

Examiners' Report
June 2015

GCE Economics & Business 2 6EB02 01

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Introduction

It was pleasing to see candidates showing a sound grasp of economic and business concepts. There appeared to be better use of precise economic and business terminology throughout rather than generalised comments. Again, the more able candidates demonstrated excellent application of their knowledge to the precise question set, while the less able candidates attempted questions from a 'common sense' approach rather than demonstrating any economic and business concepts. Examination timing skills appeared to be very good on the whole with the majority of candidates completing all questions fully.

There are a variety of ways to gain marks for part (b) Supported Multiple Choice questions.

If responses in part (a) are wrong then the maximum mark available for part (b) is 2 marks. If a candidate does no more than explain distracters in part (b) then a maximum of 2 marks is awarded. We expect to see at least a definition or explanation for selecting the correct response. Some candidates only explain why their chosen answer is correct and depending upon the quality/development of this answer, they can score 3 marks for part (b). We expect to see candidates who have briefly explained the correct answer followed by explanations as to why the other options are incorrect. This method can gain the candidate 3 marks.

It is essential that candidates are taught how to tackle these questions and it is quite evident that some centres do spend time preparing and practicing these types of questions. It is not sufficient enough to simply state that the other options are incorrect. The candidates should explain why the distracters are incorrect. If the examiner can ask the question 'why?' then the answer is not fully developed to gain marks.

Question 1

Many candidates were able to get part (a) correct (Mining). The majority of candidates gave a definition of unemployment for 1 mark and we also allowed 1 mark for candidates who stated structural unemployment exists where there is a mismatch between their skills and the requirements of the new job opportunities.

Distracters A and C were both examples of activities which are associated with other types of unemployment - demand deficient (cyclical) and/or frictional. These had to be fully explained to get the marks and candidates could not just say 'this is frictional unemployment' - they had to show why.

Seasonal unemployment (Distracter D) had been widely used for the third mark and again, this had to be fully explained as to why tourism is seasonal rather than just stating it is seasonal.

Unemployment are those able, willing and seeking jobs, who (3)
are currently without a job.
Structural unemployment is caused by a decline in industries or change in technologies and people's skills are no longer needed elsewhere. Mining has declined as an industry as coal has been replaced by more efficient sources such as solar power energy, therefore miners were made redundant as the mines closed down. Miners' skills were not needed in any other industry, thus made structurally unemployed. Not catering as this is seasonal unemployment, caterers are needed ~~at the time~~ and the industry will not decline, it will only fluctuate throughout the year, going up at Christmas for example.

(Total for Question 1 = 4 marks)



ResultsPlus Examiner Comments

This scored 3 marks for part (b).

1 mark was awarded for the definition of unemployment, 1 mark for applying to changing technologies/skills and 1 mark for applying to changes in sources of energy (solar power). This candidate also fully explained why distracter D was incorrect but already had the full 3 marks available for part (b).



ResultsPlus Examiner Tip

Try and start your response with a definition - usually from the question or the correct answer. This can gain you 1 mark and gives you access to all 3 marks for part (b).

Question 2

Many candidates were able to get part (a) correct (Non-price competition) although many were incorrectly putting B (Homogenous products) so could only score a maximum of 2 marks for part (b). The definition of oligopoly must be "few firms" – we did not accept "several firms", "2-4" or any other variation. A further mark was awarded for candidates who stated that in oligopolistic markets prices are similar or that businesses want to avoid price wars. Many candidates were able to explain why there is non-price competition and examiners allowed any type of non-price competition such as branding, quality, promotion, location.

Many candidates explained Distracter A (low barriers to entry) and why there were high barriers rather than low. Examiners did not accept that barriers are high rather than low – we need to know why this was the case and we looked for references to capital/start-up costs required to enter the cinema market.

An oligopolistic market is when the majority of the market is owned by a few large companies. C is the correct answer because the businesses would compete on brand and customer loyalty. They would not compete on price because if they changed their prices the other companies could do the same. A is not the correct answer because there are high barriers to entry. This is because it is an established market with large businesses that already have a large customer base. New, small businesses don't have the branding, money or customer loyalty to compete.



ResultsPlus

Examiner Comments

This response scored 3 marks for part (b).

1 mark was awarded for the correct definition of an oligopoly, 1 mark for further explanation of the correct answer and 1 mark a full explanation of why distracter A is incorrect.



ResultsPlus

Examiner Tip

Try and use the context and you will be rewarded for good use of economic and business terminology rather than generic common sense answers.

Question 3

Many candidates are able to get part (a) correct (Labour turnover). Examiners allowed a choice of either flexible working or labour turnover as the definition mark. There are many definitions of flexible working but the key thing examiners looked for was that flexible working has to be allowed or agreed by the business. Simply stating that employees "can work the hours they want" was not accepted. The definition of labour turnover also had to refer to a time period – examiners did not accept "it is the number of people who leave a business".

This question has been well answered on the whole and is a part of the specification which candidates do enjoy.

(3)

Flexible working allows workers to choose areas of their work i.e. work hours. Labour turnover is the amount of people that leave a business each year. It's C because with such responsibility, workers won't want to leave because they feel a part of a team and enjoy the privilege. It's not D as having such responsibilities will empower people and make them feel good, unlike having no responsibility where they feel bored. It's not B as businesses/employees would feel more motivated and trusted so would be productive.

(Total for Question 3 = 4 marks)



ResultsPlus Examiner Comments

This scored 3 marks for part (b)

We awarded 1 mark for the definition (both were given but only 1 mark can be awarded for the definition), 1 mark for explaining why labour turnover would decrease and 1 mark for a full explanation of distracter D. This candidate also fully explains distracter A but already has full marks for part (b).



ResultsPlus Examiner Tip

If you are unsure if you have correctly defined or explained part (a), then fully explain 2 of the distracters as you can still score 2 marks for part (b) even with an incorrect answer for part (a).

Question 4

Many candidates were able to get part (a) correct (Fluctuating oil prices). We allowed a definition of uncertainty so long as the candidate showed some awareness that future events could not be predicted.

Many candidates picked up an additional mark for linking fluctuation oil prices with the demand for cars. Many candidates were able to link the distracters to ways of reducing uncertainty. Again, examiners were looking for fully developed distracters or why the distracter would reduce uncertainty rather than just stating that this was a method to reduce uncertainty.

Uncertainty is when businesses are unable to predict what is going to happen in future, this often increases risk for businesses.

Meaning the answer is D because if the oil prices are fluctuating it will directly affect the demand for cars as they are complementary products, it creates uncertainty as car companies will be unsure of the how many cars they will be selling.

The answer is not A because this reduces uncertainty as it allows ~~consumers~~ ~~the~~ businesses knowledge on how consumers are likely to behave.



ResultsPlus Examiner Comments

This response scored 3 marks for part (b)

We awarded 1 mark for the definition of uncertainty, 1 mark for applying this to the demand for cars and 1 mark for the full explanation of distracter A.



ResultsPlus Examiner Tip

Remember to read the question carefully in terms of whether you are being asked for the least likely or the most likely answer.

Question 5

This was a difficult question as many candidates confused 'capacity utilisation' with 'capacity' so incorrectly put distracter C. We allowed 1 mark for either the formula or a written definition of capacity utilisation.

Examiners were looking for some understanding that the business would be using the same resources (employees/labour) to produce more trailers. Some candidates did gain marks for explaining the distracters in terms of these reducing capacity utilisation rather than increasing it.

Capacity utilisation is how well a business uses its employees/machinery = $\frac{\text{actual output}}{\text{maximum output}} \times 100$

The answer is A because by increasing the working hours it means employees are working for longer so therefore producing more output. This increases actual output leading to a greater percentage when using the equation. The answer is not C because buying ~~more~~ / renting a larger premises means that maximum output ~~will~~ is increased, therefore when using the equation the utilisation percentage will be lower.



ResultsPlus Examiner Comments

This scored 3 marks for part (b).

The response gained 1 mark for the correct formula for CU, 1 mark for explaining why A was the correct answer and 1 mark for a full explanation of distracter C.



ResultsPlus Examiner Tip

For PED, YED and CU, we will accept either a formula or a written definition of the key term.

Question 6

Many candidates were able to get part (a) correct (Market share). Candidates could either define market share or cost of production. The definition of cost of production must refer to total costs or fixed and variable rather than just rearranging the words. Examiners were looking for candidates to make the connection between why selling milk at below the cost of production may increase ASDA's market share in terms of gaining more customers. For the distracters, we looked for why these were incorrect.

Market share is the ~~amount of~~ percentage of the market that one business has. By reducing the price of milk, consumers are more likely to ~~go~~ go to ASDA to buy their milk and not competitors, like Tesco. This will likely increase their market share as they are likely to increase their sales. D is wrong as dairy farmers will now receive less for their milk, which would decrease profitability. As it's also below the cost of production, dairy farmers will now make a loss for their milk. C is wrong as decreasing price will not affect the diseconomies of scale.

(Total for Question 6 = 4 marks)



ResultsPlus Examiner Comments

This scored 3 marks for part (b).

This scored 1 mark for the definition of market share, 1 mark for explaining why market share is likely to increase and 1 mark for distracter D.



ResultsPlus Examiner Tip

Do not define incorrect answers. Definition marks can only be awarded for either the correct answer or for a key term from the question.

Question 7

This was marked according to AO: Knowledge 2, Application 1 and Analysis 1. We allowed 1 mark for a definition of economies of scale and 1 mark for giving a reason why small businesses can survive. The economies of scale definition had to be precise and examiners looked for reference to output or scale rather than 'benefits from being big'. Application could be types of small businesses such as record shops, names of businesses as none were given in the question or types of goods/services sold.

For the Analysis mark - we looked for a reason, cause or consequence and this could range from providing good customer service to charging a high price.

Many candidates scored 2 marks due to not defining economies of scale or by giving a generic answer which had no application to any small business.

Small businesses are businesses that sell goods or services at a smaller scale than major mass businesses. Economies of scale is when the output increases but the average cost of production ^{per unit} decreases. Small businesses may provide goods at a niche market. ~~For~~ This way they can charge higher prices, therefore ~~their~~ small businesses may earn a higher revenue and profit causing them to survive. High Street Stores which only attract people with a specific taste, such as ~~imported~~ ^{hand} made furniture made in Philippines ~~and~~ can be charged at a higher price.

(Total for Question 7 = 4 marks)



ResultsPlus Examiner Comments

This scored all 4 marks and has used a previous Unit 1 case study (furniture from the Philippines) as context.



ResultsPlus Examiner Tip

AOs for a 4 mark question do change according to the way the question is structured. If the question asks for one reason or one benefit then there will be 2 Knowledge marks available - 1 mark for the definition of the key term and 1 mark for the 'reason'. Application and Analysis marks will be 1 mark each.

Some small businesses can still survive because of market orientation - putting customers' needs first. Economies of scale are when unit costs fall as output rises. For example, by having good customer service i.e. a coffee shop fixing a mistaken order for a customer can keep customers coming through loyalty and allow them to survive. Tesco's, for example, don't have brilliant customer service and so would lose customers.

(Total for Question 7 = 4 marks)



ResultsPlus
Examiner Comments

This is another example which scored all 4 marks.



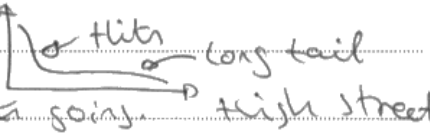
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Examiner Tip

Context is key and if one is not provided in the question they use an example of your own.

Question 8

This was marked differently to Q7 as we have not asked for 'one reason' so we could only award 1 Knowledge mark for a definition. The AO's were Knowledge 1, Application 1 and Analysis 2. Examiners looked for a definition of the long tail for the 1 Knowledge mark – references to hits and that there is a wide range of products sold in smaller quantities. We accepted an accurate diagram of the long tail as Knowledge.

Application was the same as Question 7 and we did not accept HMV as the Application as this was already in the question. Most candidates applied their responses to things such as references to downloading music, iTunes, types of music. Analysis could be gained for providing a reason, cause or consequence as to why there has been a decline due to the long tail.

The long tail are the products are that aren't so demanded as the "hits" but will eventually be sold larger quantities of these. 

The long tail helps the business ~~from~~ ^{avoid} going high street music retailers such as HMV reacted slowly to online shopping and therefore didn't make enough profit for the customers were already downloading music instead of buying it. Online music shops tend to have more variety of music for all tastes (the long tail) and therefore will be more successful than a high street music retailer that is only capable of selling hits and a small portion of the long tail.



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Examiner Comments

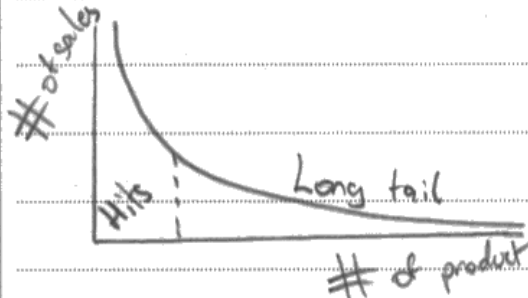
This scored all 4 marks and covered all the AOs.



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Examiner Tip

Diagrams will be rewarded as they show Knowledge and understanding of a concept.

Music retailers only sell the hits of a market, in this case, music. Businesses online have an advantage over, for example, HMV, since they can sell millions of songs which include what we call the long tail. As I show in the



graph, online businesses can sell a lot more music than a high street music retailer like HMV. The long

tail can be used to sell less known music songs, which would be impossible to sell in HMV, since they would not have any demand for it. Selling ~~to~~ to the long tail is a clear competitive advantage, and we see this in Evidence B, "HMV's previous management ... online competition".



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Examiner Comments

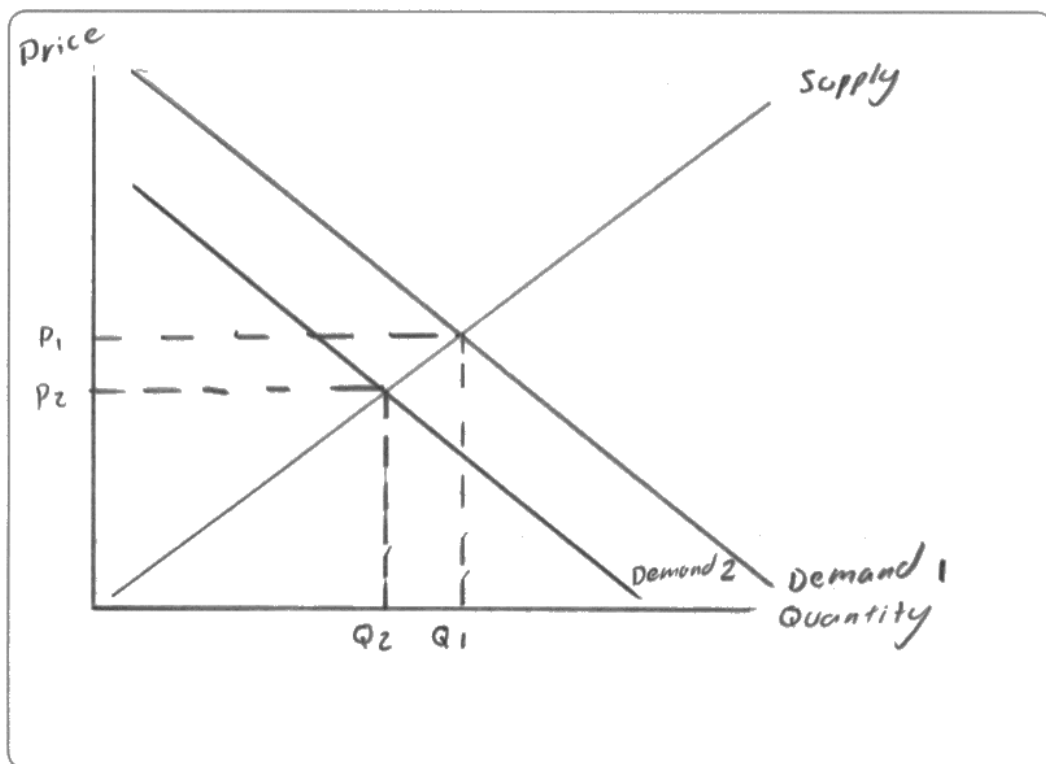
This response also scored 4 marks and has great context and does use the Evidence as part of its answer.

Question 9

Examiners marked this question in two parts - the diagram which was worth 5 marks and 3 marks for the written explanation. As in previous years, the diagram has to be perfect to gain all 5 marks with an inward shift in the demand curve. The labels had to be correct - examiners did not accept 'Quantity Demanded'.

The two equilibrium points must be extended out to the axes with labels to show the impact on Price (P_1 , P_2 etc) and Quantity (Q_1 , Q_2 etc); for example showing the increase in Price and Quantity. If these labels are missing, then candidates were not fully showing the old and new equilibrium and lost 2 marks if missing for both points.

We awarded 1 mark for stating that the price had fallen due to a decrease in demand. Another mark was awarded for stating that supply had remained the same which is why the price was lower. The third mark was awarded for stating that landlords may lower prices to attract businesses.



Because demand has decreased and supply stays constant, price falls for rental prices, because less people want to open high street shops. Consequently price falls from P_1 to P_2 , showing this fall in price. Because of decreased demand e.g. shops in one area vacancies are at 29.7%. and when prices decrease in order to try and sell or rent out properties, rather than leaving them vacant and useless as an asset.



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Examiner Comments

This scored 8 marks in total. Clear labelling and an accurate written explanation of what would happen to rental prices.



ResultsPlus

Examiner Tip

For diagrams, please use a ruler. It makes your diagrams much clearer to mark. If you make a mistake, please cross out and redraw the whole diagram rather than trying to amend the existing one. Your written explanation is just as important as getting the correct diagram so spend time looking at past papers and the mark schemes for supply and demand diagrams. To get the highest marks, do not just describe the diagram – explain the impact on Price and Quantity and always consider what is happening to both curves.

Question Q10

This was a Levels of Response question therefore examiners were required to read the whole of the answer before selecting the correct level. Many candidates did show their understanding of the impact of a recession on incomes and unemployment so were able to enter L3. Again, many candidates only provided a one-sided answer so could only enter L3. More able candidates were able to evaluate and could also see that some businesses may in fact benefit from a recession so were able to enter L4.

Select the correct level:

L3: Analysis (one sided) but no context = 5 marks

L3: Analysis (one sided) with context = 6 marks

L3: Generic evaluation (no context) = 6 marks

L4: Evaluation with context on one side only = 7 marks

L4: Evaluation with context on both sides = 8 marks

For context, we were looking for specific examples of businesses such as Burberry, Poundland, River Island, Primark, HMV (many were in the evidence). If a candidate just referred to "inferior" or "luxury goods" without specifically naming a business then examiners did not class this as application as this was too generic.

A recession is a time in the economic cycle when unemployment is high + so is uncertainty for businesses. A recession could have a very negative impact for retailers in the UK, this is because consumers have little disposable incomes. In a recession consumer demand for inferior goods tend to be high whereas demand for normal / luxury goods tends to drop dramatically. So retailers like boots or Superdrug may not be affected as severely because consumers will still buy the necessities needed for everyday life e.g. shampoo. However retailers on the high street selling luxury goods and expensive clothes e.g. Topshop will be hit hard. Demand for expensive clothes will drop dramatically and retail shops may

have to make cuts e.g. in employees this will result in more uncertainty as it is only increasing uncertainty. Also in a recession high street retailers will not expand further, or open up any new stores, they may however consider outsourcing parts of production to decrease costs of production to make products more affordable and hope demand increases ~~in the long term~~. Overall w.k high street retailers will be hit hard by the recession + some may be forced to leave market altogether.

(Total for Question 10 = 8 marks)



ResultsPlus

Examiner Comments

This scored 8 marks as there was evaluation and context on both sides of the argument.



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Examiner Tip

'Assess' and 'Evaluate' require advantages and disadvantages so make sure you do this and do not give one-sided responses otherwise you will be restricted to Level 3.

Question Q11

This was a Levels of Response question and was marked the same way as Question 10. Many candidates were able to evaluate the use of a centralised structure and also compare it to a decentralised structure. Application had to be to HMV/Hilco but using these business names is NOT context. Examiners were looking for references to number of shops, music, Canada etc. Many candidates were writing generic evaluations which could apply to any business and this is therefore restricted to L3 – 6 marks.

This is marked in the same way as Q10:

L3: Analysis (one sided) but no context = 5 marks

L3: Analysis (one sided) with context = 6 marks

L3: Generic evaluation (no context) = 6 marks

L4: Evaluation with context on one side only = 7 marks

L4: Evaluation with context on both sides = 8 marks

A centralised structure is when the ~~the~~ decisions are made at the top of the hierarchical structure, such as Head Office. A reason why Hilco should manage HMV could be to ensure ~~no~~ duplications of services. For example, a HMV in London should offer the same customer service when a CD/DVD is brought back so there is ~~no~~ duplication of services. It would also mean they follow the same policies such as uniform standards for employees. However, another reason why they should have a centralised structure is because it is easier to manage factors such as budgeting. Hilco will be able to keep track much more easily. However, a centralised structure could mean that the managers and employees at Hilco/HMV are demotivated because they have no ~~motivation~~ responsibility for making decisions. Another disadvantage could

be that decisions can't be made closer to customers. So if HMV buyers in London are more likely to listen to pop music, HMV won't be able to state ~~to~~ them. Overall, I believe a centralised structure is better than decentralised because in the past management have 'failed to react quickly'.



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Examiner Comments

This scored 8 marks and had context on both sides.



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Examiner Tip

Using the name of a business is not classed as Application - so think about using references to the products or services the business has which will make you write in context rather than giving a generic response which could apply to any business.

Question Q12 (a)

This was a Levels of Response question and part (a) focused upon the decline of the high street on consumers. Many candidates focused on the impact on different types of consumers in terms of choice and variety and how this impacted on different types of consumers; namely the elderly. More able candidates also looked at how consumers may be unaffected or may in fact benefit from the increase in online retailing and therefore gain from lower prices. For Analysis, many gave one-sided answers so could only gain a maximum of 4 marks.

In order to access L4, context had to be present and if the Evaluation had context only on one side, then 5 marks were awarded and 6-7 marks were awarded if both sides had context. Generic evaluation was restricted to L3 and 4 marks.

Consumers are people who buy and consume products and services, in our case the shoppers on the high street. A decline in UK high street shops means that UK shoppers can't enjoy the convenience of having local stores to buy and try ~~on~~ products anymore. This is especially negative for fashion shoppers, as it's ~~not~~ easier to assess whether a clothing item fits or not by trying it on in fitting rooms. ^{There is, however} ~~Furthermore~~, the alternative of the internet and lots of high street retailers like New Look have already ~~provided that~~ ^{offered an online} service, meaning consumers ~~can~~ still have the same amount of selection with the additional benefit of not having to leave the house or pay high prices for parking spaces. However, this alternative might not be a solution for e.g. older people who might have troubles navigating a computer and are used to shopping in local shops, or people who fear that they might encounter a scam / have their bank details stolen. In conclusion, even though online servi-

ces do provide an adequate alternative to UK high street shops and consumers might thus not be negatively affected, there might still be profits they will be missing out.



ResultsPlus

Examiner Comments

This scored 7 marks and had evaluation with context on both sides.



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Examiner Tip

Q12 has the most amount of marks (14 in total) so make sure that you have left yourself enough time to answer it fully. It will always be an 'Evaluate' question and is more open ended than the other questions in Section B.

Question Q12 (b)

This focused upon the impact on retailers and this has not been as well done as the impact on consumers. Many candidates focused upon the negatives only so could not access L4. More able candidates were able to see the benefits in terms of increase sales for online retailers or that some retailers have survived because they operate in a niche market. For Application, examiners were looking for references to names of businesses such as ASOS, Debenhams or ones from the Evidence such as HMV. Again, we saw lots of generic evaluations so this restricted marks to L3.

By having a decline in high street spending, less customers will travel into town centres to shop. This will lead to a reduced footfall for shops, such as HMV, and less consumers will go to their stores. ~~As a result~~ This ~~will~~ will lead to a decrease in demand and reduce revenue, making it harder for businesses to survive.

Contrary to this, as many retailers have suffered during the recession and have been forced to close, competition will have decreased. For example, there are now very few high street stores selling CD's and DVD's in such a large range of genres ~~such~~ as HMV. This may give them a competitive advantage and allow them to thrive.

Overall, a decline in UK high streets is most likely to have a negative impact on retailers. This is due to the large reduction in customers forcing them to lower prices to survive. However they could combat this by using 'in store only' offers, such as a one day sale

This would increase the footfall of their stores and increase demand. It may also force retailers to provide online shopping, however the demographic of certain shops such as Marks and Spencers may not benefit from this change, which will not have an impact on demand.

(Total for Question 12 = 14 marks)

TOTAL FOR SECTION B = 46 MARKS



ResultsPlus

Examiner Comments

This response scored 7 marks and had evaluation with context on both sides.



ResultsPlus

Examiner Tip

Ensure that you have context on Q12 otherwise you cannot access L4. To gain 6-7 marks, ensure that there is context on both sides of your argument.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the Supported Multiple Choice carefully in terms of most likely, least likely and except. Many did not spend enough time doing this and did not fully develop their reasons as to why distracters are incorrect.
- Contextualise responses both in Section A and Section B. This is particularly important for Section B where Level 4 can only be accessed if the response is in context.
- Pay attention to the command words – 'Assess' and 'Evaluate' are largely ignored and this will restrict marks to Level 3.
- Use economic and business concepts rather than generic 'common sense' answers.
- Draw accurately labelled supply and demand diagrams. It is still very worrying that many candidates do not know how to correctly label axes and curves.
- Read and use the evidence provided – it is there for a reason. Please use it in your responses for Section B.
- Calculate PED and YED.

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