

Mark Scheme (Results)

January 2013

GCE Economics & Business Studies (6EB02/01)
Unit 2B: Business Economics

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Publications Code US034391

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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)

Question Number	Question	Marks
1(a)	<p>Tata Steel uses Total Quality Management (TQM) in its steel production processes.</p> <p>Which of the following is likely to increase as a result of Tata Steel using TQM?</p> <p>Answer: A (Empowerment)</p>	1
1(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of TQM e.g. a philosophy that aims to develop a quality culture throughout the firm's operations OR Empowerment is the allowing employees to have input and control over their work (1 mark) • Tata adopts a target of 'right first time' or zero defects for their steel. (1 mark) • TQM will result in Tata's employees taking responsibility for the quality of steel produced therefore increasing empowerment (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because TQM is likely to lead to a reduction in wastage of steel rather than an increase because of the zero defect procedures (1 mark) • C is wrong because there is likely to be less labour turnover at Tata because employees are able to make decisions and are part of the decision making process and are therefore less likely to leave (1 mark) • D is wrong because stock levels will be minimised rather than increased by using a JIT stock system as part of TQM (1 mark). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
2(a)	<p>The model of perfect competition is at one end of the spectrum of competition.</p> <p>Which one of the following is a characteristic of a perfectly competitive market?</p> <p>Answer: B (Homogenous products)</p>	1
2(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Perfect competition describes a market structure where there are many buyers and sellers. (1 mark) • Perfect competition has homogenous products which are perfect substitutes/all the same. (1 mark) • Examples include foreign exchange (1 mark) • Perfect competition has freedom of entry and exit with low barriers to entry (1 mark) • Consumers have perfect knowledge about prices and products from competing suppliers (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because an oligopoly market is one which has a few businesses dominating the market such as supermarkets. (1 mark) • C is wrong because non-price competition such as advertising is a feature of imperfect competition. (1 mark) • D is wrong because high barriers to entry are a feature of monopoly or an oligopoly market. (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>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
3(a)	<p>Goodfella's Pizza uses mass production techniques to produce more than 150 million frozen pizzas per year. This helps the company achieve economies of scale.</p> <p>Economies of Scale for Goodfella's are most likely to lead to a decrease in</p> <p>Answer: C (average costs)</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) • Automated/mass production techniques enable the scale of production of pizzas to be increased (1 mark) • Reduces the average cost of producing the pizzas over a larger scale of production. (1 mark) • Fixed costs are spread over a greater number of pizzas so average costs fall (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because output levels are likely to increase as scale of production of pizzas increases (1 mark) • B is wrong because total costs will increase rather than decrease because the costs of ingredients/equipment will rise. (1 mark) • D is wrong because profitability is more likely to increase due to lower unit/average costs (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>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
4(a)	<p>Between 2005 and 2011, labour productivity in the UK grew on average by less than 1% compared to 10% in China.</p> <p>Labour productivity is measured by Answer: B (output per worker in a fixed time period)</p>	1
4(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • It is a key measure of business efficiency/productivity (1 mark) • It can be used to compare performance between countries and/or companies and/or time periods (1 mark) • Numerical example: 500 t shirts / 50 employees = 10 t shirts per day (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because this measure how long each employee works rather than the output per worker (1 mark) • C is wrong because skills and knowledge of the workforce are likely to affect the quality of output rather than the output itself. (1 mark) • D is wrong because the motivation of the workforce can improve labour productivity because they are happier (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>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
5(a)	<p>There has been significant structural change in the UK economy in recent years.</p> <p>Which one of the following is an implication for UK businesses resulting from this change?</p> <p>Answer: A (Increased opportunities in the knowledge economy)</p>	1
5(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Structural change involves permanent changes/shift in the composition of an economy • E.g. a decrease in the secondary sector at the expense of an increase in the tertiary sector (1 mark) • The knowledge economy has grown creating more business opportunities such as IT, pharmaceuticals, finance and health services (1 mark) • Some traditional industries in UK will decline such as coal mining and shipbuilding (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because there will be a rise in employment opportunities in the tertiary sector/knowledge economy whereas manufacturing may see a decline (1 mark) • C is wrong because there may be increased uncertainty due to the changing nature of industries (1 mark) • D is wrong because structural change is closely linked to changes in the patterns of demand and some goods such as manufactured goods may see a decline in demand (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>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	<p>In August 2011, Primark cut the price of its clothing by 20% which led to clothing sales increasing by 40%. Calculate the price elasticity of demand for Primark's clothing.</p> <p>Answer: D (-2.0)</p>	1
6(b)	<p>Explain why this answer is correct:</p> <p>$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} = \frac{40\%}{-20\%} = -2 \text{ or } 2.0$</p> <ul style="list-style-type: none"> • Gives formula only OR defines PED e.g. measures the responsiveness of demand for a good or service to a change in its price (1 mark) • Shows workings above – denominator (-20) and numerator (40)(2 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB Do not need to show the – or + signs</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Section B Mark Scheme

Question Number	Question	Mark
7	Explain why the 'weaker pound' may have helped to boost exports from UK businesses using eBay (Evidence A, line 4-6)	
	(Knowledge 1, Application, 1, Analysis 2)	Mark
	<p>Knowledge/understanding: up to 2 marks for defining or showing understanding of what is meant by weaker pound e.g. when the sterling has depreciated against other currencies and/or what is meant by exports e.g. goods/services sold to other countries and businesses (1 mark)</p> <p>Application: 1 mark for contextual answers e.g. If candidate uses exchange rate data to illustrate and/or refers to goods or services sold on eBay e.g. clothing (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. due to the weaker pound less foreign currency is needed to buy £1 sterling worth of goods (1 mark) which makes UK products cheaper thus increasing sales/demand (1 mark)</p>	<p>1-2</p> <p>1</p> <p>1</p> <p>(4 marks)</p>

Question Number	Question	
8	Explain why high profits can act as a signal to enter a marketplace such as eBay.	
	Answer	Mark
	<p style="text-align: center;">(Knowledge 1, Application 1, Analysis 2)</p> <p>Knowledge/understanding: up to 2 marks for defining or showing an understanding of what is meant by profit e.g. is the difference between total revenue and total costs (1 mark)</p> <p>Application: 1 mark is available for contextual answers demonstrating that refer to eBay e.g. eBay is currently experiencing growth OR eBay is a market for fashion, cars and electronics (1 mark).</p> <p>Analysis: up to 2 marks for are available for giving a reason/cause/consequence e.g. high profits could be an incentive for new entrants into an online market (1 mark) as profits are the main aim/objective for many businesses (1 mark)</p> <p>OR because of low barriers to entry for selling goods online (1 mark) this leads to an increase in the number of firms being able to enter the online marketplace (1 mark).</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: right;">(4 marks)</p>

Question Number	Question	
9	Analyse two ways in which businesses selling on eBay might be affected by increased unemployment in large cities. (Per way: 1 Knowledge, 1 Application, 1 Analysis)	
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge/understanding: up to 2 marks are available for defining what is meant by unemployment e.g. the number of people willing and able to work but out of work (1 mark) and/or stating an effect on businesses of increasing unemployment e.g. less/more sales revenue (1 mark) and/or redundant may set up their own business (1 mark)</p> <p>Application: up to 2 marks are available for applying these factors to large cities e.g. an increase in the sale of cheaper/inferior goods sold online (1 mark) by unemployed people from cities like London/Nottingham/Birmingham (1 mark), cities have a larger recruitment pool (1 mark)</p> <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence of an increase in unemployment e.g. those businesses selling cheaper/inferior products may benefit as unemployed consumers switch to cheaper substitute goods online (1 mark); some businesses selling luxury goods may lose out because unemployed consumers can no longer afford these products (1 mark) ; may lead to unemployed workers setting up their own online businesses due to the low barriers to entry on eBay/increased competition for existing online sellers (1 mark)</p> <p>NB if only 1 way then cap at 3 marks</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">(6 marks)</p>

Question Number	Question	
10	Analyse two reasons why 'micro businesses' such as 'A Child of the Jago' are able to survive in industries dominated by large businesses. (Per reason: Knowledge 1, Application 1, Analysis 2)	
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4</p> <p>Knowledge/understanding: up to 2 marks are available for identifying reasons e.g. customer service, differentiated products, short product development lead time, community supporting local businesses (1 mark per reason), diseconomies of scale (1 mark), batch production (1 mark)</p> <p>Application: up to 2 marks are available for contextualising the response by referring to a micro business/large businesses e.g. Child of the Jago sells menswear clothing (1 mark); Child of the Jago manufactures from old fabrics (1 mark); Child of the Jago operate in a niche market (1 mark); Primark operates in a mass market (1 mark)</p> <p>Analysis: up to 4 marks are available for giving a reason/cause/consequence of Child of the Jago surviving e.g. Child of Jago may charge a premium price for its garments which may ensure sufficient revenues/profits (1 mark) and therefore survival/growth (1 mark); Child of the Jago produces unique designs for more specific tastes (1 mark) which limits competition (1 mark); Child of the Jago may have better customer service than a mass clothing retailer (1 mark) which gives it a USP (1 mark); Corre has lower costs (1 mark) due to smaller batch production methods (1 mark); Child of the Jago can respond to changes in consumer tastes and preferences (1 mark) because it has a more flexible batch production process (1 mark)</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-4</p> <p style="text-align: right;">(8 marks)</p>

Question Number	Question		
11	Assess two methods the fashion business 'A Child of the Jago' could use to reduce uncertainty caused by macroeconomic change. (Per method: Knowledge 1, Application 1, Analysis 1, Evaluation 2)		10
Level	Mark per Method	Descriptor	Possible Content
1	1	Available for knowledge such as identifying what is meant by uncertainty and/or ways uncertainty can be reduced and/or macroeconomic change	e.g. uncertainty brings a variety of risks/businesses want to try and reduce uncertainty e.g. ways to reduce uncertainty include diversification, market research, R&D, collaboration, use of macroeconomic indicators, market orientation, mergers, contingency planning e.g. changes in inflation/unemployment/GDP
2	2	Available for contextualising the response by referring to A Child of the Jago	e.g. A Child of the Jago may carry out market research about customer views on current and future clothing ranges e.g. Child of the Jago may monitor macroeconomic indicators such as GDP
3	3	Available for considering the impact of the consequences of A Child of the Jago adopting various techniques to reduce uncertainty NB Analysis does not need to be in context	e.g. market research data may help to improve current and future clothing ranges in order to boost sales e.g. so that A Child of the Jago can increase production in order to satisfy potential and effective demand caused by changes in GDP
4	4-5	Available for providing balance e.g. showing possible arguments for and and against why A Child of the Jago should adopt these techniques to reduce uncertainty Award 4 marks if one side is in context; 5 marks if BOTH	e.g. Market research is not always accurate and cannot fully predict the future of clothing demand therefore the views of customers might not reflect their actions. e.g. Macroeconomic indicators can only record what has already happened so the GDP indicator may not be reliable as to the future demand of clothing as it is always subject to shock.

Question Number	Question		
12	Evaluate two possible strategies Fox Brothers might adopt in order to become profitable. (14 marks) (Per Strategy: Knowledge 1, Application 2, Analysis 1, Evaluation 3)		
Level	Mark per strategy	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by profit/strategies to increase profit</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. profit is the difference between revenues and costs</p> <p>e.g. pricing, advertising, cutting costs, marketing, use of JIT, delayering</p>
2	2-3	<p>Application must be present, i.e. the answer must be contextualised and be applied to Fox Brothers</p> <p>Low Level 2: 2 marks Just a simple reference to the context</p> <p>High Level 2: 3 marks A specific reference to the context</p> <p><i>QWC: To achieve a mark of 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. Fox Brothers could increase sales revenue by advertising more to High Street tailors</p> <p>e.g. Fox Brothers could make cheaper cloth and sell it in a mass market</p>
3	4	<p>Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of the proposed strategy for Fox Brothers</p> <p>Arguments will be one-sided and need not be in context.</p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is</i></p>	<p>e.g. If Fox Brothers tried to cut cost then they may reduce the skilled workforce/ become more productive by introducing TQM/lean production techniques</p> <p>e.g. If Fox Brothers tried to increase sales revenue to Savile Row tailors then they may decide to use the Marketing Mix such as pricing strategies and marketing strategies to increase demand</p>

		<i>appropriate to the question/ reasonable to good spg</i>	to high street tailors.
4	5-7	<p>Low Level 4: 5 marks. Evaluation must be present and in context on one side, i.e. the candidate must present an argument for how Fox Brothers can increase profits</p> <p>Medium Level 4: 6 marks Evaluation must be present and in context on both sides, Evaluation must be present to illustrate the impact upon profits for Fox Brothers</p> <p>High Level 4: 7 marks A balanced answer throughout making good use of concepts and terminology</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>e.g. Cutting costs through redundancies is a quick way to reduce costs but may cause motivational problems for remaining Fox Brother's skilled employees</p> <p>e.g. Advertising may increase demand and awareness of Fox Brothers to more Savile Row tailors or clothing businesses but has an opportunity cost associated with it such as not being able to pay increased wages to skilled/specialist cloth making employees</p> <p>e.g. TQM can improve productivity/quality of the cloth but may lead to retraining and reorganisation of the business of the skilled employees</p>

Assessment Objectives

QUESTION	Content	Knowledge	Application	Analysis	Evaluation	Total
1	2.3.3b	2	1		1	4
2	2.3.2b	3	1			4
3	2.3.4b	2	1		1	4
4	2.3.3b	2	2			4
5	2.3.6d	1	1		2	4
6	2.3.1d	1	3			4
7	2.3.5a	1	1	2		4
8	2.3.1b	1	1	2		4
9	2.3.6c	2	2	2		6
10	2.3.4d	2	2	4		8
11	2.3.5c	2	2	2	4	10
12a	2.3.1f & 2.3.3d	1	2	1	3	7
12b	2.3.1f & 2.3.3d	1	2	1	3	7
TOTAL		21	21	14	14	70

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Order Code US034391 January 2013

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