

Mark Scheme (Results)

January 2010

GCE

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

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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>The supply curve for bio fuels will shift to the left if</p> <p>Answer - there is a rise in the cost of raw materials (C)</p>	1
1(b)	<p>Explain why this answer is correct:</p> <p>An shift to the left on the supply curve will mean a decrease in supply (1 mark)</p> <p>A rise in cost of raw materials will increase production costs of producing biofuels. (1 mark)</p> <p>Businesses are likely to supply less goods at a given price as AC has now risen (1 mark)</p> <p>An improvement in technology or productivity (in effect, a fall in AC) will have the opposite effect and shift the curve to the right (1 mark)</p> <p>A change in the price of substitute goods, e.g. petrol, may affect the demand curve but not the supply curve (1 mark)</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</p> <p>(Total 4)</p>

Question Number		Marks
2(a)	<p>An appreciation of the pound sterling against the US dollar is most likely to cause</p> <p>Answer - An increase in the number of British tourists visiting the USA (A)</p>	1
2(b)	<p>Explain why this answer is correct:</p> <p>Understanding of what appreciation means e.g. that appreciation means that sterling is worth more against the dollar (1 mark) An appreciation of the pound against the dollar means that one pound will buy more, in terms of dollars, than it previously did (1 mark) This makes a holiday in America cheaper (1 mark) and so more tourists are likely to visit than before (1 mark) Understanding/development that British tourists will be able to buy more goods in USA (1 mark) For an American tourist the scenario is reversed and so B is not likely (1 mark) An exporter of British chocolate will be unhappy as their product now has a higher price in America and sales may fall (1mark) French Tourists are unaffected by any change in the £/\$ exchange rate (1 mark)</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</p> <p>(Total 4)</p>

Question Number	Question	Marks
3(a)	<p>Structural Change in an emerging economy such as China is likely to involve all of the following except</p> <p>Answer - A reduction in uncertainty (C)</p>	1
3(b)	<p>Explain why this answer is correct:</p> <p>Some understanding of what is meant by structural change e.g. Structural change involves permanent or semi-permanent changes in the composition of an economy as areas grow or dwindle (1 mark) Some industries in China will decline and others will flourish and grow (1 mark) e.g. growth in toy manufacturing The transition is likely to involve greater uncertainty (1 mark) There may be uncertainty due to the changing nature of industries (1 mark) as employees fear job losses in the future (1 mark) Structural change is closely linked to changes in the patterns of demand (1 mark) and China will have changes to the patterns of demand within the economy.</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</p> <p>(Total 4)</p>

Question Number		Marks
4(a)	<p>Which of the following is least likely to occur in an oligopolistic market such as petrol?</p> <p>Answer - Price competition (D)</p>	1
4(b)	<p>Explain why this answer is correct:</p> <p>The key defining characteristic of an oligopoly is that several large firms e.g. Shell, Esso, BP dominate the market (1 mark) Products will usually be heavily branded (1 mark) Branded products provides one of many barriers to entry that deter prospective rivals (1 mark) Whilst there are price wars occasionally in oligopolies, the large firms tend to avoid damaging price competition and will rely on non-price methods of competition (1 mark) There may be collusion (1 mark)</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</p> <p>(Total 4)</p>

Question Number	Question	Marks
5(a)	<p>The UK economy officially entered recession in January 2009. The recessionary phase of the economic cycle is most likely to be associated with a rise in</p> <p>Answer - Unemployment (B)</p>	1
5(b)	<p>Explain why this answer is correct:</p> <p>Acceptable definition of recession (1 mark) In the recessionary phase of the economic cycle output and incomes are likely to fall (1 mark) There is less derived demand for labour so unemployment is likely to rise (1 mark) In 2009, the UK has seen unemployment rise to over 2.5 million. As a result incomes fall and there should be less upward pressure on prices and so inflation should reduce (1 mark) Imports are often income elastic (1 mark), given falling incomes and a less than optimistic outlook they are likely to fall (1 mark)</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</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	<p>Amazon.com, the world's biggest online bookstore, makes effective use of micro-marketing.</p> <p>Micro marketing is</p> <p>Answer - Marketing to individuals or very small groups (D)</p>	1
6(b)	<p>Explain why this answer is correct:</p> <p>Micro marketing is marketing that is very precisely targeted at individuals and small groups (1 mark)</p> <p>Amazon records what each customer buys and then makes recommendations based on these previous purchases only to interested customers. (1 mark)</p> <p>It is the opposite of mass marketing (1 mark)</p> <p>By its nature it is selective and specialised (1 mark) much more so than in conventional niche markets (1 mark)</p> <p>It may or may not be undertaken by small firms and it has nothing to do with budgets or the computer industry (2 x 1 mark)</p> <p>This is not the same as niche marketing and is not the same as the long tail.</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</p> <p>(Total 4)</p>

Section B Mark Scheme

Question Number	Question	
7	What is meant by the term economic growth ? (Evidence B, line 6).	
	Answer	Mark
	<p>Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks are available for defining or describing what is meant by economic growth.</p> <p>Economic growth is an increase in the total output of a country and is usually measured by changes/percentages change in GDP or national income.</p> <p>NB Vague or incomplete definitions should only receive a maximum of 1 mark e.g. just explains economic growth is measured by GDP.</p> <p>However a clear and relevant example can gain the second mark e.g. contextualising to UK or China</p>	<p>1-2</p> <p>(2 marks)</p>

Question Number	Question	
8	Explain two ways in which TQM can increase productivity for TVS.	
	Answer	Mark
	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks are available for defining TQM and/or productivity e.g. Total Quality Management is a Japanese philosophy for zero defects (1 mark), Productivity is output per worker per hour (1 mark). Increased productivity means greater output from the same amount of resources (1 mark)</p> <p>Application: up to 2 marks are available for contextual answers demonstrating how TQM can increase productivity for a TVS e.g. reducing defects and wastage (1 mark), less development time (1 mark), more effective management and decision making (1 mark) and involvement of staff and staff suggestions (1 mark)</p> <p>Analysis: up to 2 marks for expanding upon the above e.g. explaining how TQM can increase productivity in TVS by less defects/wastage etc</p> <p>NB If only one way is identified then cap at 3 marks. NB If no reference to TVS, cap at 4 marks.</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p> <p>(6 marks)</p>

Question Number	Question	
9	Explain the role of management in successfully achieving change for a business such as TVS	
	Answer	Mark
	<p>Knowledge/understanding 2, Application 1, Analysis 1</p> <p>Knowledge/understanding: up to 2 marks are available for the understanding of the role of management e.g. organise, control and instigate change (1 mark). For this to be successful, communication and/or consultation must take place (1 mark). May consider the leadership style of the management. (1 mark)</p> <p>Application: up to 1 mark for contextual answers e.g. effective management is the key to successful change in TVS (1 mark). Communication and consultation are important in dealing with the workforce to ensure cooperation and progress, rather than resentment and demotivation. (1 mark)</p> <p>Analysis: up to 1 mark for demonstrating that it is also to do with how the organisational structure and corporate culture may affect the performance of a business and its ability to handle change. (1 mark). Different leadership and management styles may be more appropriate in different types of organisations and cultures (1 mark)</p>	<p>1-2</p> <p>1</p> <p>1</p> <p>(4 marks)</p>

Question Number	Question		
10	Analyse two possible reasons why inflation might be problem for businesses such as TVS.		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge, such as what inflation is	e.g. inflation is a rise in the general level of prices of goods and services in an economy over a period of time
2	3-6	<p>Low Level 2: 3-4 marks available for contextualising the response by referring to TVS and explaining why inflation might be a problem for TVS.</p> <p>High Level 2: 5-6 marks available for contextualising two reasons why inflation might be a problem for TVS. Responses here will be characterised by more precise use of concepts and terminology</p>	<p>e.g. inflation is likely to create uncertainty and businesses such as TVS cannot be sure of future revenues and costs. This makes planning and growth more difficult for TVS</p> <p>e.g. It may mean a loss of competitiveness if TVS' prices are rising faster than foreign competitors.</p>
3	7-8	Available for analysing the impact of inflation on TVS.	e.g. It may also be the case that domestic demand for TVS' products falls if real incomes do not keep up with inflation.

Question Number	Question	
11	Analyse how the introduction of JIT might have benefitted TVS	
	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge: up to 1 mark are available for explaining what is meant by JIT (1 mark). E.g. no buffer stocks are kept</p> <p>Application: up to 1 mark is available for explaining how JIT can help TVS to reduce costs due to less storage (1 mark) and therefore increasing profit margins (1 mark) or lead to a competitive advantage in price for TVS (1 mark) or similar use of context.</p> <p>Analysis: up to 2 marks are available for developing the above and showing how JIT may reduce lead times (1 mark) and/or sales pulling orders (1 mark). More able candidates may see the benefits in terms of opportunity costs (1 mark).</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">(4 marks)</p>

Question Number	Question		
12	Assess the usefulness of market research to a firm such as TVS when considering further expansion.		
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying different ways a business can carry out market research	e.g. two types of market research (primary and secondary) are available to businesses when considering expansion
2	3-4	Available for contextualising the response by referring to TVS or can refer to a firm of their choice and show how market research can be used when considering expansion	e.g. TVS could have carried out primary research through customer questionnaires to determine current market conditions and to find out if expansion is possible
3	5-6	Available for considering the usefulness of market research for expansion within a market	e.g. Market research can vary in quality and relevance for TVS; the right questions need to be asked in relation to the products for TVS
4	7-8	Available for providing balance e.g. showing possible advantages and disadvantages of using market research when considering further expansion	e.g. Market research can identify gaps in the market/expansion possibilities for TVS but there are also disadvantages of market research in terms of cost and effectiveness of the results. Sample sizes and nature are crucial, as is the interpretation of results.

Question Number	Question		
13	Evaluate the likely impact on Indian business of (a) An appreciation of the rupee		
Level	Mark	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by an appreciation of the rupee</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>	e.g the value of the rupee has increased over time.
2	2-3	<p>Application must be present, i.e. the answer must be contextualised and be applied to an Indian business of the impact of an appreciation of the rupee</p> <p>Low Level 2: 2 marks Examines the effect on an Indian business of an appreciation of the rupee.</p> <p>High Level 2: 3 marks Clear and perceptive examination of the effect on an Indian business of an appreciation of the rupee</p> <p><i>QWC: To achieve a mark of 2-3 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>	e.g. An appreciation of the rupee will have the effect of making exports less competitive and imports cheaper for an Indian business
3	4	<p>Analysis must be present, i.e. the candidate must analyse the consequences of an appreciation of the rupee</p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p>	e.g. The consequences of an appreciation of the rupee will depend on whether the Indian firm imports or exports.
4	5-7	<p>Low Level 4: 5 marks. Evaluation must be present, i.e. the candidate must present arguments for how Indian businesses are winners and losers</p>	e.g. Much may depend on the nature of the product, such as the price elasticity of demand. Some inelastic products may not be greatly affected by an

	<p>from an appreciation of the rupee</p> <p>Medium Level 4: 6 marks Evaluation must be present to convincingly illustrate the impact on an Indian business of an appreciation of the rupee</p> <p>High Level 4: 7 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>appreciation in the rupee. The extent of the appreciation of the rupee may also have an impact on sales. Actions of competitors must also be taken into account as to the impact on the Indian business.</p>
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Question Number	Question		
13	Evaluate the likely impact on Indian business of (b) Rising unemployment		
Level	Mark	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by rising unemployment.</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>	e.g. an increase in the number of people losing their jobs to various reasons within an economy.
2	2-3	<p>Application must be present, i.e. the answer must be contextualised and be applied to an Indian business of the impact of rising unemployment</p> <p><i>Low Level 2: 2 marks</i> Examines the effect on an Indian business of rising unemployment.</p> <p><i>High Level 2: 3 marks</i> Clear and perceptive examination of the effect on an Indian business of rising unemployment</p> <p><i>QWC: To achieve a mark of 2-3 the candidate will use some</i></p>	e.g. Rising unemployment may affect the demand for a product and /or increase the number of potential workers available to choose from.

		<i>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>	
3	4	<p>Analysis must be present, i.e. the candidate must analyse the consequences of rising unemployment on an Indian business</p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p>	e.g. Some Indian businesses may or may not be affected by a rising in unemployment - depends on the nature of the product.
	5-7	<p>Low Level 4: 5 marks. Evaluation must be present, i.e. the candidate must present arguments for how Indian businesses are winners or losers from rising unemployment.</p> <p>Medium Level 4: 6 marks Evaluation must be present to convincingly illustrate the impact on an Indian business of rising unemployment.</p> <p>High Level 4: 7 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>e.g. Changes in demand will depend upon YED and the scope and extent of the unemployment. It may present Indian firms with a wider choice of labour and even the opportunity to force down wages. A wider choice of labour will be of little use if they lack the required skills.</p> <p>Increased unemployment may reduce demand for goods and services within India.</p>

Assessment Objectives

Question	Knowledge	Application	Analysis	Evaluation	TOTAL
1	2	1		1	4
2	1	2		1	4
3	1	1	1	1	4

4	1	1	1	1	4
5	1	1	1	1	4
6	2	1		1	4
7	2				2
8	2	2	2		6
9	2	1	1		4
10	2	4	2		8
11	1	1	2		4
12	2	2	2	2	8
13	2	4	2	6	14
Total	21	21	14	14	70

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