



Examiners' Report January 2012

GCE Business Studies 6BS02 01

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Introduction

This is the sixth paper in the series. Section A, the supported multiple choice questions, has used the same format throughout the six papers. Its six questions account for 24 out of the 70 marks. Section B is based on data from actual businesses. Initially there were seven questions in this section but this has now been reduced to six in order to assist candidates complete the paper within the one and a quarter hours allowed. The number of marks, at 46, remains the same, with a re-adjustment of marks in the later questions. The assessment objectives and weightings remain the same.

This paper appeared accessible to the vast majority of candidates. In Section A, the supported multiple choice, very few candidates failed to answer questions, and whilst the ability of some to explain why a particular response was incorrect left something to be desired, it was clear (from the number of correct answers) that there was a good understanding of the subject matter. In Section B the detailed answers to most questions gave an indication of good knowledge of theory. The disappointing aspect, given the real business context of the paper, was the failure of a significant minority of candidates to answer in context. There appears to be good progress made in the manner and method of answer to q12, the highest mark question. Some very detailed answers, in context, with strong analysis and evaluated conclusions were produced, and whilst it was disappointing to see a number of blank responses, I would put this down to lack of preparation rather than a time issue. I base this comment on the longer length of answer to most questions given by many candidates.

Candidates did not find any difficulty in distinguishing between internal and external recruitment and there were some excellent answers explaining that time and cost considerations of an external agency mitigated against the use of such a firm. Despite this, too many candidates chose option A as their answer. Given that a vacancy filled internally will normally result in winners and losers, it would have been more appropriate to say that those not chosen may feel that the company didn't value them.

Marks are given for a good definition, the explanation of the cost of paying for an external agency, and for a reference to the time it might take.

| | The second secon | | | |
|--|--|--|--|--|
| 1 (a) When seeking to fill the position of Football Development Officer at the East Riding County Football Association, the Board of Directors discussed whether recruit internally or externally. | 1 | | | |
| Which one of the following is the best argument for internal recruitment of | fthis | | | |
| post? | (1) | | | |
| A Those that are not promoted may become demotivated | 41 (M) | | | |
| | 4.5 | | | |
| An external agency does not need to be hired | | | | |
| C Valued employees who are clearly not qualified may apply | | | | |
| D External candidates may be better qualified | | | | |
| Answer B | | | | |
| (b) Explain your answer. | | | | |
| | (3) | | | |
| Internal recordment is the history of stage for a new position without william the | | | | |
| conquery st is B because when hising enternally the sould have to ast lifeting | | | | |
| have to pay an agency to gird the right people for the deb - This can take | | | | |
| larger and will cost more so the end. It is not I because if you have internally | | | | |
| the chan more people within the lossines would be previously denshired julkes they a | | | | |
| see electing of is not D because this is a good any world go external remitment | | | | |
| because occiternal andidates muy be better goalls as thus potential internal arres | s. It is not c | | | |
| CUM-4 becare many employed who are not gradigual mass upoliny coursings cools | | | | |
| with within the business because they don't work to see the | Leworth | | | |
| | | | | |



This candidate tried to cover all bases and possibly took a little too long over it. The marks gained were for the positive responses. The attempts to explain why the incorrect responses were not correct were not clear enough to gain marks, but as the marks had already been awarded, in this case it did not matter.

Marks are given for a good definition of internal recruitment and an explanation of the costs involved in the external process.

1 (a) When seeking to fill the position of Football Development Officer at the East Riding County Football Association, the Board of Directors discussed whether to recruit internally or externally. Which one of the following is the best argument for internal recruitment of this post? (1) Those that are not promoted may become demotivated An external agency does not need to be hired Valued employees who are clearly not qualified may apply External candidates may be better qualified Answer (b) Explain your answer. (3) internal recruitment is where an employee is promoted into another position at the same business whoreas external recruitment is where

Someone is hired from outside of the

they won't have to go through the

business. If an employer recruits internally

recruitment process, hiring an agency. This

to reduce expenses.

Results lus

Examiner Comments

This answer is clearly written but makes only 2 points. It should always be possible to gain 3 explanation marks with positive reasoning, such as 'the external agency has a profit margin to build in', and that this adds to costs.



If you do not feel you have enough reasoning to explain the correct response, you should attempt to explain at least one of the incorrect responses, with the emphasis being on 'explain'.

The vast majority of candidates were comfortable with this question, indicated by the number of correct answers. Many attempted to explain the incorrect responses when it may have been better to concentrate on the explanation of the correct response in more detail.

Marks gained from explanation of correct response - reasoning that supermarkets have a wider product portfolio; from a very good explanation of why longer credit terms would not be a reason to stop trading, and from a definition of 'trading'. The explanation of why good stock control is not a reason to cease trading would have secured a mark as well.

| 2 (a | Skeltons, a family run bakery for over 100 years, renowned for good customer service, has closed down. |
|-------------|---|
| | Which one of the following is the most likely cause <u>of its decision to stop trading?</u> (1) |
| | A Well managed cash flow |
| 1 | B Effective-stock-control |
| 1 | C Competition from supermarkets |
| | D Longer credit terms from suppliers |
| | Answer |
| (b | o) Explain your answer. |
| | (3) |
| -> (| DPTION C is correct as competition from supermarker |
| ho | is increased meaning they have a decrease in customes |
| as | supermarkets have a wider product portfolio and |
| 06 | in offer more |

Stay open as they have enough supply to

melt demand and is run sufficiently so incorrect.

Longer credit terms from suppliers means that

they don't have to pay for supplies stronght

away and shows they (Total for Question 2 = 4 marks)

have a good relationship. So they can pay

for supplies when an order has been payed

opton D incorrect.

Trading is where a group or individual

swaps a good or service for the Galue

of another object.



Clear answer, points are made well. The candidate had ample material without taking the anticipated route of lower supermarket prices leading to a fall in demand for independent bakeries such as Skeltons.

A very well made first point showing a good grasp of competition issues. The last point of longer credit terms is succinctly put. Linking the other two incorrect responses together is not recommended. However, understanding overall is good and the benefit of doubt is given.

2 (a) Skeltons, a family run bakery for over 100 years, renowned for good customer service, has closed down.

Which one of the following is the most likely cause of its decision to stop trading?

(1)

- A Well managed cash flow
- B Effective stock control
- C Competition from supermarkets
- D Longer credit terms from suppliers

Answer



(b) Explain your answer.

(3)

Many supermedules now have sections denoted to bakerey,

because of the rulence of supermarkets they are add to

purdue build products for a cheaper price that a sole

tauding bakery, this means Skeltons cannot compete and

Stop trading AB one finance related to Skeltons cannot before

yeard stock control and cash flow fortunates with help the

short live finance solution which we also that help the



Although this candidate scored full marks, attention is drawn to the continued use of dismissing/explaining incorrect responses in batches, e.g. a, b and c are wrong because.... Regardless of whether they are wrong, possible marks are lost as each point should be explained separately.



Marks can only be awarded if it is clear which option they are explaining. Grouping options together such as a, b and c should be avoided as they might not be the correct responses to dismiss. Explain each separately. As the maximum number of marks that can be gained by candidates explaining why options are incorrect is 2, candidates should restrict themselves to two items.

Candidates appeared confident with the idea of capacity utilisation. Some could give a correct definition and provide the formula - only 1 knowledge mark was available, though. Even those who didn't define or didn't define correctly realised that renting a cab out for a greater period of time improved capacity utilisation. Where candidates were less successful was in dismissing the incorrect response of 'management of stock'. Understanding the difference between stock and a fixed asset is important.

Mark for either formula or definition - not both. Mark given for stating that assets are being used more frequently, thus spreading fixed costs and final mark for explaining why it is not under-utilisation.

| 3 (a) Asher Moses, a London based taxi driver, drives his cab at night. To generate extra income, he has decided to rent his taxi to another driver during the day. |
|--|
| This decision illustrates the concept of |
| (1) |
| A improving capacity utilisation. |
| B under-utilisation of capacity. |
| C surplus capacity. |
| management of stock. |
| Answer |
| (b) Explain your answer. |
| (3) |
| - Capacity utilisation is the mount extent to |
| which the capacity of the taxi is being used |
| at a given one. |
| apacity utilisation = present output ×100. |
| - Capacity is being increased which is |
| why A correct as being used more frequently |
| this spreads fixed costs - acrise more |
| Pris incorrect as a taxi does not hold |
| stock on it is a service |
| it is not under-utilised (Total for Question 3 = 4 marks) |
| as more capacity is being used there for |
| its increasing Birrong. |
| |



This response is a joy for markers. Clear responses, with arrows separating the points, even the incorrect one. This combination of definition, an explanation of why the response is correct, and an explanation of one of the incorrect responses is a popular route to full marks.



The more clear the separation of points, even if just in a different sentence, the easier it is to award marks.

This question was well understood by most candidates, producing a large number of correct answers, some of which were reasoned very confidently. Some weaker candidates felt that it is sufficient, for instance, to say that (as an explanation of an incorrect response) the increased price of non-alcoholic drinks will lead to an increase in the consumption of alcoholic drinks, without any reasoning. If they had added 'because non-alcoholic drinks are a substitute for alcoholic drinks', then a mark would have been awarded.

4 (a) In <u>summer 2010</u>, it was reported that there had been the <u>biggest fall in alcohol</u> consumption in Britain in 60 years.

Which one of the following might explain this?

(1)

- A Greater availability of quality British wine
- **B** A rise in duties (taxation) on alcohol
- C Increased prices of non-alcoholic drinks
- D Discounted supermarket prices for beer

Answer



(b) Explain your answer.

(3)

Results lus
Examiner Comments

The candidate provides a very good explanation of what duty (taxation) is and a clear (if not a full) explanation of how when the price rises, consumption will fall. A second mark could have been awarded for this explanation if the candidate had referred to price elasticity. Ultimately the final mark was awarded for stating that discounted supermarket prices for beer make the product more appealing.



Always provide reasoning when discounting incorrect options.

The responses to this question were mixed. The correct response (D) was the preferred answer of choice but too many candidates thought that the other 3 responses were not advantages of trademarking. Furthermore, too many candidates were satisfied with stating that trademarking could not prevent other businesses from setting up in the same market without any further reasoning. It is not recommended that candidates should just repeat the incorrect response. All that was needed was an explanation that in a market place any firm is free to enter.

| 5 (| 5 (a) When setting up their baby and toddler clothing business, one of the first things Jason and Anita Pritchard did was to trademark the name 'Dijjie' and the bear's head logo in their design. | | | |
|---|--|---|-----|--|
| | All | of the following would be an advantage of doing this, except | (1) | |
| | Α | to protect the brand. | | |
| | В | to gain bargaining power when negotiating with retailers. | | |
| | C | to make the business more attractive to potential investors. | | |
| | D | to prevent other businesses from setting up in the same market. | | |
| Answer | | | | |
| (| (b) Ex | plain your answer. | (3) | |
| Trudemarking the name and lage of a business fooduct means that | | | | |
| it is Meyed for another business to use the purlust nume | | | | |
| and lega. It also gives the business preduct exclusiving making | | | | |
| it appear more puresumul to possible investors und adm | | | | |
| silching to relailers However it diesuit prevent other business | | | | |
| entering the market. They could enter with a similer product | | | | |
| 6 | but not with the 'Digie' nume or lago | | | |



The candidate starts with a sound explanation of what trademarking means and then goes on to justify why option C cannot be a disadvantage as trademarking 'gives the business/product exclusivity making it appear more professional to retailers'. I liked that wording. Finally the candidate points out that others can enter the market but not with that particular name/logo.

Candidates clearly had done work on this area as most knew which of the options were financial rewards and that 'job enrichment' was not. The explanation of job enrichment enabled many candidates to score a mark as a correct reason as to why 'B' was not the answer. Similarly many candidates explained another incorrect response - piecework, correctly showing that it couldn't be the correct response. Any confusion that arose did so as a result of candidates failing to distinguish between bonus, an extra payment made in recognition of the performance of the business, and in the case of Sainsbury's paid equally to all staff, and performance related pay which depends on a measurable achievement of an individual.

| 6 (a) All staff at Sainsbury plc are expected to gain from a £70m payout, averaging at £580 each, after a successful year in 2009 for Britain's third-biggest supermarket chain. This payment could best be described by which one of the following? | |
|--|-----------------|
| A Piecework | |
| B Job enrichment | |
| C Bonus | |
| D Performance related pay | |
| Answer | |
| (b) Explain your answer. (3) | |
| A bonus is an extra payment on top of your wage as a result of working havd, used as a reward. C is correct because a bonus of £580 is being given to each employee due the successful year in 2009, rewarding workers for their efforts. A is incorrect because the employees at Scinsbury place are not manufacturing so wouldn't receive a payment for each product they product they product they are only selling. (Total for Question 6 = 4 marks) | to Je ua, |



The candidate identifies what a bonus is and then answers, in context, relating to the example in the question - two marks. Following this the final mark is given for explaining why option A is incorrect.

This question was the one that candidates appeared least comfortable with, despite the fact that the term working capital is clearly identified in the specification for this unit. There were references in the text which suggested what the £500m could be used for. Although theoretically, building a new warehouse would not directly affect working capital, this response was allowed as it was implied in the text, as was paying off debt which is much more a part of working capital use. A significant minority of candidates failed to pick up on either of these examples.

7 Briefly describe two ways that the £500m raised by Ocado could affect its working capital.

6. Society Capital is the many that the booms has to use on an claim basis. By faising the £300 no a cado Could have Paid of the west and this loud reduce their liabilities and increase the Cash fam. in sie the booms of the hours mean that a cado working Capital would have increased. This fould then benefit been will be booked that will be booked that the raised many call have Showed that will be call the raised the cash that sie and balled to increase the cash that will be cash that will be call the sie of the same stated.



The candidate appears confident. A brisk explanation of working capital, is followed by a reasoned explanation of how paying off debt could affect working capital. The candidate then goes on to explain how spending the $\pounds500m$ on the warehouse could lead to new markets and an expanded market share and then reasons that the business would benefit from this with an improved cash flow.



Questions 7 and 8 normally require candidates to explain an answer in context and provide reasoned explanations (analysis).

In contrast to the previous 4 mark question, question 8 allowed candidates to link Ocado's green credentials to low environmental impact in a convincing way. Many candidates did this well, evidenced by a good working knowledge of the 'green' agenda. A number then stated that a low environmental impact meant not damaging the environment, without examples or context making awarding a mark difficult. When the stronger candidates start writing about low carbon footprint from a lorry delivering goods to a large number of houses thus obviating the need for individual car journeys then it obvious that understanding is strong.

| 8 Explain why 'low environmental impact' is important to Ocado (see Evidence A). | |
|--|--|
| Low environmental imports means that and considers the | |
| environment and try not to pollute and inflict as little dange | |
| on the environment of possible. This will give conver a high opinion | |
| of the basiness and promote customer Loyalty or consumers | |
| trist ocodo more and should invent repent purchases. They was | |
| green retailer of the year which will hopefully give trees a | |
| composition odvantage are obser territories, all of which it importants | |
| to holp scado cehieve ili growth and projetosility. | |



The candidate is asked to say why a low environmental impact is important to Ocado. After stating what this means the candidate correctly goes on to explain how this achieves high customer loyalty, citing the award of 'green retailer of the year' and its reward of competitive advantage. Finally this is linked to growth and profitability.

An 8 mark question, marked in 2 groups of 4. There is ample evidence in the text to enable candidates to argue why investors may still provide funds despite a lack of profit, and many candidates took the opportunity to do so. This enabled many candidates to score 7 or 8 marks.

| 9 By 2010, Ocado had been trading for over 8 years without making a profit. Analyse two reasons why lenders might still be prepared to provide further funds. |
|---|
| Profit is the money made appear all costs have been dedubed from the |
| Landons and Still be arranged to a love because the sales |
| Lenders would still be prepared to univest because the sales figures were shown to be growing rapidly. This means the |
| business is \$\displays in growing and propries are expected to be made in |
| Sharo and attracting new customers, which so vivestors might |
| See potential especially when their current share prices would be low. However, having already had solve revenue of £427m and |
| Still not made a projet there may just be an error in their funancial |
| plan. Another reason could be that orline businesses are becoming |
| the web. This means that investors are lacking at any monewar |
| businesses selling using this method as sales via the internet |
| are using across the board. Being environmentally priendly as well containing to |
| rise as people are becoming more aware of these issues. |
| However, they may decide that because of encionasing competition from big named brands selling online that Ocado will be pried |
| out of the market. |



The candidate uses the evidence well. In particular the reference to an increase in online business is well promoted and analysed. This could have been a little more strongly linked to the environmental aspect but the point is made. Attempts at evaluation are understandable but not needed in this answer. The command is 'analyse'.

Candidates are tutored well in this area: there is knowledge of what budgeting is, and its advantages and disadvantages are well understood. These answers need to be placed in context, however. Candidates need to be reminded that as we use real business examples, we expect reference to them in the answer. If there is no context then it is difficult to award marks for analysis at the top level, nor for evaluation.

10 Prior to opening its new Midlands based warehouse Ocado will need to prepare budgets. Assess the likely value of budgeting to Ocado. has been making loss its Since Ocado Important for them to budget peop workers canit use bulg oft been lose money mean motivated more as they 60 Some authority can cause demotivation budgeting managers or resentment ÎF Ocado consuming concentrating too muc real Ocado be. acod 0 clata Ocado made to budget to less likely marke well done budgeting has to be and research could be disatrous if othere is a change in economy things (Total for Question 10 = 8 marks)



It is clear that the candidate understands the purpose of budgets and is well versed in how this can help firms and employees. The candidate also understands the different types of budgets. The context is provided late on but nevertheless ensures that analysis marks can be awarded at the top end of the scale. Balance is provided in the last sentence. This is a well-crafted response.



Whenever you are asked to assess, you are being invited to give a balanced response. It matters not if that response is weighted in one direction or the other. The important thing is that evaluation means assessing both sides of an argument - in this case whether budgeting is useful to Ocado.

The format to question 11 is similar to that used for question 10. It comes from the same area of the specification. Finances are clearly an important issue for all firms.

Forecasting is well understood by a majority of candidates, many of whom have used the evidence well, enabling them to show their understanding of the area. It is not difficult to find context and at the risk of repeat it is emphasised that top marks only come from integrating theory with the real business world.

11 Evaluate the likely difficulties Ocado might experience in forecasting sales for the next few years. torecessing is predecting how may products Occide will self 5- torecorbina this can be different as 15 only solos. There may be unforestern external which nill effect soles as shoppers less disposible income and most food products are in-elastic, so affect demend. In a recession piccis any change in price will & - inflation cobes as up, so sales we becomes especially will decrouse, this would regalithm and if one do cear also benels predicted income + expenditure traines one in accurate Ocado may end co with a cash CAROL not be enough worleing 00 100 (00 day expenses which may force Orado 60 close the other hand & Ocado may have libble difficulties sales for the next few geers old a previous data on sales figures this data may bollow cloor brend which will thouse make forecoasting sales fasa Ocado I believe 16 mill be differcuilly for Ocades to forecast CR May external teregez which will influence safer 10016 beed supplied a leasy Coado May Find chethor which man tierce competition from Tesco, Sainebour + Asdon



This is a first class answer integrating theory and the evidence provided early in the piece. Use of external factors is fused with direct implications for Ocado's food operation and the difficulties of sales forecasting, yet when balance is provided this is also in context. The use of past sales figures is suggested as a reason why forecasts may not be too difficult. Couple this with a strong conclusion, again in context, and the ingredients for full marks are present.

The final question on the paper is always the one where most marks are available for evaluation. Candidates who possess strong evaluative skills, being able to provide balanced view points, score particularly well on this question.

There is a range of lean management techniques that candidates could have chosen from when answering this question. Generally speaking candidates made correct choices but there were those who chose to explain leadership style and consequently scored no marks. The time factor come into play here and candidates should try to give equal weight to both parts of their answer.

| *12 Evaluate two lean management techniques Ocado could adopt to give it a competitive advantage. |
|--|
| Ocado might adopt Total Quelity Mere general Tax |
| lo que its a competitue advantage. Total Quality |
| Management (TQM) is alorday the do quality of |
| goods product is decked to malore that the mount |
| minimum expected quelity has her reached. This |
| an he wed Swarph Quelity Asswarme clerely |
| all the comparets also are clecked through throught |
| The production process to nature over questry is readed. |
| Ocado as a use lies when it cames to laying |
| groceres for cookines on the by making ove they * get |
| He heat graceries for their ator customes as pecially if |
| My ac pershables. Quality anticl an be used by |
| Ocado by checking chetter all prostucts as in No |
| right state before harding them to anothers. The advartage |
| e of quality as assure is that fulls can be |
| dimended at an early stage and fulls on the |
| he arected. The drawback is that it is time caroning |
| and oosts much and will at affect of mode if an |
| extend inspector cores to judge them stoff at Ocado. |
| He advantage of Quality carted is Mich it is relaterly |
| cheaper amount to Quality assurance but it has a |
| rish that staff will ignore the role of mantaring high |
| guelly as the staff down the sur line will be respossible. |
| TOM will allow Ocado to produce goods of |



This is a strong answer. In the first part of the answer, which may have been a little too long, the candidate combines TQM with QA - not strictly necessary. The answer is quickly in context and not superficial. The structure is sound and whilst the second technique - quality control, is similar, it is appropriate in this context (it is not used so much in manufacturing these days) and it is also in context. A third technique – JIT, is then explained in context, with advantages and disadvantages mentioned. A conclusion follows. TQM and quality control are examples of new and old techniques. This candidate is deserving of high marks despite the mixture of techniques.



It is not advisable to use more than the two techniques demanded. It is better to explain a couple of points, analyse them and then evaluate by assessing one against the other.

Paper Summary

Performances in general continue to improve and centres should be congratulated as should their candidates. Even better marks would be obtained if candidates would remember to use the evidence which is so carefully presented to them. In order to improve their performance candidates should:

- bear in mind the suggested split of time between each section in order to avoid rushing later responses;
- bear in mind that the supported multiple choice section always allocates marks for knowledge and application and that these marks can best be obtained by providing an explanation of a key concept and then answering the question in context;
- check carefully the command word of the question, e.g. if asked to analyse, candidates must explain their reasons but need not provide a balanced conclusion;
- realise that the assessment objectives and weightings do not change, i.e. that knowledge and application each account for 30 per cent of the marks, and that analysis and evaluation each account for 20 per cent;
- try to write clearly and precisely, separating points with simple sentences and that, if they have time, they should re-read their answers.

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