesswoman Samina Akhter launched Britain's first range of Halal make-up, which included lipsticks and eyeliners made from plant extracts and minerals instead of alcohol and animal fats.

The above is **best** described as

(1)

- A niche marketing
- B repeat purchases
- C market mapping
- D a trade off

Answer  A

- (b) Explain your answer.

(3)

A niche market is a specific market that targets a certain thing. In this case Samina Akhter is targeting muslim women by creating a product that suits them.



**ResultsPlus**

**Examiner Comments**

Part (a) correct - 1 mark

Part (b) reasonable definition of niche market (1 mark)

'targeting Muslim women' (1 mark)

A typical response, which despite defining niche and referring to the context, did not really explain a distracter.

(b) Explain your answer.

(3)

Niche marketing is where it supplies only for a small amount of customers as it is unique and has only a small demand. As <sup>these</sup> make-ups do not have any alcohol and animal fats because a special religion do not believe in them, it is niche. Repeat purchasing, although can be correct, it is irrelevant ~~and~~



**ResultsPlus**

**Examiner Comments**

Part (a) correct - 1 mark

Part (b) defines niche (1 mark); explains answer using context (1 mark)

Why is repeat purchasing 'correct but irrelevant'?



**ResultsPlus**

**Examiner Tip**

Repeat purchasing would not apply in this case because the information in the stem relates to the behaviour of the entrepreneur Samima, not her customers.

## Question 5

Definitions of unemployment on the whole were good, but some failed to recognise it is "being able/willing to work but have not got a job". Distracters were generally well answered with good explanations. A minority of students did not read the word "except" in the question or perhaps did not read 'a fall'.

Some excellent responses were seen which included a correct and full definition of unemployment, going on to describe the effect on disposable income followed by an explanation of why at least one of the distracters would lead to closure of a nightclub.

- 5 (a) Market research company Mintel reported 'in 2009 one in eight nightclubs in the UK closed its doors for good'.

All of the following may have contributed to the above, **except**

(1)

- A a government smoking ban in public places
- B the increased availability of cut-price alcohol in supermarkets
- C an increase in the rent on premises
- D a fall in the level of unemployment

Answer



- (b) Explain your answer.

(3)

unemployment is the number of people who could work but are not working. An increase in employment would see an increase in disposable incomes and therefore more people would go do social activities. B is wrong because a cheaper substitute good would be available and therefore the demand for clubs would decrease.



**ResultsPlus**

**Examiner Comments**

Part (a) correct - 1 mark

Part (b) defines unemployment (1 mark); explains that disposable incomes would increase (1 mark) and explains distracter B by referring to supermarket alcohol as a cheaper substitute (1 mark)

A typical response which shows knowledge of a concept in part (b), and explanation, but has not really explained a distracter.

(b) Explain your answer.

(3)

Unemployment is when someone cannot get a job but are searching for one. A fall in the level of employment means that more people have jobs so they have more disposable income to spend on going clubbing. Therefore this would help the nightclub businesses and help towards them not being closed down like the research company said. An increase in rent would contribute the the clubs closing down as it increases their costs



**ResultsPlus**  
Examiner Comments

Part (a) correct - 1 mark

Part (b) Candidate describes what is meant by unemployment (1) and explains effect of a fall in unemployment (1)

Does not really explain distracter C.

## Question 6

Many candidates gave a good definition of a business plan and some offered further explanation of its purpose, but distracters were vague and not explained, and very few gained 3 marks for part (b)

A description of what a typical business plan might include (e.g. human resource, marketing, break-even analysis, cash-flow forecast, sales forecast) was equally as rewardable as a definition of a business plan, as was a definition of start-up capital or entrepreneur.

- 6 (a) The BBC TV series High Street Dreams, which gives advice to entrepreneurs, argues that it is 'essential to have a business plan when engaged in a business start-up'.

A business plan will

(1)

- A ensure that the business will make a profit
- B guarantee customers
- C support applications for start-up capital
- D improve cash-flow

Answer  C

- (b) Explain your answer.

(3)

A business plan is a formal document that sets out the details of a business. A plan would include marketing plans, production plans and financial plans. If a business needed help with start-up capital they may go to a bank for a loan. A bank requests a business plan so that they can assess the likely success of a business and therefore see whether they should fund the start up of the business depending on whether they think it would succeed. A business plan would not ensure profit, guarantee customers, or improve cash-flow as it is only a plan based on estimates it is not the reality of the business.

(Total for Question 6 = 4 marks)



**ResultsPlus**

**Examiner Comments**

Part (a) correct - 1 mark

Part (b) describes business plan (1 mark); explains why bank would want a BP (1 mark); explains why a BP would not **ensure** profit or **guarantee** customers (1 mark)

(b) Explain your answer.

(3)

A business plan is a document that contains a business' cashflow forecast, Human resource and aims and objectives. It is 'c' because a business plan can help persuade investors to give a business a start-up capital if they believe it is worth it from the evidence in the business plan. It is not 'd' because a company hasn't started selling so it will not have a cash flow yet.



**ResultsPlus**

**Examiner Comments**

Part (a) correct - 1 mark

Part (b) describes features of a BP (1); explains why investors would like to see a BP (1); explains distracter D (1)



## Question 7

The point about this question was that if Apple's profits had increased driven by greater demand then sales revenue must have increased, either because the sale volume had increased (which was, in fact, the case) or because prices charged had risen (given that sales revenue =  $P \times Q$ ).

The explanations of answers here needed looking at VERY closely. For example some candidates seemed to think that Apple would make a loss if costs increased by more than the rise in sales, when, in fact, they would make *less of a profit*.

Most candidates gained a mark in part (b) for a definition of demand, or profits, or sales volume.

Distracter A was incorrect because this would lead to a fall in profits.

Distracter B was incorrect because fixed costs do not change with output.

Distracter C was incorrect because we have no information on costs (have they stayed same, gone up more) which is needed to determine a reduction in the margin of safety. Margin of safety would also fall if sales fell but this is clearly NOT the case.

Here is a typical response which shows knowledge of revenue and an explanation to why option A is incorrect.

- 7 (a) In the second quarter of 2010, demand for the new iPad computer and the iPhone 4 helped profits soar at Apple. Revenues were £10.3 billion and profits increased to £2.1 billion.

Which of the following is **necessarily** correct?

(1)

- A Total costs must have risen by more than total revenue
- B Fixed costs did not change in the second quarter
- C Margin of safety may have been lower
- D Price or sales volume may have increased

Answer

D

(b) Explain your answer.

(3)

Revenue is the amount of sales made and can be calculated by ~~avg~~ no. of sales x avg price. Profits can be calculated by revenue - total costs. Prices or sales ~~revenue~~ volume may have increased meaning that profits should increase. A is incorrect as if total costs rose more than revenue ~~they~~, it may mean that the business may make a loss.



**ResultsPlus**

**Examiner Comments**

Part (a) correct - 1 mark

Part (b) defines revenue/gives formula (1 mark); explains why A is incorrect.

(b) Explain your answer.

(3)

Profit is sales revenue - total cost

~~For a~~ It is option "D" as for an increase in a business's profit to occur one of the factors is to increase price so more revenue is generated and to increase the amount you sell, and as the text states there was high demand this probably meant sales volume increased which in turn increased profit.

~~It~~ It is not option "A" because if total costs rose more the total revenue profit would be decreased.



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**Examiner Comments**

Part (a) correct - 1 mark

Part (b) defines profit (1 mark); explains why D is correct (1 mark); explains distracter A (1 mark)

## **Question 8**

Candidates came to the answer £7.38 by:

Either adding the two euro values together FIRST then dividing by the XR, 1.2, i.e.

$$1.85 + 7 = 8.85/1.2$$

OR dividing each euro value by 1.2 FIRST then adding them together and rounding up to £7.38, i.e.

$$1.85/1.2 = 1.541 \text{ plus } 7/1.12 = 5.833 = 7.374$$

OR working out that 1 euro is the equivalent of £0.833 or 83.3p (1) then multiplying the total spend by 8.85 (1) by this to get £7.372 which rounds up to £7.38.

A number of candidates failed to gain the knowledge mark for either providing a formula or describing what was meant by exchange rate.

An unusual answer which does not take the usual steps in showing workings out. Does not show formula or definition of exchange rate, so no knowledge mark.

8 (a) Look carefully at the receipts below:



IBIZA FORTINIA S.L.  
D.N.I. 48.951.162-C

ALQUILER  
Hamaca o Sombrilla  
Personal e intransferible

Nº 03547

Total 7,00 €  
I.V.A. incluido

If, in July 2010, the exchange rate of the £ sterling to the Euro was £1 = €1.20, the bus fare and rental of the Hamaca o Sombrilla would have cost a British tourist in Ibiza the total equivalent of

(1)

A £10.62

B £8.85

C £7.38

D £5.15

Answer  C

(b) Explain your answer (show your workings).

(3)

$$7€ + 1.85€ = 8.85€.$$

It would not be £10.62 as it would be lower than the cost in euros as the £ is stronger than the €.

$$1.20 \times 6 = 7.20.$$



**ResultsPlus**  
Examiner Comments

Part (a) correct

Part (b) calculates total Euros (1 mark)

Explains distracter A (1 mark)

Part (a) answered incorrectly, so max mark available for the next response is 2

(b) Explain your answer (show your workings).

(3)

Exchange rate: the price of one currency compared to another

Rental + Bus fare = €8.85

∴  $£1 = €1.20$   $8.85 \times 1.20 = £10.62$



**ResultsPlus**

**Examiner Comments**

Part (b) defines exchange rate (1 mark)

adds up rental of hamaca and bus fare to 8.85 (1 mark)

should have DIVIDED by 1.2 to get response C - £7.38.

## Question 9

A well answered question. Very few failed to identify at least one factor that would affect demand. Factors included fashion/ tastes/preferences, advertising, income, price of substitutes, population/demographics. Responses were generally applied to the case study by referring to the number of marriages shown in the chart, the making of wedding cakes or cup cakes, the current recession. Analysis marks were easily achieved by many as candidates were able to explain the effect - usually an increase - on demand.

The information contained in both the final paragraph of Evidence A and data in Figure 1 provided a clear opportunity to help explain what, how and why the demand for Anna's cakes might change.

The following answer has two factors identified and explained well in context.

9 Explain **two** factors that could affect the demand for Anna's cakes.

Unemployment is likely to affect demand for cakes. If people are unemployed they are likely to have lower disposable incomes meaning that they have less money to spend. As cakes are a luxury product and not a necessity, people are likely to reduce the amount they spend on her cakes. This will reduce the demand for Anna's cakes meaning she will make less cakes.

The season or type of year is also likely to influence consumer spending. For instance, people might buy more cup cakes in the winter, especially near to Christmas. This is because people spend more time indoors so will have more time to eat the cakes which are a comfort food. However, in summer she might sell more wedding cakes than cup cakes as weddings normally take place in the warmer months when the weather is nicer.



### ResultsPlus Examiner Comments

Knowledge - lower disposable incomes (1) Analysis - caused by unemployment which would reduce demand (1) Application - on Anna's cakes which are a luxury product (1)

Knowledge - season (1) Analysis - people spend more time indoors during the winter and eat comfort food (1) Application - and wedding cakes in the summer (1) plus further analysis, so 3 marks guaranteed!

Although this candidate does attempt to provide a definition for the concept demand, the mark in the first paragraph is for the factor.

9 Explain **two** factors that could affect the demand for Anna's cakes.

¶ Demand is the amount of units of products or services that consumers are willing to buy. There are many factors to change the demand; if an economy of the UK went into a recession, this would mean more unemployed people, leading to less disposable cash. People have <sup>e</sup> less to spend ~~less~~ ~~as~~ and can't afford luxurious ~~prod~~ goods, which as Anna's cakes are a luxurious product the demand will ~~change~~ ~~be~~ decrease.

If Anna were to advertise her products more on all sorts of media (TV, internet advertisements) she will have a wider market from more people aware of her business, this will increase demand. Promotions can compliment the advertisement to attract first time buyers and increase the demand further.



**ResultsPlus**

**Examiner Comments**

Recession - 1 mark Knowledge

Unemployment - leading to less disposable cash - 1 mark Analysis

Anna's cakes are luxurious - 1 mark Application

The second factor - advertising (1 mark - Knowledge) is not applied, but it is explained (1 mark - Analysis)



**ResultsPlus**

**Examiner Tip**

Unlike Section A, part (b) answers, it is not always appropriate for candidates to write definitions. This question did not really invite a definition as such, but rather the stating of TWO demand factors.

Price of cakes was allowed since the question did not state non-price factors.



## Question 10

A significant number of candidates did not appear to realise that there is a distinction between an entrepreneurial motive and an entrepreneurial characteristic. In such cases often 0 marks were awarded. On the other hand, many were able to focus their responses on Anna's urge to be creative and often referred to the case study for evidence. Analysis was frequently missing. Candidates could have argued that by pursuing her passion, Anna's cakes were more likely to be attractive, good quality and distinctive which should help to boost sales as customers would be more than satisfied with the product. This may have led to repeat purchases or at least more sales because of customer recommendations.

Here is a candidate who confuses characteristic with motive.

10 With reference to the case study, explain **one** entrepreneurial motive which has contributed to Anna's success.

A entrepreneur is someone who has set up their own business. An entrepreneur has to have a certain amount of characteristics to be successful. Anna showed she was able to take a risk by quitting her old job to setup the cake business, this can also be defined as a trade off. It was also a calculated risk because she took feedback from her family and made the decision.



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Examiner Comments

0 marks

Although the candidate shows some knowledge of entrepreneur, this was not a concept used in the question. The knowledge mark was awarded for knowledge of 'motive'.

In contrast, a candidate who clearly appreciates what is meant by entrepreneurial motive.

10 With reference to the case study, explain **one** entrepreneurial motive which has contributed to Anna's success.

An entrepreneurial motive is something which inspires a business owner to work. A consequence of this is that they work harder for what they believe in. For example Anna only uses "the best ingredients such as Fairtrade cocoa and sugar, free range eggs, locally sourced flour and organically grown citrus fruits." This means Anna is motivated by the thought of being "eco-friendly" and also gives her business a USP against her competitors. This means she will get more sales from other eco friendly people and will therefore be more successful.



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Examiner Comments

- Knowledge of motive - 1 mark
- Application - Fair Trade ingredients - 1 mark
- Analysis - gives her business a USP - 1 mark
- Analysis - which will give her more sales from eco friendly people - 1 mark



**ResultsPlus**  
Examiner Tip

The knowledge mark in this question was reserved for knowing what was meant by motive.

## Question 11

Some candidates clearly did not understand the basics of an overdraft, whereas others managed to refer to some aspect of the concept. Application to the case study was weak in many cases – with many responses achieving 5 marks out of 8.

11 Assess whether or not Anna should use a bank overdraft to help her to finance new product development.

A bank overdraft is ~~like~~ a short term source of finance which allows more money to be taken out of the account than is actually in the account and should be paid back in a certain amount of time. If the overdraft is not paid back in that amount of time then there can be high interest rates which means a small overdraft can turn into a large repayment. For Anna there are many other sources of finance available. Product development is likely to be a long process so the use of short term sources is probably not the best option for Anna. Therefore ruling out overdrafts. Other sources of finance available could be retained profits or share capital. As Anna's business is a limited company she has the option to sell shares to raise money. This is money that doesn't have to be repaid. This money could be

used to invest in new equipment or to source new ingredients from different source. That would make ~~these~~ Anna's products better. The same can be said for retained profits.

(Total for Question 11 = 8 marks)



**ResultsPlus**

**Examiner Comments**

L4 - Evaluation awarded for identifying that because product development is a 'long process' a short term method of finance (overdraft) may not be appropriate.

The argument is general (not in context), therefore 7 marks.

This candidate does what was often typical in responses. Argument against overdraft is not balanced by an argument for, but presents an argument for an alternative method of financing (using retained profits).

A overdraft is when the bank allows a company to spend more than what they have in their account.

Anna's bakery is a small business and may not always have continuous profits being made. As Anna sells cakes, especially for large events like weddings, ~~her product~~ demand for her products might not always be high, and like seasonal products, could face some falls. If Anna had an overdraft she would eventually have to pay it back each month after her new product had been developed, this could be a problem if the new product fails or if demand for her products are down in general. This may then lead to Anna being in larger amounts of debt.

Because Anna is only a small bakery I think the best form of finance for her to develop a new product would be to use retained profit. This will stop Anna from getting into any debt as she will only use what she has. The only problem with this is she may not have enough or once it's gone it can't come back.

I think it's best for Anna to use retained profit as it saves her from debt.

(Total for Question 11 = 8 marks)



**ResultsPlus**

**Examiner Comments**

L3 - Analysis - one-sided argument in context - 6 marks



## Question 12

The majority of responses were one-sided; most identifying a consequence of inflation and applying it to the case study. Some of the better responses were evaluative, referring to the fact that this business is aimed at customers with greater disposable income and that if prices of cakes did increase the significance to the consumer would be little. More able candidates even referred to price elasticity.

Weaker responses attempted definitions of inflation which were often rather vague. However, this was not a definition question – it essentially examined the likely effect of inflation on Button's Bakery. Examiners were advised that only if a candidate gets as far as Level 1 should they look for a precise definition of inflation when awarding 2 marks OR a vague definition of inflation and its consequence, e.g. 'prices increasing and a fall in the value of money/increase in costs of production'

The effective thing about this response is that the candidate answers the question directly without providing a definition of inflation. This enables the candidate to score at level 3 in one sentence given the analysis.

12 Evaluate the likely effect of inflation on Button's Bakery.

Due to inflation the price of postage and raw materials used by Anna such as "Fair trade cocoa and free range eggs" etc. ~~the her costs~~ may rise, reducing Anna's profits due to an increase in costs. This may force her to use lower quality raw materials reducing the USP of her cakes which could then reduce demand further reducing sales. Inflation may not necessarily affect her costs yet it could affect her customers budget for her cakes, which could then lead to a reduction in demand. Inflation usually means customers cut back on luxuries and Anna's cakes are a "luxury" meaning a potential fall in demand. The cost of running a household (gas, electricity, food etc.) increases with inflation, meaning her costs of producing the finished products

could rise. ~~due to~~ If she has to begin charging more for delivery she may begin to see a lower demand for her cakes.



### ResultsPlus

#### Examiner Comments

Level 3 - 6 marks because the candidate has analysed in context the likely effects of inflation on Button's Bakery. It is one-sided so cannot score Level 4, despite the analysis being strong.



### ResultsPlus

#### Examiner Tip

Always encourage two-sided contextual responses when the trigger word in the question states 'evaluate' or 'assess'.

This opens with a definition - depending on candidates and approach used/encouraged by centres, this can be an effective way to 'settle' a candidate into answering a question. This approach guarantees a level 1 mark if the definition is accurate.

Inflation ~~is~~ is the general rise in prices and the decrease in the value of money. For Anna's business, inflation would mean that her cost of buying the Fairtrade ingredients for her cakes would increase which would then mean Anna would have to take a 'hit' on her profit margin or increase the prices of her cakes which could lead to a fall in demand for cakes, meaning there would be less sales of her cakes, meaning Anna's ~~would~~ business would generate less revenue and consequently less ~~profit~~ profit. However, inflation could also mean that Button's Bakery could increase the price of its cakes to correlate with



inflation but still have the same demand as Button's Bakery is a relatively niche market and ~~the~~ the demand for its cakes ~~are~~ <sup>is</sup> likely to increase because of the advertorial in Vogue magazine which proved to be "very popular among brides-to-be." To conclude, I think inflation ~~is~~ is more likely to have a negative effect on Anna's business <sup>because,</sup> if the value of money decreases, people are going to have less money to spend on wedding cakes and ~~and~~ so chose a cheaper <sup>alternative</sup>. (Total for Question 12 = 8 marks)



## ResultsPlus

### Examiner Comments

Provides a contextual argument showing the negative effect of inflation - Anna would take a hit on her profit margin or increase her prices and suffer a fall in demand.

Also explains the counter-argument - that because BB operates in a niche market then prices of cakes could increase but because of the advertorial in Vogue 'demand is likely to increase' - Level 4 - 8 marks as both arguments presented in context.

### Question 13

This question was marked in two parts, where 6 marks were available for (a) market mapping and 6 marks for (b) break-even analysis.

Weaker responses gave market mapping as an exercise to enable managers to decide where to locate their business. Better responses recognised that it was a tool used to help establish a product in a market against its competitors based on variables related to price and often quality or nature of a product or service. Others stated that this may not have been consciously used by Anna given that Button's Bakery was a small-scale business which involved little strategy but was rather more of a 'hobby'.

A number of good answers were seen for break-even, with many candidates recognising that it is a technique which may prove difficult given that Anna makes a range of cakes from cup cakes to celebration cakes. A common error was not to recognise that break-even helps determine profitability NOT cash-flow.

A mark of 3 can be awarded if the candidate analyses but not in context.

\*13 Evaluate the likely value of the following to Button's Bakery:

(a) Marketing mapping.

(6)

Market mapping is a method used to identify a gap in the market.

This would be useful for Buttons Bakery as they would be able to identify a gap in the market making it easier for them to know what price to set the cakes and what quality they should make them.

This is useful as if the position the product on the right place of the marketing map it will mean they ~~more~~ will have less competition from competitors, increasing the amount of customers and therefore demand that they will receive.

(b) Break-even analysis.

(6)

Break-even ~~analysis is for the point~~ is where a business has not made a profit or loss, where the profit and costs of a business cancels out. A break-even analysis enables a business to identify at what price and to how many customers they need to sell their product.

This would be useful for Buttons Bakery as the only products the business sells is cakes <sup>& bread.</sup> and therefore makes it quite easy for the business to work out the price of the product & the amount of customers they need.



**ResultsPlus**

Examiner Comments

Analysed in context - Level 3, 4 marks (x 2)

An answer **not** written in context, and one-sided.

\*13 Evaluate the likely value of the following to Button's Bakery:

(a) Marketing mapping.

(6)

Marketing mapping this would help Button's Bakery to increasing profit and sales because of the strategy. When marketing mapping it allows Button's Bakery to sell or supply where few or no other competitors with this the demand for the products would because of the improve idea of marketing mapping.

This also helps Button's Bakery to run into less cost because they would be able to tell how many goods they should supply and at what price, which is normally done by carrying out market research. So this would have a great value to Button's Bakery because the increase in sales which would make the profit to increase.

(b) Break-even analysis.

(6)

This can also help Button's Bakery because it would be able to tell how much is needed to overcome it cost. Where the variable cost and revenue meet we normally say that is the break-even point and there is also the margin of safety, the re-order point at which Button's Bakery should make another order for raw materials.

There normally a formula that we used when calculating  
Break even =  $\frac{\text{Fixed cost}}{\text{selling price} - \text{variable cost}}$

It also the break even analysis helps the business to know whether it has made profit. And also how much sales it needs to make to get a profit.

So the value also to Button's Bakery is that it helps them reduce cost



**ResultsPlus**

**Examiner Comments**

Part (a) - 3 marks analysis

Part (b) - 3 marks analysis - very textbook like answer



**ResultsPlus**

**Examiner Tip**

In part (a) If only the candidate had written Anna or 'cakes' rather than 'products' a higher mark could have been awarded.

In Part (b) needed to write 'ingredients' rather than 'raw materials' to move up to 4 marks (context shown).

## Paper Summary

Based on their performance on this paper, candidates should:

1. Remember to answer all part (a) sections of Section A, even if it means guessing.
2. Use definitions or written formulae in part (b) of Section A since this often attracts a knowledge mark; the concept defined should normally be in the question or found in the correct response.
3. Remember to explain why one distracter is wrong in part (b) when the supported multi-choice question in Section A reads 'most likely' or 'least likely' because these questions are asking you to make a judgement which you can very often strengthen by not only explaining the answer you chose in part (a) itself, but also one of the alternatives you dismissed.
4. Read the case study in Section B carefully - you are advised to spend 5 minutes reading this and, if necessary, highlighting key words or points which might enable you to answer the questions that follow.
5. Read questions carefully and attempt to answer the question actually set. On a number of occasions evidence has shown, particularly in Section B, that candidates can waste valuable time struggling with an answer to a question that was not on the paper or trying to gain marks through an 'all I know about approach' which rarely scores many marks.
6. Spend time to plan your answers to levels of response questions 11, 12 and 13. These carry the most marks (8,8 and 12 respectively) so writing a balanced answer can make all the difference to your grade.
7. Work on the basis of a '1 minute per 1 mark rule' given that this paper is for 75 minutes, with 70 marks and a recommended 5 minutes reading time for 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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