

Examiners' Report
June 2012

GCE Business Studies 6BS03 01

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Introduction

The June 2012 paper offered candidates a mix of topics, some familiar from previous exams and some less so. The questions seemed to discriminate well, with a wide variety of responses some of which were very good indeed.

Many centres appear to have benefited from previous exams and the feedback that followed. Many candidates were well prepared and had clearly brought the benefit of wider reading and study into their answers, showing a real understanding of the topics, with their arguments reinforced by valid examples.

Yet elsewhere, there were a couple of questions in particular that many candidates misinterpreted, to their detriment. On Q5 many candidates appeared confused as to why countries may have retained trade barriers and Q9 was particularly disappointing, although the EU is a major part of the specification.

As ever, some candidates weakened their responses by failing to apply the terms and theory they had been taught, using generalities and non-specialist language. This does not convince examiners that answers deserve high reward. For example, explaining that Mothercare should enter new markets because they would "do very well", or "get a piece of the action" is unlikely to gain marks for analysis.

Once again, the main reasons for otherwise able candidates underachieving are not heeding command words and not reading the questions carefully enough. Command words are still being ignored by a sizeable number. Instructions to 'Assess' and 'Evaluate' were not followed by some candidates. Significant numbers of candidates missed out on marks because they did not answer the question that was set. Further guidance on command words and assessment can be found in the summary.

There seemed to be more of a trend this year for candidates to start off their answers with a definition of a key term. This may be good practice at AS level, particularly with the multiple choice questions but for Q 1, 2, 5 & 6 they are not necessary and only waste the candidate's time. On the other questions defining key terms can be useful in reaching L1 but hopefully most candidates will get beyond this with analysis and evaluation.

Question 1

This question is designed to be a straightforward introduction to the paper and most candidates were able to identify two reasons and develop some analysis but often missed out on the application marks because they lacked context. Some candidates however, failed to identify two separate reasons or failed to develop any analysis.

- 1 Explain **two** possible reasons why Mothercare sources "the vast majority of its toys and equipment from China" (Evidence A, line 15).

The reason that they source their manufacturing is because of the fact that China is very ideal for manufacturing. This is because of their large population and borders which also makes available extremely cheap skilled and unskilled labour. Mothercare source the majority of their toys in order to benefit from global efficiencies - cheap labour. This lowered cost is due to the fact that China has lower costs in standards of living, thus work is cheap, this would benefit Mothercare in the long term because the decrease in costs means that profit margins are higher. Another reason perhaps is to further benefit from the increased efficiencies and production methods that now occur in China. The country has benefited from the arrival of MNC's bringing with them technology transfer and more efficient techniques, this is advantageous for Mothercare because not only is the labour cheap, but efficiently produced products, with high quality is also made - so they may be known for great quality - becoming perhaps a competitive advantage.



ResultsPlus Examiner Comments

This is a good answer with two clearly given reasons (knowledge) followed by good use of context i.e. these reasons are clearly linked to China and nowhere else (application). There then follows an explanation as to how these reasons have benefited Mothercare (analysis).

This candidate scored the full 6 marks.



ResultsPlus Examiner Tip

Cheap labour was the most common reason but this must be in the context of China. Many countries have cheap labour but without relating this to China candidates would not gain the application mark.

Question 2

This question was generally well answered. Most candidates were able to suggest two reasons with some understanding of why they were important. The most popular options were saturated home markets and extending the product life cycle. Where many candidates failed to gain marks was in applying context and in developing the analysis fully enough to gain the second mark. Better responses used the nature of Mothercare's product range and related it to those markets where demand for baby products and toys were rising in contrast to the UK. Emerging markets with growing populations and rising incomes were used as examples.

2 Analyse two possible reasons why new markets might be important for the future success of a business such as Mothercare.

The first reason why new markets will be important for the success of the business is because the home market may become very saturated which will be difficult make sales in and may lead to hedge losses, moving to new market will attract new customer and increase the customer base of the business it will also spread the businesses risk so if one area is declining it won't hit them that hard.

Another reason may be is due to the fierce competition within the home country which makes it impossible to maximise sales and the concept of decreasing price to eliminate competitors doesn't allow the company to make maximum profit.

Moving in to new market will give them new customers where there may be demand for the product but no competition especially in emerging countries such as India and China where the demand for these sort of product will be increasing rapidly due to there GDP increase.

(Total for Question 2 = 8 marks)



ResultsPlus
Examiner Comments

This response is fine, two valid reasons are given and the analysis is solid enough to gain two marks for each reason, scoring 6 out of the 8 marks possible. The answer lacks context though and could be about any product in any situation.

Question 3

This was probably the best answered question on the paper. The majority of candidates had a good understanding of what joint ventures were all about and were able to give a wide range of examples to put their arguments into context.

3 Assess the likely benefits to Mothercare of expansion through joint ventures.

~~One The biggest benefit of the~~

A joint venture is when two firms work together for mutual benefit.

The biggest benefit of the joint venture to mothercare is understanding the culture. If they had ~~just~~ expanded into another country without knowledge of the culture it may have offended people in the country which would lead to a bad brand image. But because they are doing a joint-venture knowledge of the culture may be passed on by the domestic firm. For example cows are scared in India so mothercare will have to be careful how they put cows on clothing.

However ~~this~~ two firms working together may have a clash of culture. ~~the clash of culture~~ The clash of culture may lead to disagreements that damage the joint ventures profitability, or may cause the joint venture to break down.

Another benefit is less risk. There is less risk because two firms are involved which means they both put money in. So if the joint-venture doesn't succeed then there will be less of a loss to each firm than if they did it alone.



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Examiner Comments

This response clearly understands the pros and cons of a joint venture and uses a relevant example to give the answer context and so gains L4 and 7 marks.

Question 4

This question took a different form this year with two halves in this 12 mark question. Based on the potential conflict between ethical behaviour and profitability, most candidates were able to describe the potential impacts on both consumers and shareholders. As before, this question is weighted towards evaluation and this is where many candidates failed to develop their answers well enough to reach the higher parts of Level 4.

*4 Evaluate the likely impact of Mothercare's responsible sourcing policy on

(a) customers.

The Ethical trading initiative ^{that Mothercare abides by} is an example of responsible conduct and corporate social responsibility.

Consumers ~~may~~ ^{will} view this ETI and ethical behaviour in a positive light as they know that the good for example is not made using child labour. This social premium ^{in a good} will encourage consumers to buy these products because they are helping the wider community.

However the consumer may feel encouraged to buy such an ethical product but what happens if they cannot afford it? The consumer may want to care about producers getting fair wages for example but they may not be able to afford to care. However this depends on the nature of the market as if the UK is in recessionary times for example, disposable incomes fall and there will be less money for consumers to be able to buy products that are ethically produced.

In conclusion ethically produced goods like Fairtrade coffee may be well received and bought by customers that can afford the higher price. However some consumers may be struggling financially themselves and ~~therefore~~ ethical goods may not be considered a necessity during economic hardship.

(b) shareholders.

Shareholders are people who have bought a share of a company.

Some shareholders may see the primary objective for the business is to ensure they receive sufficient returns on their investment, therefore the ETI in most cases may be seen as a distraction from profit ^{maximisation} by some shareholders. This is because improving working conditions for example is likely to incur costs. These costs may reduce profits and therefore a lower dividend yield for the shareholder will result.

However some shareholders would actively encourage the ethical trading initiative scheme because this is an example of strategic corporate social responsibility. The ETI policy may increase revenue and profits and therefore the shareholders may actually be richer by operating more ethically.

In conclusion there may be a clash in stakeholder objectives but a "win-win" situation could result where workers are being treated more fairly as well as an increase in profits because of new trademarks like the ETI.



ResultsPlus
Examiner Comments

This is a good answer, both parts of the question have evaluation in context and it is a L4 response. The response on customers is perceptive and takes into account changing economic conditions as well as the motives of consumers. The shareholders section is perhaps not as good on evaluation and this response scored 9 marks.

Question 5

Q5 caused problems for many candidates as they misunderstood the question. The question asked why trade barriers might still be in place rather than asking for the reasons for their existence in the first place. Despite this, many candidates did well here, citing reasons such as protecting infant industries, revenue for government expenditure and even some perceptive responses that commented on the troubled recent history of the area. As before where otherwise technically competent answers lost marks was in using suitable context to gain the application marks. The evidence had useful information that could have been used and quite a number also used examples from wider reading.

5 Explain **two** possible reasons why members of CEFTA may not have eliminated "enough trade barriers to promote free trade" (Evidence E, line 20).

Trade barriers are used to protect countries from foreign competition. Some countries may encourage domestic industries, especially infant industries to grow as they would not be able to compete without protection. According to source F, many of the countries belonging to CEFTA such as Croatia and Herzegovina are experiencing high unemployment at 9.5 and 27.2%. So these countries may not have promoted free trade because of this reason. Although it seems counterproductive, they protect domestic industry by making prices cheaper in their country and so demand increases along with jobs. Moreover, evidence E states that CEFTA is 'seen as a stepping to EU membership', so it is encouraging countries in a difficult situation economically with low GDP to start the process of trade liberalisation because in the long term it will be beneficial to them and the EU.



ResultsPlus
Examiner Comments

The first reason of protecting domestic and infant industries is fine (1 knowledge mark), it is backed up by good use of the evidence (1 application mark) and it is then developed (1 analysis mark). Sadly, the second reason is confused and has no merit. This response scored 3 marks in total.

- 5 Explain **two** possible reasons why members of CEFTA may not have eliminated "enough trade barriers to promote free trade" (Evidence E, line 20).

Free trade is when trade can occur completely freely without any tariffs or red-tape. This may not have occurred in CEFTA, firstly because governments of CEFTA members are unwilling to sacrifice the income they make from tariffs and taxes on imported goods. And secondly CEFTA members may feel their domestic industries ~~are~~ ~~can~~ ~~not~~ are not strong enough to cope with free trade with the rest of the CEFTA members, and so need to be protected while they continue to develop or they would be wiped out by stronger foreign rivals.



ResultsPlus Examiner Comments

Only 1 knowledge mark for the first reason as it has no context and no development. The second one has a valid reason and some development and so gains 2 marks making a total of 3 marks for this question.



ResultsPlus Examiner Tip

On these sorts of questions always check that you have:

- Done what the question has asked of you e.g. given two reasons
- Stated a reason
- Applied it to the context
- Explained a consequence or development of your reason

Question 6

Q6 Mostly well answered and much better use of context than the previous question. The most popular responses centred on job creation and skills transfer.

6 Explain **two** possible reasons why the Croatian Government offers incentives to attract FDI (Foreign Direct Investment).

FDI occurs when a firm from one country invests into another country.

One reason to attract FDI is to increase employment. Croatian unemployment was at 9.5% in 2010, this is a high figure. To reduce this the government can attract FDI meaning foreign firms will operate in Croatia and should employ Croatian workers, specifically by paying €3000 ^{to firms} for each person employed.

Another reason would be to improve infrastructure. Evidence states South-Eastern European countries suffer from poor infrastructure. It is not uncommon that when a large firm invests in an area, they improve the infrastructure around it to reduce future costs, for example Chinese workers ~~updon~~ build roads where Chinese businesses operate in Zambia.

By encouraging FDI, Croatian infrastructure may improve and they may become more competitive and a step closer to EU membership.



ResultsPlus
Examiner Comments

This is a good answer: two reasons are clearly stated (knowledge) and backed up with evidence of both Croatia's unemployment rate and its poor infrastructure (application). The two reasons are then developed to show how FDI will help with these reasons (analysis). In total this received the maximum 6 marks.

6 Explain **two** possible reasons why the Croatian Government offers incentives to attract FDI (Foreign Direct Investment).

The reason why the Croatian government is providing incentive is to attract multinational which bring in many benefit into the country when they enter. Firstly they will bring in huge number of jobs which will decrease unemployment and improve the country's economy by increasing people GDP, it will also allow the government to tax the people as well as the company where the government will make money. Also the multinational will bring in skills and education to the country so people will be able to get trained up and move to a higher position gradually as currently they may be restricted as they lack in these fields. Also multinational tend to improve improved the area around which they work which will improve the country's infrastructure and attract more businesses. Furthermore through the corporate social responsibility they may help set up of schools, education and training centre and etc for the benefit of the local people.



ResultsPlus
Examiner Comments

This response has actually offered three reasons but only two can be considered. In addition it lacks context and so fails to gain the application marks. In total it received 4 marks.

Question 7

Many candidates misread the question and wrote about the likely benefits for the Western Balkans of "smaller scale manufacturing" rather than the other way around, consequently marks were not awarded. Those that did, often ignored the command word 'assess' and limited their marks to L3. Better candidates contrasted the likely benefits with potential drawbacks such as the quality or skills of the workforce and the poor infrastructure. Others looked to the future at the potential improvements in transport links and the benefits of EU accession.

7 Assess the likely benefits for a "smaller scale manufacturing" (Evidence E, line 10) business of locating in the Western Balkans.

As mentioned in Evidence D, there may be financial incentives for smaller scale manufacturing locating in the Western Balkans. The road network mentioned in Evidence C also means that infrastructure in the area is also improving, important for a manufacturer of fragile or perishable goods.

The main benefit is described in Evidence E, backed up by Evidence F, is that there are low wages in the Western Balkans, reducing production costs.

There are also expanding markets nearby, such as Kosovo and Albania to export to. Being closer to western Europe than Asia is also important for manufacturers of time critical goods such as perishable foods or fashion. The CEFTA may also provide an incentive, especially if the business is outside of the Western Balkans - it may allow them to bypass some tariffs, increasing demand for their goods. If the country they locate in becomes part of the EU, the potential export market could greatly expand. A downside is that Corridor X is not finished, and increasing unemployment can lead to political instability, so investing during the recession may not be advisable for a small business.



ResultsPlus
Examiner Comments

A good answer that makes use of the evidence to draw some relevant conclusions and is worth 8 marks. Context is well used on both sides of the evaluation.

Question 8

Surprisingly, many candidates limited their marks by simply describing the importance of transportation and communication without any evaluation and often without any context. Better responses looked at the other factors that might be important when trading with the Balkans such as local tastes and fashions, levels of income, government incentives, tax rates and legislation. Some good responses contrasted the short term outlook with longer term prospects.

8 Assess the importance of transportation and communication for businesses wanting to trade with the Western Balkans.

One reason transportation is very important is that a business trading with the Balkans will have to transport goods between the 2 countries. If the western Balkans transport infrastructure is poor then the costs of the firm dealing with them will go up and a rise in ~~profit~~^{costs} means a fall in profit.

However, it also depends on the other costs of dealing with the Western Balkans. Although evidence C states poor and crumbling infrastructure, evidence E states low labour ~~use~~ costs. If the labour costs are sufficiently low then it may still be beneficial for a firm to trade with the Balkans despite poor infrastructure.

Communication is important because it will determine how well 2 firms synergise. It is specifically important if a firm trading with the Balkans uses ~~lean~~ production as it means they will have to be able to quickly order stock. If a creation firm has poor internet and phone lines it could mean that a UK firm has to wait a long time to re-order stock which might cost them sales.

However, it could be argued that this is a fallacy of division, just because something is true for the Balkans as a whole does not mean it is true of every area inside.

(Total for Question 8 = 10 marks)



ResultsPlus
Examiner Comments

This response looks at transportation first and then goes straight into evaluation and reaches L4. There is context on both sides of the evaluation and this means it is likely to be either 9 or 10 marks. Further analysis and evaluation follow and a perceptive conclusion rounds off a balanced answer: it received 10 marks.

8 Assess the importance of transportation and communication for businesses wanting to trade with the Western Balkans.

Communication and transportation is part of the infrastructure which a country needs to have in order for businesses to trade. Infrastructure is vital as supplies needed to create the product will need to be delivered to the production site on time to meet customer demand, if they are late customers might start trading with the competition. Also communication is vital as suppliers will need to know what which products to go where and the quantity. Businesses which wish to trade with the Western Balkans may need to spend much more on transportation such as air transport and the road transport will not be safe for these employees as well as there is a risk of damage being caused to the products. Businesses will need to be aware of the situation of how the businesses are running within the area if they are making profit or loss with no communication this will be difficult. Communication is a vital aspect in loss business which can help a business prosper greatly.



ResultsPlus
Examiner Comments

This response ignores the command word 'assess' and so cannot get any evaluation marks and reach level 4: it is limited to 6 marks maximum. Unfortunately it also lacks any context and is therefore limited to low level 3 and only gets 3 marks.



ResultsPlus
Examiner Tip

Questions 8 & 9 have a lot of marks for evaluation (4 and 8 respectively). Make sure that you do fully evaluate and use suitable context. The evidence always has something you can use if you cannot remember any other examples to use as context.

Question 9

The EU is mentioned in the specification as an example of a trading bloc and candidates are asked to "consider...the benefits and constraints of trading within the EU". It was therefore disappointing to see so many responses that failed to get beyond L3. Analysis was often basic with a simple account of new opportunities versus increased competition. Context was often lacking and little or no attempt was made to differentiate between different types of UK business. Lack of understanding of the EU itself was also common with several candidates apparently unaware that the UK was already in the EU. Many candidates were determined to write about the Euro crisis and Greece in particular, despite the question asking for the impact of *further* enlargement of the EU.

There were though, some excellent responses that gave a balanced and thoughtful answer backed up with relevant examples. Opportunities for new markets and off-shoring were well understood and possible threats were well evaluated. Good use was made of the evidence as well as a good knowledge of the types of business that would be affected to a greater or lesser degree by EU enlargement and these were duly rewarded.

*9 Evaluate the likely impact of the further enlargement of the EU on UK businesses.

Further Enlargement will prove both beneficial and adverse to UK business. With many markets in the UK saturated offering very little potential for growth, UK business will be able to access new markets which they were previously discouraged from due to protectionist measures such as growth - by exporting to new markets UK business will see an increase in the profit margins as their consumer base will be larger and they will also enjoy economies of scale (due to greater bulk buying at discounted rates) which means costs will come down. However being able to operate in new markets will also mean a possible increase in competition in the UK which will be bad for British businesses as they may not be able to compete on price as foreign competitors may be bigger and may enjoy Comparative Advantage.

The enlargement of the EU will also mean the labour force which British businesses will be able to access which will mean they could offer lower wages as an influx of economic migrants will mean Trade Unions and workers rights become weak which is a benefit to businesses who will gain a greater profit margin.

UK businesses would also be able to extend the product life-cycle of their products by exporting them to the new nations who are a part of the EU, this will be beneficial as they won't have to invest further in R&D/Innovation. It could also mean UK businesses will be able to 'dump' products in nations without paying tariffs.

UK businesses could also outsource aspects of production to nations who have recently become part of the EU as labour wages will inevitably be cheaper as the nation will be less economically developed which will result in higher profit margins for the company, also as it is a part of the EU, a trading block, in which the UK is a part of there will be no tariffs.

In conclusion, further enlargement of the EU will be beneficial to UK businesses on the grounds it provides them new markets in which to enter without having to pay tariffs, a large pool of workers inevitably means cheaper wages and UK businesses will be able to outsource to cheaper regions however it does mean greater competition which is a threat to UK businesses.



ResultsPlus Examiner Comments

This answer is unfortunately typical of many responses seen for Q9. Although there is evaluation it is general and there is no context. Any country could be substituted for the UK and it would still apply. Similarly any other trade bloc could be substituted for the EU without changing the meaning. Context is so important in this question. This candidate was limited to the top of level 3 and 7 marks.



ResultsPlus Examiner Tip

Even some simple examples, such as Tesco having an opportunity to move into Kosovo (high GDP growth), would have lifted this answer by 2 or 3 marks and that can mean the difference between grades.

Paper Summary

There are two basic styles of question used in this paper. Q1, 2, 5 & 6 do not contain evaluation marks but are marked on the assessment objectives of knowledge, application and analysis.

Knowledge

– means telling the examiner a fact or reason for something, it is something you know or have learnt.

Application

– means that you use that knowledge in the setting (context) of the question. This may mean applying some of the evidence from the source material or your own knowledge.

Analysis

– is best seen as a consequence of something happening.

E.g. Q1 asks for reasons why Mothercare might source its toys and equipment from China.

"Mothercare might want to source its toys and equipment from China because labour costs are cheaper (knowledge). China is still a developing economy without the higher minimum wage that UK employees would want (application). This means Mothercare may be able to reduce the price of its toys and equipment to gain a competitive advantage which will increase sales and profits (analysis)."

Q3, 4, 7, 8 and 9 are levels of response questions with *evaluation* as well as the other objectives.

Command words are so important. When you see 'Assess' and 'Evaluate' at the start of a question they are telling you that there are some evaluation marks to be had. How many there are depends on the question. Have a look at the mark scheme and familiarize yourself with where these marks are awarded; if you are unsure, ask your teacher.

Evaluation

– means making a judgement about something. It may entail looking at the advantages and disadvantages or making a choice between alternatives. Good evaluation will also involve reaching a balanced conclusion.

Evaluation does not have to be complex or difficult. Just remember that if you are being positive about something, there will always be a drawback you could mention. If it all seems like doom and gloom there will always be a silver lining somewhere. Remind yourself to use phrases such as, 'However...' or 'On the other hand...' as a prompt to evaluate. It is usually the evaluation marks that separate the good candidates from the rest.

When the examiner looks at a response they will look for evidence of the higher skills of *analysis* and *evaluation*. If there is *analysis* it will be awarded a L3 mark, if in addition, it has *evaluation* then it will gain a mark from L4. The actual mark within those ranges will depend upon the quality of *analysis/evaluation*.

But the answer must also have *application* (context). There is an instruction in the mark scheme ... *N.B. If analysis but no context restrict to bottom L3. If evaluation but no context restrict to top L3.* This means that candidates, who simply repeat textbook or generic answers that could apply to any situation, are missing out on potential marks.

So what is context?

If an answer has context it cannot be applied to another setting. For example Q6 asked for likely reasons why the Croatian government would offer incentives to attract FDI.

"Croatia offers incentives in order to reduce unemployment which is a problem for the economy". – This statement would be equally valid if used about the French or Brazilian economy and therefore has no context.

"Croatia offers incentives in order to reduce unemployment which is a problem for the economy as it is currently at 9.5%". – This time we cannot mistake it for the French or Brazilian economy because it would not be true. Therefore the answer has context and would be rewarded as above.

Based on their performance on this paper candidates should...

- Read the question carefully
- Look for the relevant command word
- Answer the question that is set
- Use examples to place the answer in context
- Watch the time allocation for each question

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