

# Mark Scheme Summer 2009

GCE

GCE Business Studies/Economics & Business Studies  
(8BS01\_8EB01)

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6BS01\_6EB01 Mark Scheme Section A

Question Number	Question	Marks
1. (a)	<p>Ruth Badger, star of the BBC series 'The Apprentice, has argued that the most important characteristic of a successful entrepreneur is 'having the right attitude'.</p> <p>Which of the following is <b>not</b> likely to be a characteristic of a successful entrepreneur?</p> <p>Answer - cautiousness (C) - application.</p>	1 (P)
1. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Cautiousness is the opposite to risk-taking (1 mark knowledge/understanding), cautiousness may therefore not be profitable (1 mark analysis) and risk-taking is fundamentally what enterprise is all about (1 mark evaluation).</li> <li>• Resilience means not giving up (1 mark knowledge) which is crucial for a successful entrepreneur (1 mark evaluation) because often new businesses fail (1 mark analysis).</li> <li>• Cautiousness suggest taking care in decision-making (1 mark knowledge), which might be appropriate with respect to maintain a new business's cash flow (1 mark analysis) but few entrepreneurs survive by prudence alone as they should take risks (1 mark evaluation).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate two skills out of knowledge and/or analysis and/or evaluation.</b></p>	<p>1-3 (K, A, E)</p> <p>(Total 4)</p>

Question Number	Question	Marks
2. (a)	<p>Former husband and wife owners of Dreams, the UK bed company, Mike and Carol Clare, decided to sell the company in March 2008.</p> <p>Which of the following is <i>most likely</i> reason to explain their sale of the business?</p> <p>Answer - to work fewer hours (A) - application.</p>	1 (P)
2. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Owning your own business involves high levels of responsibility (1 mark knowledge) such as managing the business which can be very time consuming because you need to be accurate with things like managing finance (1 mark analysis), so selling a business is likely to reduce work hours (1 mark evaluation).</li> <li>• Owning your own business can make you liable for debts (knowledge), therefore selling a business will actually reduce risk taking (1 mark analysis) or actually provide the capital/finances to set up another business (1 mark evaluation).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate two skills out of knowledge and/or analysis and/or evaluation.</b></p>	<p>1-3 (K, A, E)</p> <p>(Total 4)</p>

Question Number	Question	Marks
3. (a)	<p>In January 2008 Sky TV introduced a £16 promotional package which offered satellite TV, broadband and free evening and weekend telephone calls to new customers.</p> <p>Which of the following is the <b>most likely</b> consequence of the above for a self-employed satellite and aerial installer?</p> <p>Answer - more installation contracts for Sky TV (A) - application.</p> <p><b>NB1 Answer D (a decrease in income) is incorrect but see NB3 below.</b></p>	1 (P)
3. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Marketing promotions usually lead to an increase in demand (1 mark knowledge/understanding) because consumers are made more aware of the product/services (1 mark analysis) it is the source of work for the installer and so British Telecom is more likely to suffer a decline in the number of new customers as it is offering a substitute product (1 mark evaluation).</li> <li>• Digital aerials are a substitute good (1 mark knowledge) so they are more likely to fall in cost (1 mark evaluation) because the satellite alternative is becoming effectively cheaper (1 mark analysis).</li> <li>• Marketing promotions usually lead to an increase in demand (1 mark knowledge/understanding) so the installers' wages (drawings) are likely to increase <i>not</i> decrease (1 mark evaluation) because his/her work load would rise as a result of the marketing promotion (1 mark analysis).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB2 Up to 2 marks out of 3 may be gained for part (b) if part (a) indicates B or C. In this case candidates need to demonstrate two skills out of knowledge and/or analysis and/or evaluation.</b></p> <p><b>NB3 Where a candidate assumes that Sky have their own installers (D), award development marks up to the maximum of 3 marks.</b></p>	<p>1-3 marks (K, A E)</p> <p>(Total 4)</p>

Question Number	Question	Marks
4. (a)	<p>The price of bread in UK supermarkets increased, on average, by 50% in 2007. A small bakery, Subans of Nottingham, ceased trading as a result.</p> <p>Which of the following is the <i>most likely</i> explanation for the closure of the bakery.</p> <p>Answer - a decrease in the demand for bread (A) - application</p>	1 (P)
4. (b)	<p>Explain your answer.</p> <ul style="list-style-type: none"> <li>• Price increases usually lead to a fall in demand (1 mark knowledge/understanding) because higher prices makes the bread less affordable (1 mark analysis), so contribution would actually fall because supplies of bread to supermarkets would suffer (1 mark evaluation).</li> <li>• Price increases usually lead to a fall in demand (1 mark knowledge/understanding) this could then lead to consumers buying alternative products/substitute goods such as pasta or rice (1 mark analysis) and so competition would come from alternative producers, such as pasta makers, not supermarkets (1 mark evaluation).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate two skills out of knowledge and/or analysis and/or evaluation.</b></p>	<p>1-3 marks (K, A, E)</p> <p>(Total 4)</p>

Question Number	Question	Marks
5. (a)	<p>In 2007 Social Trends reported that a growing proportion of the UK population were using credit and debit cards to make purchases of less than £10. Social Trends is a valuable secondary source of information for many businesses.</p> <p>Which of the following is also a source of secondary research?</p> <p>Answer - The National Census (B) - knowledge.</p>	1 (K)
5. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Secondary research has been collected by some other party/it is existing information (1 mark knowledge) which in this case has been collected and presented by the UK government for another or range of purposes (1 mark application) not specifically for a specific business or specific purpose (1 mark knowledge).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB1 Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate two skills out of knowledge and/or application.</b></p> <p><b>NB2 The application mark should only be awarded if the stem (Social Trends) or government is referred to.</b></p>	<p>1-3 marks (K, K, P)</p> <p>(Total 4)</p>



Question Number	Question	Marks
6. (a)	<p>In 2007, the UK money markets experienced a gradual decline in interest rates.</p> <p>Which of the following is the <b>most likely</b> consequence for a small retailer?</p> <p>Answer - borrowing increases (C) - application.</p>	1 (P)
6. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Interest rates are the price of borrowing money (1 mark knowledge/understanding), so a reduction in interest rates effectively means a reduction in the cost of borrowing (1 mark analysis), which, other things being equal, should lead to an increase in the demand by businesses for investment funds not an increase in bank deposits (1 mark evaluation).</li> <li>• A fall in interest rates means that the cost of servicing debt falls (1 mark knowledge) which may lead to an increase in profits (1 mark analysis) which will not necessarily be spent on increasing the wages of staff (1 mark evaluation).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate two skills out of knowledge and/or analysis and/or evaluation.</b></p>	<p>1-3 marks (K, A, E)</p> <p>(Total 4)</p>

Question Number	Question	Marks
7. (a)	<p>Which of the following would Mark include in his business plan?</p> <p>Answer - cash-flow forecast (B) - knowledge.</p>	1 (P)
7. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Because this is a start-up business cash-flow management is crucial (1 mark application) to secure finance from a bank to show potential liquidity (1 mark knowledge) but bank statements are simply a record of transactions which do not indicate liquidity only a record on receipts and payments (1 mark analysis).</li> <li>• Cash-flow forecasts are projections of receipts and payments for the window cleaner (1 mark application) which are required to convince a financier that the business will not suffer liquidity problems (1 mark knowledge) whereas a bank loans application will have already been made separate to the plan (1 mark analysis).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate any two aspects of knowledge/understanding.</b></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

Question Number	Question	Marks
8. (a)	<p>Which of the following is not an aspect of positioning of a business?</p> <p>Answer - estimating profitability (B) - knowledge.</p>	1 (K)
8. (b)	<p>Explain why this answer is correct.</p> <ul style="list-style-type: none"> <li>• Product / business positioning is concerned with how your product / business will fair with respect to the market (1 mark knowledge) this can be in terms of product quality, features, price (1 mark application) <b>OR</b> how the business compares with others in the same market in terms of product range, prices charged, providing value for money, etc (1 application).</li> <li>• Whereas estimating profitability is part of financial management usually tackled once the business is established (1 mark analysis).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p><b>NB Up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect. In this case candidates need to demonstrate the two skills knowledge/understanding and application OR application twice.</b></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

## Section B

Question Number	Question	
9.	<p>Evidence A states 'her business has enjoyed a steadily expanding turnover'.</p> <p>Outline <b>two</b> reasons to explain why Shivani's jewellery business's turnover increased.</p>	
	Answer	Mark
	<p><b>Knowledge 2, Application 2, Analysis 2</b></p> <p><b>Knowledge:</b> up to 2 marks are available for defining turnover or identifying appropriate factors such as advertising, reputation, loss of competitor, increase in demand, investment option.</p> <p><b>Application:</b> up to 2 marks are available for relating the above to Shivani, for example because sales of jewellery increased as it may have become more fashionable.</p> <p><b>Analysis:</b> up to 2 marks are available for consideration of causes, for example the relocation to new premises may have meant that Shivani was nearer her target market or nearer to where customers have higher levels of disposable income which might be spent on jewellery, or that Shivani may have been in a better position, given her reputation, to increase her prices without adversely affecting demand which would have given her more revenue.</p> <p><b>NB Two reasons needed for full marks (3 + 3 marks).</b></p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
10.	Explain why it is necessary for Shivani to distinguish between turnover and operating profit.	
	Answer	Mark
	<p><b>Knowledge 2, Application 1, Analysis 1</b></p> <p><b>Knowledge:</b> up to 2 marks are available for defining or describing what is meant by operating profit and turnover.</p> <p><b>Application:</b> 1 mark is available for contextual answers, such as the mark-up made on a piece of jewellery minus expenses.</p> <p><b>Analysis:</b> 1 mark is available for expanding on the above by including a reference to the need for Shivani to effectively make such a distinction, for example so that she doesn't overstate her profits or overpay tax to the authorities as a result.</p>	<p><b>1-2</b></p> <p><b>1</b></p> <p><b>1</b></p>

Question Number	Question		
11.	<p>The owners of the ecoCafe business aim to achieve significant value added.</p> <p>Assess why providing value added might be particularly important for <i>any</i> Fold enterprise.</p>		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for a knowledge, such as a definition.	For example value added is when a business chooses to enhance the quality of a core product by providing extras to improve a customer's utility/experience OR changing inputs in a way that consumers see as beneficial and attractive.
2	3-4	Available for contextualising the response by referring to any Fold enterprise.	For example when the chef at the ecoCafe prepares soups he/she uses organically produced ingredients.
3	5	Available for considering the causes or effects of providing significant value-added.	For example because the customers at the Fold are quite discerning or have higher disposable incomes and so more likely to expect to buy a product which has been made with care and attention or with expensive materials, such as Shivani's 'Keum-boo' fused jewellery products.
4	6-7	Available for providing balance to the answer.	Such as that in order to ensure that customers continue to buy the products it is important that they consider their purchases to have been carefully crafted since it is not price competitiveness which appears to be important but the nature of the product itself, for example muffins at the ecoCafe are likely to be made with fair trade bananas. However, value-added might not be important to all customers, particularly during a recession or in areas where disposable incomes are low in which case low value added is likely to be necessary as this will enable low prices to be charged.
	8	A contextual conclusion should be provided to achieve the highest mark band.	

Question Number	Question		
12.	<p>Fluctuations in exchange rates affect companies involved in international trade.</p> <p>Discuss the extent to which an appreciation in the £sterling might affect UK retailers of fair trade products, such as the Co-operative.</p> <p><b>NB The candidates who confuse depreciation with appreciation, cap at 4 marks for evaluation, 3 marks for analysis and 2 marks for application.</b></p>		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for a knowledge, such as a definition of exchange rates or a description of fair trade products.	For example exchange rate - the price of one currency expressed in terms of another.
2	3-4	Available for candidates who clearly illustrates his/her responses.	For example the price of the Euro in March 2008 was approx 80p.
3	5	Available for explaining the possible effects of an appreciation of the £sterling on the Co-Op.	For example costs of banana supplies might decrease if the £sterling appreciates against an African or Caribbean supplier because now the same amount of foreign currency can be bought with less pounds so providing the actual price of bananas doesn't increase then the Co-Op will get more bananas to the £ sterling.
4	6-7  8	<p>Available for providing balance to the answer.</p> <p>A contextual conclusion should be provided to achieve the highest mark band.</p>	<p>For example by perhaps mentioning the fact that this assumes that prices of supplies might increase to counter any gains or that the Co-Op might actually choose to pay its Fair Trade farmers the same amount of £s to actually boost their incomes.</p> <p>For example because the Co-Op is a Fair Trade retailer of products like bananas then they may be likely to pay the plantation owners the higher amount in the local currency for the bananas, despite the appreciation in the £sterling.</p>

Question Number	Question		
13.	If the price of gold (Evidence D) and the demand for fair trade products both continue to rise, assess the likely implications for Shivani and the ecoCafe, respectively.		
Level	Mark	Descriptor	Possible Content
1	1-2	<p>Knowledge must be present. Some relevant understanding of at least one term is apparent.</p> <p><i>QWC: To achieve a mark of 1-2 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>	Candidate describes what is meant by demand or what is meant by fair trade.
2	3-7	<p>Application must be present, ie the answer must be contextualised.</p> <p>Low Level 2: 3-5 marks Only gold OR fair trade products applied.</p> <p>High Level 2: 6-7 marks Both gold AND fair trade products applied.</p> <p><i>QWC: To achieve a mark of 3-7 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>	If consumers consider themselves to be more ethical by purchasing fair trade bananas then this change in preferences will cause sales of free trade bananas to rise.
3	8-9	<p>Analysis must be present, ie in this case the candidate must for 9 marks identify and explain the consequences of both the increase in gold prices for Shivani AND the increase in the demand for fair trade products on the ecoCafe (either question part for 8 marks).</p> <p><i>QWC: To achieve a mark of 8-9 the candidate will use business terminology quire well/style of writing is appropriate to the question / reasonable to good spg.</i></p>	<p>The owners of the ecoCafe may face an decrease in the costs of their ingredients as more and more plantation farmers are able to step up production given fairer payments which will give them the finance for plantation or product development.</p> <p>Shivani might have to pay out more for her materials which she may pass on to consumers in the form of higher prices in order to maintain her profits.</p>
4	10-12	<p>Low Level 4: 10 marks.</p> <p>Evaluation must be present, ie the candidate must present arguments which illustrate how Shivani OR</p>	If gold prices continue to increase then Shivani might switch to using cheaper materials in order to maintain her profit margins rather



	<p>the ecoCafe might benefit or suffer as a result.</p> <p>High Level 4: 11-12 marks. Evaluation must be present to illustrate Shivani AND the ecoCafe might benefit or suffer as a result.</p> <p>A conclusion is NOT expected for this question given that it is in two parts.</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>than increase her prices to her customers to reflect the increase in costs of making the jewellery. OR That the increase in demand for fair trade products like bananas might only be temporary so the owners of the ecoCafe might do nothing in the short term.</p> <p>Since Shivani is located in the Fold, where enterprises exist on a not-for-profit basis then it is likely that Shivani will only increase her prices to cover the increase in extra costs and not take advantage of the perception that gold is an investment.</p>
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6BS02 Mark Scheme

Question Number	Question	Marks
1(a)	<p>A retailer is introducing a new and technically advanced Nintendo games machine into the market at the end of October. Supplies of a necessary component are limited. What is the most appropriate pricing strategy for the machine?</p> <p>Answer - Market Skimming (B).</p>	1 (P)
1(b)	<p>Explain why this answer is correct.</p> <p>Accurate definition of market skimming (1 mark). New technically advanced products have few direct substitutes initially (1 mark), which may lead to high price inelasticity (1 mark). Limited nature of supply backs a strategy which maximises revenue at an early stage (1 mark), therefore their price elasticity will be lower.</p> <p>A slightly flawed argument could be put for value &amp; relationship (sell machine cheap, recoup on expensive games) for up to 2 marks.</p> <p>Any acceptable answer which shows selective knowledge/understanding/application, analysis and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K,A,E)</p> <p>(Total 4)</p>

Question Number		Marks
2(a)	<p>In which stage of the Product Life Cycle is profit maximised?</p> <p>Answer - Maturity (D).</p>	1 (K)
2(b)	<p>Explain why this answer is correct.</p> <p>The Product Life Cycle measures sales against time (1 mark), enables distinct stages of revenue and profitability to be estimated (1 mark) with profits most likely to appear at the growth stage (1 mark). Revenue is maximised at maturity as sales are at their highest level (1 mark). R&amp;D cost has been recovered (1 mark).</p> <p>Also award marks for other suitable responses such as diagram. Wrong answer to (a), but otherwise logical max 2 marks (such as advertising costs are minimised in decline stage).</p> <p>Any acceptable answer which shows selective knowledge/understanding/application, analysis and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K,P,A)</p> <p>(Total 4)</p>



Question Number		Marks
4(a)	<p>Look again at the graph. Which one of the following statements is true?</p> <p>Answer - The firm's buffer stock would last 3½ days (half a week) if a delivery was delayed (A).</p>	1 (P)
4(b)	<p>Explain why this answer is correct.</p> <p>Buffer stock is a reserve of stock in case of delivery delay/failure (1 mark).</p> <p>Brewery appears to consume average 1,000 tonnes p/w (1 mark).</p> <p>Therefore 1000 tonnes lasts 7 days (1 mark).</p> <p>Also award marks for other logical responses.</p> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K,P,P)</p> <p>(Total 4)</p>

Question Number	Question	Marks
5(a)	<p>Increased capacity utilisation is important for a business such as the car manufacturer Toyota to:</p> <p>Answer - Minimise average costs (B).</p>	1 (P)
5(b)	<p>Explain why this answer is correct.</p> <p>Accurate definition of capacity utilisation (1 mark). Increased capacity utilisation divides fixed costs by more units (1 mark) so average costs fall as production increases enabling Toyota to reduce prices or take an increased profit margin (1 mark).  Total costs are likely to rise (1 mark).  No direct impact on waste or sales (1 mark).  Also award marks for other logical responses.</p> <p>Any acceptable answer which shows selective knowledge/understanding, application, analysis and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	<p>Chocolate maker Green &amp; Black's objective is to increase profit.</p> <p>Answer - To increase the price of products with price inelastic demand (D).</p>	1 (P)
6(b)	<p>Explain why this answer is correct.</p> <p>Accurate definition of either objective, profit or tactic (1 mark).            Increasing profit requires sales revenue to rise faster than costs (1 mark).            Increasing the price of price inelastic products is likely to achieve this as revenue will rise (1 mark) and variable costs are likely to fall a little (1 mark).            Other approaches are more likely to reduce revenue faster than costs (1 mark).            Also award marks for other logical responses.</p> <p>For example wrong answer to (a), but otherwise logical max 2 marks (such as ceasing advertising if cost exceeds contribution).</p> <p>Any acceptable answer which shows selective knowledge/understanding, application, analysis and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K,A,E)</p> <p>(Total 4)</p>



## Section B Mark Scheme

Question Number	Question	
7	<p>Egg's success in winning and keeping the confidence of its customers might be achieved by having motivated and happy staff (see Figure 1).</p> <p>Explain <b>two</b> ways that staff training can contribute to having motivated and happy staff.</p>	
	Answer	Mark
	<p><b>Knowledge 2, application 1, analysis 1</b></p> <p><b>Knowledge:</b> Up to two marks can be gained for explaining the type of training that firms use.</p> <p>Off the job training is likely to focus on product knowledge and efficient use of software to speed up response times through coaching and simulation (1 mark).</p> <p>On the job will include job shadowing and monitoring by / support from experienced supervisors (1 mark).</p> <p><b>Application:</b> 1 mark is available for showing how Egg relates 'the power of people' to motivated and happy staff.</p> <p>Herzberg and Maslow could be used in support, though McClelland, Handy or any other relevant approach should be equally rewarded (1 mark).</p> <p><b>Analysis:</b> 1 mark is available for showing how Egg benefits from well trained staff, eg repeat custom or recommendations bringing new business.</p> <p>Well trained, confident staff are more likely to be able to deal efficiently and empathetically with customer queries (1 mark).</p> <p>Up to 2 marks for each way explained.</p>	<p>1 - 2</p> <p>1</p> <p>1</p> <p>(4 marks)</p>

Question Number	Question	
8	Other than by training, explain two ways Egg might unleash the power of its employees.	
	Answer	Mark
	<p><b>Knowledge 2, application 1, analysis 1</b></p> <p><b>Knowledge: up to 2 marks</b> can be gained for factors, for example:</p> <ul style="list-style-type: none"> <li>• identification of delegation (1 mark) and empowerment (1 mark) job enrichment/enlargement (1 mark)</li> <li>• finding out and meeting individual employee needs is an alternative approach for up to (2 marks).</li> <li>•</li> </ul> <p><b>Application: 1 mark</b> for showing how Egg might enable its employees to employ methods identified.</p> <ul style="list-style-type: none"> <li>• Explanation, with example in context, of how delegation might work in a business such as Egg.</li> <li>• Explanation, with example in context, of how empowerment might work in a business such as Egg.</li> <li>• Similarly reward other plausible approaches applied in context rather than generalised motivation, eg reward quality circles, don't reward bonus scheme etc.</li> </ul> <p><b>Analysis: 1 mark</b> for linking chosen methods to Egg's benefit, for example an explanation of how keying into pre-existing employee motivation could bring results in terms of happier staff and, ultimately, profit for Egg.</p>	<p>1-2</p> <p>1</p> <p>1</p> <p>(4 marks)</p>

Question Number	Question	
9	Egg's first product was an online credit card. Apart from product decisions, analyse <b>one</b> other aspect of the marketing mix which could have contributed to its rapid growth.	
	Answer	Mark
	<p><b>Knowledge 1, application 1, analysis 2</b></p> <p><b>Knowledge:</b> 1 mark is available for knowing the three remaining elements of the marketing mix, ie price, place and promotion.</p> <p><b>Application:</b> 1 mark is available for linking one of the 3 other elements of the marketing mix specifically to Egg, eg candidates may choose 'place' as Egg focuses on on-line banking (1 mark). Alternatively a candidate may choose 'pricing' as with lower overheads Egg may be able to cut its charges to clients (1 mark). Finally, candidates may suggest that advertising on other internet sites is a good example of 'promotion' (1 mark).</p> <p><b>Analysis:</b> up to 2 marks can be gained for showing how Egg's more flexible approach, for example 24 hour banking, can provide a competitive advantage over its more traditional competitors (1 mark), and how this should ultimately be reflected in increased profits (1 mark).</p>	<p>1</p> <p>1</p> <p>1 - 2</p> <p>(4 marks)</p>

Question Number	Question	
10a	Egg believes it is advantageous to build a strategy of motivation into its quality culture.  What is meant by the term 'company culture'?	
	Answer	Mark
	<b>Knowledge 2</b> <b>Knowledge: up to 2 marks</b> available for explanation of company culture, ie the ways we do things round here, or more formally, the norms, values and ethos of the company. A clear, precise definition/explanation should be awarded 2 marks. A less than precise explanation (1 mark) could be lifted to two marks with a relevant example possibly, but not necessarily, from the evidence.	1 - 2   <b>(2 marks)</b>

Question Number	Question	
10b	Egg believes happy staff will lead to greater shareholder value.  Explain the link:	
	Answer	Mark
	<b>Knowledge 1, application 2, analysis 1</b>  <b>Knowledge: 1 mark</b> available for explaining the concept 'shareholder value', ie the benefits to shareholders of a rising share price and rising dividends.  <b>Application: Up to 2 marks</b> available for an explanation linking Egg's well motivated staff to dealing with customers more appropriately (1 mark) who in turn are likely to recommend the company to others (1 mark).  <b>Analysis: 1 mark</b> available for linking greater customer numbers to profits and dividends and consequently higher share prices Better candidates may discuss Kaizen concept of continuous improvement.  NB: No marks available for isolated development of motivation theory/concepts, the focus of the question is on added shareholder value.	1  1 - 2  1  <b>(4 marks)</b>

Question Number	Question		
11	<p>In recent years Egg has automated many more of its procedures.</p> <p>To what extent might future customer relationships be affected by this?</p>		
Level	Mark	Descriptor	Possible Content
1	1	A basic understanding of relevant issues but little attempt at analysis or evaluation of the effects on Egg or its customers.	Candidate may state what automation is and that it is bad for customer relationships because you can't see each other for example.
2	2-3	Some analysis of possible reasons as to how customer relationships are affected. These explanations do not build to evaluative conclusions.	For example candidates may suggest that 24 hour access may improve customer relationship as you are not waiting at the end of a phone.
3	4	One idea developed on the extent to which customer relationships may be affected by more automation; probably one-sided. Correct use of terminology and toolkit to analyse why customer relationships may or may not improve.	For those clients familiar with on line technology the more sophisticated banking facilities available may improve their perceived relationship with Egg. Others, whilst keen to access the benefits of automated facilities may struggle with the technology.
4	5-8	<p>Evaluation is present throughout the answer.</p> <p>7-8 Marks: A contextual conclusion will be provided which is based on a balanced answer.</p>	Good customer relationships are a key area for Egg. It gives them a competitive advantage. The extent to which automated procedures will enhance this will be a balancing act between lower costs to customers and perhaps better rates of interest, and the loss of human contact.

Question Number	Question		
12	Assess the likely impact that being heavily computerised might have on Egg's organisation structure and management style.		
Level	Mark	Descriptor	Possible Content
1	1 - 2	Available for knowledge such as definitions and the types of structures in place.	For example organisational structure. Steep or flat management structure.
2	3	Available for contextualising the response by suggesting what sort of structure Egg may have or should move to.	For example candidate may suggest that fewer workers are needed as the firm chooses to delayer with a wider span of control.
3	4 - 5	Available for considering how heavy computerisation impacts on Egg's structure and style. Analysis will be present but may lack depth and balance.	For example the management style may become more autocratic as contact with employees becomes 'dehumanised'. Alternatively some candidates may recognise the greater degree of flexibility that home working gives to staff.
4	7 - 8	Available for providing balance to the answer.  A mark of 8: A contextual, balanced conclusion should be possible to achieve the highest mark band.	For example call centre workers may be happy with an autocratic style of management whilst 'knowledge workers' may be happier with a more open style of management, though they may enjoy the idea of greater responsibility.

Question Number	Question		
13	Egg is seeking to increase the flexibility of both staff functions and numbers working at any time. It is also concerned with work-life balance and diversity.  Evaluate the case for labour flexibility inside Egg.		
Level	Mark	Descriptor	Possible Content
1	1 - 3	Knowledge must be present. Some relevant understanding of at least one item is apparent. <i>QWC: To achieve a mark of 1-3 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>	For example describes what is meant by staff functions or work-life balance or diversity.
2	4 - 5	Application must be present, ie the answer must be contextualised <i>QWC: To achieve a mark of 3-6 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>	For example candidates may be able to identify some differences arising out of functional and numerical flexibility. Candidates are able to analyse the likely effects of different types of flexibility on motivation and/or costs.
3	6 - 7	Analysis must be present, ie in this case the candidate must identify and explain the consequences of increased labour flexibility. <i>QWC: To achieve a mark of 7-8 the candidate will use business terminology quite well/style of writing is appropriate to the question/reasonable to good spg.</i>	Clear understanding of the effects of increased labour flexibility, such as for Egg the cost advantages are explained. Candidates may see that functional flexibility has benefits for staff with less tedium and often more training.
4	8 - 12	Evaluation which is well contextualised must be present to convincingly illustrate a balanced conclusion. <i>Low L4 8-9 Marks -Evaluates effects on either functions OR staff numbers. High Level 4: 10-12 Marks - Evaluates effects on BOTH functions AND staff numbers. 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>	To reach this level candidates must examine the pros and cons of increasing the flexibility of both staff functions and numbers working at any time, eg from a company point of view Egg may be less willing to invest in training or benefits for peripheral staff with motivational and operational consequences. Imposing its culture on full time staff may be easier and more beneficial. <i>It is not expected that candidates need consider the pros and cons of this move for the company and staff.</i>





6EBO2 Mark Scheme Section A

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>Which of the following is <b>most likely</b> to increase the demand for DVD players?</p> <p>Answer - A fall in the price of a complementary good (C)</p>	<p>1 (E)</p>
1(b)	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>- Complementary goods are ones that are somehow linked (1 mark)</li> <li>- Purchasing one will lead to the purchase of its complement (1 mark).</li> <li>- If DVDs fall in price more will be bought thus increasing the demand for the complementary good (DVD players) (1 mark).</li> <li>- The opposite will happen with substitute goods (1 mark).</li> <li>- The other choices will also result in reduced demand (1 mark if explained fully).</li> </ul> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

Question Number		Marks
2(a)	<p>If there are high barriers to entry in an industry such as banking it is likely that there will be:</p> <p>Answer - Low competition (D)</p>	1 (E)
2(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> <li>• A barrier to entry is anything that will prevent other firms entering a market and competing with existing firms (1 mark).</li> <li>• They may take the form of brand names, economies of scale, patents etc. (1 mark)</li> <li>• Therefore by making entry harder they will restrict the degree of competition present in a market (1 mark).</li> <li>• The other options will most likely increase, for example the lack of competition will tend to see prices, costs and profitability rise (1 mark).</li> </ul> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

Question Number	Question	Marks
3(a)	<p>During a recession which of the following businesses is <i>least likely</i> to suffer a fall in sales?</p> <p>Answer - A bus company (C)</p>	1 (E)
3(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> <li>• Accurate definition of recession (1 mark).</li> <li>• During a recession many people's incomes are likely to be reduced (1 mark) and many businesses may see a fall in demand (1 mark).</li> <li>• A bus company can be regarded as an inferior good, or at least in comparison to the other choices much less of a luxury good and more of a necessity. (1 mark)</li> <li>• Sales are unlikely to fall by much (1 mark).</li> <li>• The others are more likely to have an elastic/positive YED (1 mark) and suffer a greater proportionate fall in sales as incomes are reduced in a recession (1 mark).</li> <li>• If bus travel is seen as an inferior good then sales may even increase (1 mark).</li> </ul> <p>Note: Inferior goods are not part of the spec but candidates are expected to know about the '<i>effect on businesses of income changes</i>' and '<i>the determinants of Income Elasticity of Demand</i>'.</p> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

Question Number		Marks
4(a)	<p>In a perfectly competitive market you would expect to find all of the following <i>except</i>:</p> <p>Answer - Product Differentiation (D)</p>	<p>1 (K)</p>
4(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> <li>○ In a perfectly competitive market products are said to be homogenous, ie they are not differentiated (1 mark).</li> <li>○ If they were differentiated firms might try and charge different prices (1 mark) and this would not be perfect competition as all firms are said to be price takers (1 mark). The other options are by definition, all features of perfect competition (1 mark).</li> </ul> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

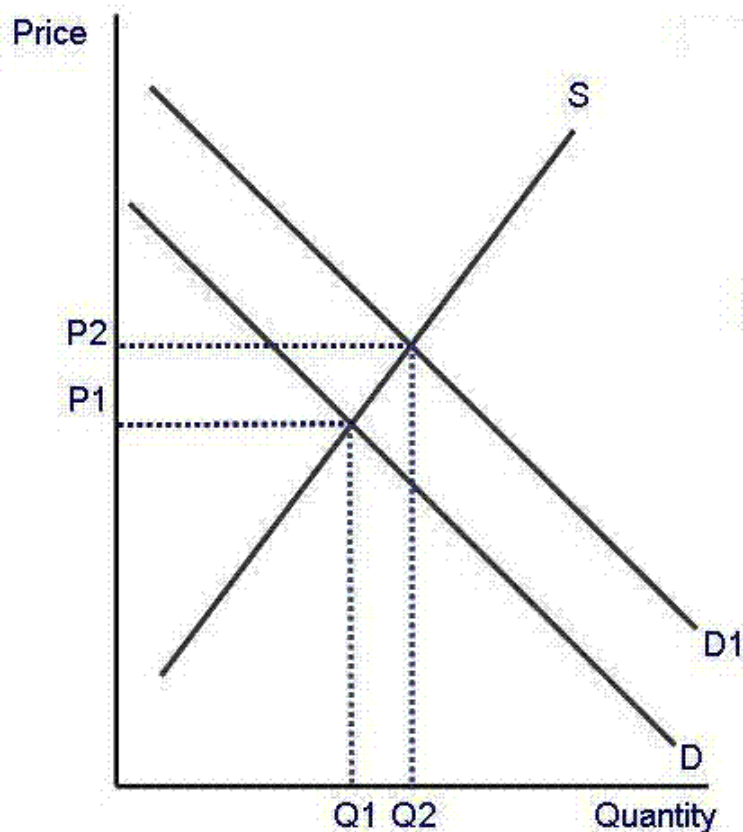
Question Number	Question	Marks
5(a)	<p>The boom phase of the economic cycle is <i>most likely</i> to be associated with:</p> <p>Answer - A rise in inflation (C)</p>	1 (E)
5(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> <li>• In the boom phase output and incomes expand rapidly (1 mark).</li> <li>• Interest rates, in fact, are likely to increase to contain inflationary pressure and/or because demand for credit increases (1 mark).</li> <li>• Unemployment will fall as firms expand output and take on more workers (1 mark).</li> <li>• Imports tend to be income elastic and so tend to increase as incomes rise in a boom phase (1 mark).</li> <li>• Inflation is the usual outcome of a boom as AD outstrips AS (1 mark) or 'too much money chasing too few goods' which puts pressure on prices.</li> <li>• Inflation may rise due to demand-pull inflation (1 mark).</li> </ul> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct.</i></p>	<p>1-3 marks (K, P, A)</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	<p>An increase in consumer knowledge is likely to see an increase in all of the following <i>except</i>:</p> <p>Answer - Price (A)</p>	<p>1 (P)</p>
6(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> <li>• Consumer knowledge entails awareness of market conditions, for example price, quality, availability and choice of products (1 mark).</li> <li>• Consumer knowledge increases the power of consumers in the market and can change their behaviour (1 mark).</li> <li>• It is increasingly their desires that shape what is produced (1 mark).</li> <li>• If the consumers have power then firms will strive against each other to provide what the consumer wants (1 mark).</li> <li>• This competition should drive <i>down</i> prices whilst improving choice, quality and standards (1 mark).</li> </ul> <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development.</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>1-3 marks (K,K, A)</p> <p>(Total 4)</p>

## Section B Mark Scheme

Question Number	Question	
7	What is meant by the term <b>demand</b> ? (Evidence A, line 2).	
	Answer	Mark
	<p><b>Knowledge 2</b></p> <p><b>Knowledge/understanding: up to 2 marks</b> are available for defining or describing what is meant by demand.</p> <p>Demand is the amount of a good or service that is wanted at a given price and a given time.</p> <p>NB Vague or incomplete definitions should only receive a maximum of 1 mark. However a clear and relevant example can gain the second mark.</p>	<p>1-2</p> <p><b>(2 marks)</b></p>

Question Number	Question	Answer	Mark
8	Using a diagram illustrate and explain why the global price of truck tyres has increased so much.		
		<p align="center"><b>Knowledge 2, Application 3, Analysis 1</b></p> <p><b>Knowledge:</b> up to 2 marks are available for the diagram. Market forces cause changes in price. In this case the demand curve has shifted to the right.</p> <p><b>Application:</b> up to 3 marks are available which is to be split:  Diagram: 2 marks for the diagram showing a rightwards shift of the demand curve causing a movement along the supply curve (1 mark) showing an increase in price and to an extent quantity (1 mark).</p> <p>Written explanation set in context (1 mark).</p> <p><b>Analysis:</b> 1 mark for explaining that there is an increased demand for truck tyres. The tyre companies cannot meet the demand from existing capacity and prices are forced up.</p> <p>NB: Answers lacking a diagram, maximum of 2 marks. For a diagram <u>only</u>, they must be perfect and clear to gain 4 marks. Otherwise 3 marks or less, dependent upon quality.</p>	<p align="center">1-2</p> <p align="center">1-3</p> <p align="center">1</p> <p align="center"><b>(6 marks)</b></p>





Question Number	Question	
9	Analyse what is likely to happen to the global price of truck tyres in the long run.	
	Answer	Mark
	<p><b>Knowledge/understanding 2, Application 1, Analysis 1</b></p> <p><b>Knowledge/understanding:</b> up to 2 marks are available for an understanding of how markets change over time (1 mark) an understanding of how this may affect price (1 mark)</p> <p><b>Application:</b> up to 1 mark The tyre companies can invest in new production capacity (1 mark), may attract new entrants into the market (1 mark) or similar use of context.</p> <p><b>Analysis:</b> 1 mark is available for developing the above, for example increased supply brings the price down (1 mark)</p>	<p>1-2</p> <p>1</p> <p>1</p> <p><b>(4 marks)</b></p>

Question Number	Question		
10	Explain two possible reasons why BHP Billiton might want to merge with Rio Tinto		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge, such as why businesses merge.	For example mergers may occur for reasons such as increased market share/turnover/profitability, further economies of scale, control over the market, elimination of competition, synergistic benefits, acquisition of assets etc.
2	3-6	<p><b>Low Level 2:</b> 3-4 marks available for contextualising the response by referring to BHP Billiton or Rio Tinto and explaining why these reasons may benefit either company</p> <p><b>High Level 2:</b> 5-6 marks available for contextualising the response by referring to BHP Billiton and Rio Tinto and explaining why these reasons may benefit either company. Responses here will be characterised by more precise use of concepts and terminology</p>	For example references to BHP Billiton and Rio Tinto being mining companies and why they would want to merge. For example if economies of scale are being used as a reason look for example/illustration of how these would apply to the companies.
3	7-8	Available for analysing the benefits to BHP Billiton and Rio Tinto of merging.	For example BHP Billiton and Rio Tinto are currently rivals and therefore merging will enable them to gain a degree of monopoly power.

Question Number	Question	
11	Analyse why steel makers might be alarmed at the proposed merger between BHP Billiton and Rio Tinto.	
	Answer	Mark
	<p style="text-align: center;"><b>Knowledge 2, Application 1, Analysis 1</b></p> <p><b>Knowledge:</b> up to 2 marks are available for an understanding of the impact of mergers on competition and the dynamics of the market and that this will have an impact on both customers and suppliers.</p> <p><b>Application:</b> 1 mark is available for contextual answers, for example that the relative market power of the big iron ore producers is much greater than the big steel producers (1 mark)</p> <p><b>Analysis:</b> 1 mark is available for explaining that the steel producers face the prospect of rising prices (1 mark) and/or possible supply restrictions (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: center;">(4 marks)</p>

Question Number	Question		
12	Assess two options open to businesses such as mining companies when faced with rising costs.		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying different ways a business can deal with rising costs	For example different types of costs (fixed and variable costs) and costs can be cut by firms looking for cheaper sources of inputs, they could look to cut costs elsewhere in the firm by shedding labour/management or moving premises. Supply could also be reduced. Another option is to do nothing. Firms could put prices up to maintain profit margins.
2	3-4	Available for contextualising the response by referring to mining firms such as BHP Billiton/Rio Tinto or can refer to a firm of their choice and show how these methods can be used in context	For example mining firms such as BHP Billiton will have large labour costs and/or raw material costs which could be reduced in order to cut costs.
3	5-6	Available for considering the implications of these strategies.	For example cutting labour through redundancies or changing suppliers may lead to a reduction in Total Costs for mining companies and the implications of doing this for future profitability Could consider the options of doing nothing and putting up prices (in context)
4	7-8	Available for providing balance, eg showing possible advantages and disadvantages	For example cutting labour may lead to a reduction in quality and motivational problems Changing suppliers or to use cheaper raw materials may lead to quality problems and availability issues If prices are raised quantity demanded will probably fall, but by how much it will fall is the key here (PED). For mining businesses, the evidence implies that PED is likely to be low. This will depend upon a range of factors such as closeness and availability of substitutes, nature of product/service, brand loyalty, actions of competitors and wider economic factors.

Question Number	Question		
13	Evaluate the likely effects of such a merger on:  (a) Shareholders in BHP Billiton and Rio Tinto. (b) Employees of BHP Billiton and Rio Tinto		
Level	Mark	Descriptor	Possible Content
1	1-2	<p>Knowledge must be present. Some awareness that shareholders and employees may be affected by this merger.</p> <p><i>QWC: To achieve a mark of 1-2 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>	For example shareholders and employees are stakeholders and their role may be changed by the merger.
2	3-6	<p>Application must be present, ie the answer must be contextualised and be applied to the shareholders and employees of BHP and Rio Tinto</p> <p><i>Low Level 2: 3-4 marks</i> Examines the effect on shareholders and employees</p> <p><i>High Level 2: 5-6 marks</i> Clear and perceptive examination of the effect on shareholders and employees</p> <p><i>QWC: To achieve a mark of 3-6 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>For example shareholders in BHP Billiton and Rio Tinto may see the value of their shares increase or the dividend yield increase.</p> <p>For example employees within BHP Billiton and Rio Tinto will be affected by the merger. Some employees may experience redundancy.</p>

3	7-8	<p>Analysis must be present, ie the candidate must analyse the consequences of the merger on Shareholders and Employees</p> <p><i>QWC: To achieve a mark of 7-8 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p>	<p>For example stating whether this change is an advantage or a disadvantage for shareholders.</p> <p>For example stating whether this change is an advantage or a disadvantage for employees.</p>
4	9-14	<p><b>Low Level 4:</b> 9-10 marks. Evaluation must be present, ie the candidate must present arguments for how Shareholders and Employees are winners and losers from the merger.</p> <p><b>Medium Level 4:</b> 11-12 marks Evaluation must be present to convincingly illustrate the impact on Shareholders and Employees</p> <p><b>High Level 4:</b> 13-14 marks A convincing and 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>For example if the merger is successful, BHP Billiton shareholders are likely to see profits and dividends increase. Share prices may also increase due to increased power within the market. The impact on Rio Tinto shareholders depends on factors such as whether cash or shares in the larger company are received. The evaluative element may take the form of questioning the success of the merger or the sharing of gains between the two shareholder groups. Could lead to diseconomies of scale and therefore shareholders may not gain from the merger.</p> <p>For example the merger will result in some reorganisation and restructuring, this will probably lead to some employees losing their jobs. The evaluative element may take the form of the extent of these losses (given the booming nature of the mining industry losses may be minimal), and the effect on the remaining workforce in terms of motivation and/or job security.</p>



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