

Examiners' Report
June 2015

GCE Business Studies 6BS01 01

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Introduction

As in previous series for this paper, generally candidates appeared to be well prepared and continued to show sound approaches to answering both supported multiple choice questions in Section A and the structured questions found in Section B. Questions in both sections were designed to test across two or more assessment objectives. For questions 4, 5 and 6, candidates' ability to show knowledge, understanding and application was expected. For all other questions, the skills of analysis and/or evaluation were also required.

Candidates' performance on this paper generally showed an effective grasp of business / economics concepts and theory, together with a good understanding of business practice and behaviour. Quantitative skills were demonstrated in response to question 4, though this varied significantly. Successful candidates were able to make effective use of the stems and data in Section A questions, as these provided a context so that candidates could explain their answers to part (b) of the questions. Likewise, candidates who wrote answers in context in Section B scored higher than those who did not. For example, a clear reference to an aspect of Provide enabled access to higher marks for levels of response questions 11, 12 and 13.

In keeping with the aims of the specification, centres are encouraged to deepen candidates learning through the study of a variety of businesses as part of the teaching and learning. Given this, the more likely they are to develop and transfer their knowledge and understanding to less familiar contexts - quite often the key to success in this unit. This can be achieved through use of a variety of stimuli - case studies, real business problem solving activities, company reports, newspapers, websites and, where possible, the use of educational visits/visitors from business in to school/college.

Section A

Examiners expected to see that candidates at least offered a guess to part (a) of these questions. However, as with previous series, this was not always done. The ability of candidates to gain the three marks for 'explain your answer' (or show your workings for question 4) in part (b), distinguished more able candidates. Questions 1, 2, 3, 5, 6, 7 and 8, required candidates to explicitly apply their knowledge, analyse and/or evaluate. Responses to these questions scored at least 1 mark in part (b) for the use of appropriate definitions/descriptions to help them support their correct responses to part (a), for example by describing what was meant by 'ethical stance' in answer to question 2(b). Explanations of distracters were often less successful, with a number of candidates simply defining a distracter without explaining why it was incorrect in relation to the stem and question.

Section B

The Provide case study appeared to be accessible to most candidates across the ability range. However, there was still a tendency for some candidates to misinterpret the case study itself or the questions. Some thought that Provide was a manufacturer rather than retailer of clothing. Also, a surprisingly large number of candidates analysed the effect of price changes on demand in response to question 9(a), rather than non-price factors, such as fashion, tastes and preferences or changes to aspects of Provide's marketing. Likewise, a number of candidates discussed in response to question 13(a) the pros and cons of an increase in UK interest rates on Provide, rather than an increase in UK inflation rates on Provide.

Question 1

A number of candidates misinterpreted the stem of this question and consequently chose B or C, rather than the correct response D. The key here was that this information only applied to Tesco and not the grocery market as a whole, so B could not be correct. The phrase 'after conducting market research' enabled candidates to dismiss 'test marketing'.

1 In 2013, after conducting market research, Tesco introduced more dining areas, coffee shops and even yoga classes to tempt customers back to its retail park stores.

(a) This might **best** be described as

(1)

- A market segmentation X
- B market growth
- C test marketing X
- D market orientation

Answer

D

(b) Explain your answer

(3)

Market orientation is when a business focuses its products/services towards changes in the market. Through market research Tesco will have noticed that ~~new~~ customers were ~~being more than~~ interested in other services like coffee shops and yoga classes. This means they adapted their services to meet the change in customers. As a result, this helps to maximise their sales. It is not B because market growth is when a company's sales volume increases, not by offering more services.

(Total for Question 1 = 4 marks)



ResultsPlus Examiner Comments

Part (a) correct (D) - 1 mark
Candidate defines market orientation - 1 mark
Explains answer - 1 mark
Illustrates answer 'adapted their services to meet the change in customers' - 1 mark



ResultsPlus Examiner Tip

Distracter B not fully explained. A mark of 3/3 for part (b) already achieved. Only write more if you are not confident that full marks have been achieved.

1 In 2013, after conducting market research, Tesco introduced more dining areas, coffee shops and even yoga classes to tempt customers back to its retail park stores.

(a) This might **best** be described as

(1)

- A market segmentation
- B market growth
- C test marketing
- D market orientation

Answer

D

(b) Explain your answer

(3)

Market orientation is when a business makes decisions based on customer needs and wants.

D is correct as Tesco's have used their market research to provide customers with what they want. Tesco's have created more dining areas and coffee shops to meet customer needs. This is an example of market orientation.



ResultsPlus

Examiner Comments

Part (a) correct (D) - 1 mark

Definition of market orientation - 1 mark

Explains why D is correct - 1 mark



ResultsPlus

Examiner Tip

No need to repeat what was inserted in part (a)

1 In 2013, after conducting market research, Tesco introduced more dining areas, coffee shops and even yoga classes to tempt customers back to its retail park stores.

(a) This might **best** be described as

(1)

- A market segmentation -
- B market growth -
- C test marketing
- D market orientation

Answer

D

(b) Explain your answer

(3)

Market orientation is when a business focuses its product or service around the market and its consumer wants, rather than product development. Conducting market research means that the wants and needs of consumers within the market have been analysed, meaning Tesco can meet these in order to increase sales. Introducing more attractions to its retail park stores after conducting research shows that Tesco is market-oriented as it follows the wants of the consumer in order to

(Total for Question 1 = 4 marks)

achieve sales. The answer is not A as market segmentation is when the market is separated into groups by characteristic - Tesco is attempting to appeal to a mass market with its new features.



ResultsPlus
Examiner Comments

Part (a) correct (D) - 1 mark

Defines market orientation - 1 mark

Explains answer (well applied to Tesco) - 1 mark

Explains distracter C - 1 mark



ResultsPlus
Examiner Tip

Use the stem where possible to support answer.

Question 2

A well answered question, with candidates demonstrating a clear understanding of entrepreneurial motives

Most candidates able to identify C as the correct response to part (a)

Many candidates recognised that B (paternalistic) was incorrect, stating that it is a leadership style (not management style)

Less able candidates thought that D was an incorrect answer, because Rob and Paul worked together

2 Rob and Paul Forkan started a footwear business in 2011 using the brand name Gandys to sell stylish and fun flip-flops. They donate 10% of their profits to an orphanage in Goa, India.

(a) The entrepreneurial motive for **this** donation is best described as

(1)

- A a trade-off
- B paternalistic
- C an ethical stance
- D a desire to work independently

Answer

C

(b) Explain your answer

(3)

An entrepreneurial motive is the reason why someone starts up a business. For example for profit or an ethical stance.

Rob and Paul are clearly not interested in maximising profits, as they have donated 10% to a charity. This shows that being ethical is their entrepreneurial motive.

B is incorrect as a paternalistic nature is not an entrepreneurial motive, but a leadership style.



ResultsPlus Examiner Comments

- Part (a) correct (C) - 1 mark
- Describes what is meant by entrepreneurial motive - 1 mark
- Explains why C is correct - 1 mark
- Explains distracter B - 1 mark



ResultsPlus Examiner Tip

Answers can be this succinct to gain 3/3 marks for part (b)

2 Rob and Paul Forkan started a footwear business in 2011 using the brand name Gandys to sell stylish and fun flip-flops. They donate 10% of their profits to an orphanage in Goa, India.

(a) The entrepreneurial motive for **this** donation is best described as

(1)

- A a trade-off
- B paternalistic
- C an ethical stance
- D a desire to work independently

Answer

C

(b) Explain your answer

(3)

Entrepreneurial motives are the reasons which encourage an ~~an~~ entrepreneur to start a business. It's 'C' because Rob & Paul are helping the less well off by doing 'the right' thing, and using their skills to benefit society. It's not 'A' as a trade off is where having more of one thing means having less of another thing, here there is no trade off. Yet it could be said there's a trade off between profits kept & profits sent to India. It's also not 'B' as paternalistic is ~~an~~ a leadership style rather than a motive. Other motives could be profit related, or to be your own boss.

(Total for Question 2 = 4 marks)



ResultsPlus Examiner Comments

Part (a) correct (C) - 1 mark

Definition of ethical stance 'doing the right thing' - 1 mark

Explains what entrepreneurial motives are - 1 mark

Explains distracter B - 1 mark



ResultsPlus Examiner Tip

This candidate defines, develops and explains the distracter. One way to better ensure 3/3 for part (b)

Question 3

This question was generally well answered by most candidates. Exchange rates often defined in part (b) then candidates able to explain why there would be an increase in the number of tourists to India (A), given effective cheaper costs of holidaying / visiting family in India as more Indian Rupees can be bought with the same amount £ sterling.

Some candidates penalised themselves by suggesting that more Rupees could be bought with less £ sterling.

Also, it seemed that less able candidates confused tourism to India as an export and tourism to the UK as an import.

3 In 2008 the exchange rate for £ sterling averaged 60 Indian Rupees. By July 2013, the £ sterling had risen in value to 80 Indian Rupees.

(a) This could have led to

(1)

- A an increase in the number of UK tourists visiting India
- B an increase in the number of Indian people visiting families in the UK
- C a fall in the volume of steel made in India and sold to the UK
- D an increase in the demand in India for chocolate made in the UK

Answer

A

(b) Explain your answer

(3)

By the exchange rate rising, it means that the pound is buying more/worth more than the rupee. If you are able to get more rupee for the pound, it makes it cheaper to visit India and therefore more tourists are likely to visit.



ResultsPlus
Examiner Comments

Part (a) correct (A) - 1 mark

Part (b) explains why A is correct and develops reason 'makes it cheaper to visit India' - 2 marks

3 In 2008 the exchange rate for £ sterling averaged 60 Indian Rupees. By July 2013, the £ sterling had risen in value to 80 Indian Rupees.

(a) This could have led to

(1)

- A an increase in the number of UK tourists visiting India
- B an increase in the number of Indian people visiting families in the UK
- C a fall in the volume of steel made in India and sold to the UK
- D an increase in the demand in India for chocolate made in the UK

Answer



(b) Explain your answer

SP 8
↑ POUND EX
↓ INDIAN
IC ED (3)

Exchange rate is the price of ^{one} currency compared to another currency.

A would be the correct answer as the pound is ^{now} worth more compared to the Indian currency, therefore each pound can get you more rupees, meaning it is cheaper to buy things than it was in India than it used to be.

C would not be correct as a strong pound would make imports cheaper, therefore is more likely to lead to an increase in the amount of steel imported to the UK.



ResultsPlus

Examiner Comments

Defines exchange rate - 1 mark

Explains why A is correct - 1 mark

Explains why C is incorrect - 1 mark

Question 4

Either well answered with a number of candidates gaining 3 or 4 marks out of 4, or badly answered with a significant number of candidates scoring 0 or 1.

Less able candidates confused sales revenue with sales volume and therefore thought A was correct.

More able candidates able to explain why A was incorrect (see above), or why C or D was incorrect given that they were not determinable from the data given.

- 4 Adidas, the world's second biggest sportswear firm, reported that in the first three months of 2013, operating profits rose by 6% to 308m euro and the gross profit margin was 50.1%.

(a) This means that during the previous three months

(1)

- A the sales volume was double the gross profit
- B costs and expenses were 44.1% of sales
- C operating profits were 290.56m euro
- D the operating profit margin was 44.1% of gross profits

Answer

C

(b) Explain your answer (show your workings)

(3)

operating profit = sales revenue - (variable + fixed cost)

$$\frac{290.56}{100} \times 6 = 17.4336$$

$$290.56 + 17.4336 = 307.99$$

↓
308.



ResultsPlus Examiner Comments

Provides formula for a specification term found in the stem (operating profits) - 1 mark

Shows workings - 2 marks



ResultsPlus Examiner Tip

Do not define terms in the question, e.g. sales volume. This would not attract a knowledge mark in part (b) because it was not found in the stem, nor was it part of the correct response.

Showing workings in this instance was awarded 2 marks provided candidates were able to show how 308m euro was arrived at, usually by stating $290.56m \times 1.06$

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- C operating profits were 290.56m euro
- D the operating profit margin was 44.1% of gross profits

Answer

C

(b) Explain your answer (show your workings)

(3)

Operating profits is revenue minus cost of sales minus operating expenses.

$$€290.56m \times (1 + 0.06) = 307.9936m \approx 308m \text{ euro}$$



ResultsPlus
Examiner Comments

Defines operating profits - 1 mark

Show workings - 2 marks

Question 5

Most candidates recognised that B retained profit was the correct response in part (a) given that only if a business had been operating already would there be any retained profits.

Definition marks were gained by those candidates who either defined retained profits or described what is contained in a business plan other than what was given in C and D - cash-flow forecasts, aim and objectives, strategies

5 In January 2015, Lee Andrews set up his first business called Man-i-cure, a men's grooming salon. Before starting up Man-i-cure, Lee prepared a business plan.

(a) A business plan usually contains each of the following **except**:

(1)

- A marketing plan
- B retained profit
- C premises and equipment needed
- D human resources required

Answer

~~A~~ ~~C~~ B

(b) Explain your answer

(3)

Business plan is a document which is usually required to get a loan from the bank. In a business plan there are usually a cash inflow and cash outflow and details about how much you consider to be making and what you will use the loan for. It is ~~not~~ human resources required because. It is B - retained profits because you do not have any retained profits as you have not started your business yet. It cannot be 'c' - Premises and equipment needed as the bank will want to see where the money is being spent.

Total for Question 5 = 4 marks)



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Examiner Comments

Explains what a business plan is used for - 1 mark

Describes what is contained in a business plan - 1 mark

Explains answer B - 1 mark

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(a) A business plan usually contains each of the following **except**:

(1)

- A marketing plan
- B retained profit
- C premises and equipment needed
- D human resources required

Answer

B

(b) Explain your answer

(3)

- A Business plan is a plan of ~~what~~ how the business will operate - it is a prediction before start up.
- Retained profit is unknown until the business is up and running.
- Business plans include aspects as to how the business will run, how money will be spent and how the product will be made - as well as estimations of cash flow.



ResultsPlus

Examiner Comments

Part (a) correct (B) - 1 mark

Fails to describe what a business plan is used for and the opening sentence is weak

Explains answer B - 1 mark

Third sentence better description of business plan - 1 mark



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Examiner Tip

None of the distracters explained; this is not advisable

Question 6

Generally answered quite well, with most candidates able to offer B in part (a) and a definition or formula for break-even.

Some candidates drew BE diagrams to indicate margin of safety; this was credited.

Those who chose to explain distracters, tended to opt for A and noted that this relates to market equilibrium, not break-even.

A 4/4 response

6 The Titanic Visitor Centre in Belfast, opened in March 2012. During its first year, it exceeded its initial target of 450,000 visitors and is on track to break-even.

(a) Which of the following would indicate that the Titanic Visitor Centre has reached break-even point?

(1)

- A Demand equals supply
- B Margin of safety is zero (0)
- C Fixed costs are zero (0)
- D Contribution is zero (0)

Answer

B

(b) Explain your answer

(3)

BEP is when $TR = TC$

Break-even point = $\frac{\text{Fixed costs}}{\text{Contribution (p-vc)}}$

The answer is B as margin of safety is the difference between actual level of output and break-even level of output so if its zero then they are the same. The answer is not A as demand equaling supply is equilibrium price.

(Total for Question 6 = 4 marks)



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Examiner Comments

Part (a) correct - 1 mark

Provides both a description and formula for break-even - 1 mark

Explains why B is correct - 1 mark

Explains distracter A - 1 mark

6 The Titanic Visitor Centre in Belfast, opened in March 2012. During its first year, it exceeded its initial target of 450,000 visitors and is on track to break-even.

(a) Which of the following would indicate that the Titanic Visitor Centre has reached break-even point?

(1)

A Demand equals supply – Market equilibrium

B Margin of safety is zero (0) –

C Fixed costs are zero (0)

D Contribution is zero (0)

Answer



(b) Explain your answer

(3)

Break even is when a business's ~~ise~~ Total Revenue is equal to its total cost.
Option A incorrect because Demand & supply equal means market equilibrium.
Option B incorrect it is for the Current liability.



ResultsPlus

Examiner Comments

Part (a) incorrect

Part (b) awarded 2 marks since the candidate describes what is meant by break-even and explains why A is incorrect.



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Examiner Tip

Candidates can score up to 2 marks in part (b) if the answer in part (a) is incorrect

Question 7

Answered well by most candidates. In part (b) candidates tended to refine either operating profits or innovation. However, innovation is not a 6BS01 term, so this was not awarded.

Most candidates were able to explain the answer and explain why opportunity costs may be caused, such as using the finance to purchase new kits, pay more wages, stadium refurbishment.

Quite a typical response

7 Hawk-Eye is a new technology that assists sporting officials in making accurate decisions. In 2013, the English Premier Football League (EPL) became the first domestic league to introduce Hawk-Eye.

(a) This innovation might do all of the following **except**:

(1)

- A differentiate the EPL from other leagues ✓
- B affect various stakeholders in the EPL ✓
- C guarantee an operating profit for all the EPL clubs
- D cause opportunity costs ✓

Answer

C

(b) Explain your answer

(3)

Operating profit = total revenue - total costs (including overheads)
C is correct because Hawk-eye is likely to add to EPL's costs rather than increase revenue and ultimately, profits there is no mention of it being profitable. D is incorrect because the cost of Hawk-eye installation will carry an opportunity cost i.e. the money could have been spent on dividends for shareholders instead.



ResultsPlus

Examiner Comments

Defines operating profit - 1 mark

Explains answer (C) - 1 mark

Explains distracter D - 1 mark

7 Hawk-Eye is a new technology that assists sporting officials in making accurate decisions. In 2013, the English Premier Football League (EPL) became the first domestic league to introduce Hawk-Eye.

(a) This innovation might do all of the following **except**:

(1)

- A differentiate the EPL from other leagues
- B affect various stakeholders in the EPL
- C guarantee an operating profit for all the EPL clubs
- D cause opportunity costs

Answer

C

(b) Explain your answer

(3)

Operating profit is the same as net profit and it's the 'money profit business' take after all costs have been covered. This technology cannot guarantee profit for anyone as a number of things can affect it such as exogenous factors, also this technology is not being sold by the clubs so in no way will it contribute to their sales revenue. The answer isn't A as the technology does differentiate the EPL from other leagues yet.

(Total for Question 7 = 4 marks)

to adopt it.



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Examiner Comments

Identifies that operating profit is the same as net profit - 1 mark

Explains why the use of Hawkeye would not guarantee profits - 1 mark

Explains distracter A - 1 mark



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Examiner Tip

Candidates are advised to explain the distracters which they find most straightforward to do.

Question 8

A number of candidates thought that A was the correct response to part (a), not appreciating that if the external value of the £ sterling had increased; then exports of Cath Kidston products are more likely to fall not rise. The stem states that international sales were up by 53%.

More able candidates were able to explain that B consumer wants were most likely met given that both UK and international sales were up.

Most candidates gained 1 mark for explaining that if unemployment increased in the UK then this would cause sales to fall, as disposable incomes are likely to fall.

8 In August 2013, UK fashion and home ware retailer Cath Kidston reported that UK sales were up 21% in the year to March and international sales were up by 53% in the same period.

(a) These increases are **most likely** because

(1)

- A the £ sterling had appreciated
- B consumer wants were met
- C low levels of trade credit were available
- D of high rates of unemployment in the UK

Answer

D

(b) Explain your answer

(3)

By ~~the~~ there being a high rate of unemployment it means that more people are out of work and they have less income. ~~Then~~ Their disposable income would be decreased so ~~they~~ they can't buy those nice products that PROVIDE sells.



ResultsPlus Examiner Comments

No marks awarded

Candidate has most likely misread the question, as they explained why D is correct thinking it is a question which asks why sales fall.

Candidate also mistakenly refers to case study business, PROVIDE.



ResultsPlus Examiner Tip

Read the question carefully.

8 In August 2013, UK fashion and home ware retailer Cath Kidston reported that UK sales were up 21% in the year to March and international sales were up by 53% in the same period.

(a) These increases are **most likely** because

(1)

- A the £ sterling had appreciated
- B consumer wants were met
- C low levels of trade credit were available
- D of high rates of unemployment in the UK

Answer

B

(b) Explain your answer

(3)

If consumer wants are met, then they customers will purchase the product, because it is something they want. A is wrong because a strong pound makes imports cheaper and exports dearer, this means international sales would not have increased as much and ex-imported goods in the UK would have been more successful the local businesses. D is wrong, because high unemployment means more people do not have incomes, so their disposable incomes decrease, reducing demand for general goods.



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Examiner Comments

Part (a) correct - 1 mark

Part (b) explains answer (B), explains why A is wrong; explains why D is wrong - 3 marks



ResultsPlus
Examiner Tip

Definitions are not always necessary to gain 3/3 marks for part (b)

Question 9

Non-price demand factors are generally well known by candidates and could be applied to Provide. Many were typically able to explain (analyse) how factors like advertising, fashion tastes and preferences and/or demographic change might affect Provide's sales. A few confused non-price supply factors such as costs of production or changes in technology with non-price demand factors, so gained little or no marks.

This question was marked on a points basis

For knowledge/understanding of a non-price factor note K1, and K2 for the second; contextual examples/application P1 and P2; and for analysis, where the candidate explains how/why Provide may be affected by each non-price demand factor, see A1 and A2.

9 Analyse **two** non-price factors that could increase the demand for PROVIDE's products.

One non-price factor that could increase the demand for his products is consumers tastes. It may be that consumers are tired of buying the same clothing from ASOS and are therefore open to an alternative which in this case comes in the form of Provide. "Those typically found on high street are from larger retailers like ASOS" This suggests that most of the products are the same on high streets therefore Matthew may have a gap in the market for his product.

Another factor would be the season. During Christmas there is a higher demand for jumpers and clothes and hats and books to read over the Christmas break. This could therefore increase the demand for Provide products as people are looking for clothing. "Benefit from higher Christmas trade". This shows that demand rises in the Christmas period, especially for larger companies.

(Total for Question 9 = 6 marks)



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Examiner Comments

- K1 - Consumer Tastes
- P1 - 'tired of buying the same clothes from ASOS'
- A1 - 'therefore open to an alternative...Provide'
- K2 - season
- P2 - Christmas...jumpers and hats
- A2 - 'books to read over the Christmas break'



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Examiner Tip

By answering each factor in a separate paragraph, the examiner's assessment of a candidate's response is better supported.

9 Analyse **two** non-price factors that could increase the demand for PROVIDE's products.

use of ~~market~~ primary market research would increase the demand because Matthew would be able to find out about the customers needs and he would potentially be able to meet them, which would increase the demand, for example Matthews could use questionnaires to find out about what people particularly like and this would gain more customers which means that there would be a higher demand.

Marketing



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Examiner Comments

K1 - market research

A1 - 'to find out about customers needs...there would be higher demand'

K2 - marketing

No application marks awarded

Question 10

A well answered question, with most candidates able to identify an appropriate leadership style for Matthew. Some candidates even suggested autocratic applied to Matthew, but then struggled to support their idea. Many were able to explain how Matthew's democratic or laissez faire (though not a specification term) leadership style would motivate Reena, given that she may have felt empowered. More able candidates then went on to explain how this then affected Provide, e.g. by suggesting that if Reena was more motivated, she may be more professional with customers and therefore increase sales of clothing and/or books.

This question was marked on a points basis

For knowledge/understanding of a leadership style, note K; contextual example/application P; and for analysis, where the candidate explains how/why Reena is affected and why Provide may be affected in turn, then see A1 and A2.

10 Explain **one** possible benefit of Matthew's leadership style to PROVIDE.

leadership - the act of taking responsibility and carrying the firm.

Matthew's leadership style is that he is his own boss and works the hours that he wants and reaching the targets that he wants. If he passes this on to Reena, then it will teach her that work is not all about being bossed around, like a theory X autocratic leadership style, but it can be enjoyable and it is important to be independent and do what you want. This will make Reena enjoy her job more, which will make her more motivated to work harder and better.

(Total for Question 10 = 4 marks)



ResultsPlus
Examiner Comments

- K - Leadership style identified 'NOT Theory X' view of employees
- P - 'passes this on to Reena'
- A - 'therefore...enjoy herself more...motivated'
- No affect on Provide explained.

10 Explain **one** possible benefit of Matthew's leadership style to PROVIDE.

* Leadership is the art of motivating and organising a team to work towards achieving a common goal,

* Matthew offers a democratic leadership style as he allows Reena to work independently.

* This may increase her productivity as it makes her feel more motivated to work due to being appreciated. * As a result,

the business benefits from increased efficiency and the ~~implementing~~ ^{implementing} of new ideas discussed by Reena which can appeal to customers.



ResultsPlus
Examiner Comments

K - democratic

P - 'allows Reena to work independently'

A1 - 'makes her feel more motivated to work due to being more appreciated'

A2 - 'may increase her productivity...the business benefits from increased efficiency and the implementing of new ideas...which can appeal to customers'

Question 11

A question which presented few problems for candidates to answer given the material found in the case study. Most were able to recognise that 'Pop-Ups' are a form of test-marketing, which enable the business (Provide) to avoid paying expensive long term leases on a retail outlet which may not prove to be suitable. Such high fixed costs may not be covered by sales revenue and therefore might otherwise cause Matthew cash-flow problems.

More able candidates were able to explain that because 'Pop-Ups' can often mean temporary premises, that customer loyalty may not build up which could affect long term sales and the business growth of Provide.

A levels of response approach to marking was used by examiners for marking this question.

11 Assess the likely value of 'pop-up' retailing to new businesses such as PROVIDE.

pop-up retailing - having a short-term space in able to sell products.

pop-up retailing is a good way for a new business such as PROVIDE to set up because the cost of rent is not too much compared to having a shop all year round in a high street. It also serves as a test market which, if the business does not do well, it is ok because they leave after a certain amount of time, compared to if you have bought an area and the business fails, you may be stuck with it for a while. Furthermore, pop-up retail stores have good locations and if PROVIDE sells at peak times such as Christmas, having a little pop-up store in the Custard Factory will see good business for Matthew.

However, the disadvantages are that if business is going really well and the location of the shop is perfect for sales, they cannot stay there for a very long time because on the contract of the pop-up stores, he can only stay for a certain amount of time.

(Total for Question 11 = 8 marks)



ResultsPlus
Examiner Comments

Level 4 - awarded since the candidate writes an answer which gives the pros and cons of 'Pop-Ups' in context.



ResultsPlus
Examiner Tip

Writing in context enables a minimum of 3 marks, provided a candidate answers the question.

^{pros and cons}
11 Assess the likely value of 'pop-up' retailing to new businesses such as PROVIDE.

'pop-up' retailing is ~~short~~ setting up short term shops to test the market and to see their reactions to the clothing products. (In this case Matthew testing out to see how people respond to his clothes).

'Pop-up' retailing is ^{can be} very good ~~as~~ for new businesses as it gives them ready access to short term, low commitment places to sell their products. This can lower setup costs while also providing on-the-go market research.

'Pop-up' retailing was what gave PROVIDE an opportunity to test their products in a real life situation.

Although the cost may be lower than an annual lease, short term retailing won't give the shops economies of scales ~~lead~~ as they will only need small amounts of stock to cover the demand during that time. and as pop-up shops are local they won't be representative of a larger market (what people think of PROVIDE's products in a different town). To conclude, I believe that pop up retailing is good but should be only a short term thing and should be complimentary to wider market research.

(Total for Question 11 = 8 marks)



ResultsPlus

Examiner Comments

Another L4 response which argues against Pop Ups on the basis that they do not offer economies of scale given their size.

Question 12

Another question which presented few problems for candidates to answer given the material found in the case study. Most were able to recognise that Matthew had been turned down by a commercial bank for a loan, which meant that the business (Provide) had to seek longer term finance elsewhere, through Matthew's friends and family and his own personal savings. Less able candidates asserted that this would mean no interest would be paid and that Matthew would have longer to pay off the loan to friends/family, which might not necessarily be the case. More able candidates appreciated that Matthew may lose interest on his own savings, which represented an opportunity cost. More able candidates gained level 4 marks by also suggesting that by lending to friends/family, Matthew may lose full control of the business as they may have negotiated having a say in Provide's operations, in order to reduce their risks.

12 Evaluate Matthew's choice of financing for his start-up capital.

Internal financing is a the method of gaining cash for a business, whether it be internal or external. Matthew's choice of finance was internally focused. Matthew used his own savings and loans from family and friends. This method of financing would benefit Matthew in the long term, using his own savings means he doesn't have to pay anyone back, and especially no interest. The ~~money~~ loans from family and friends are still loans, but family and friends may be more lenient than a bank would be, this means it is unlikely family and friends would put interest on the loan, and the payback period for the loan could probably be longer as a result. Therefore this method of financing could save Matthew a lot of money.

However this method of financing is risky, if ~~the~~ Matthew wasn't successful, he would lose all his savings, and his friends and families money. Therefore if PROVIDE failed, Matthew could have become very unpopular and in a lot of debt.



ResultsPlus

Examiner Comments

Level 4 - 8 marks, since the candidate evaluates the use of Matthew's savings and the use of a loan from friends and family.

Although the candidate states that loans from friends and family are 'external' which is incorrect, positive marking is used.

Note that the candidate uses the expression 'may be more lenient' avoiding the use of an assertion. This shows effective judgement.



ResultsPlus

Examiner Tip

This candidate uses 'may' and 'could' which is an effective way of avoiding assertions.

12 Evaluate Matthew's choice of financing for his start-up capital.

Start up capital refers to the money that is initially required by a business in order to rent premises or buy machinery and equipment. As Matthew's was unable to obtain a bank loan he had used his personal savings and obtained loans from family and friends. Investing his savings would mean that he would not have to repay anything back or no interest charges will ~~have~~ ^{have} to be paid. Furthermore he would not have to ~~so~~ keep collateral securities unlike when obtaining a bank loan, which could have been expensive as well since interest and fixed payments have to be paid monthly. Obtaining loans from family and friends is less time consuming and does not need any documentation ~~that~~ therefore is easy to obtain.

However he may not be able to obtain a large sum of money through these sources of finance and he needed £2000 start-up capital which is quite a huge amount to be raised. Investing his own money could be risky if the business idea fails as it is a very competitive industry. Obtaining loans from family and friends could be a burden to the relationship and sometimes they have try to get involved in the business.

In conclusion it would be more suitable if he uses trade credit when purchasing the clothing as payments can be made once he starts earning a revenue and invests the money he has for ~~the~~ the rest of (Total for Question 12 = 8 marks) the expenses like renting premises and advertising.



ResultsPlus
Examiner Comments

Level 4 - 8 marks

Clearer response which makes effective use of the case study material to gain the top mark. Well contextualised arguments for and against the methods of finance chosen by Matthew to finance the start-up of Provide

Question 13

13(a). Generally, most candidates were able to provide a definition of inflation and suggest how Provide might be affected, with many arguing that costs of clothing supplies may increase, causing Matthew to pass on such cost increases in the form of higher prices to customers. This might decrease sales of clothing or books, but given that Provide's products are not a regular purchase/different from typical High Street stores, sales may not fall; suggesting a low price elasticity of demand.

Few candidates referred to the data in order to answer the above effectively - as stated by the question. Those who did tended to single out 2011 as the year when inflation was at its highest (4.5%) and the year when Provide was set up in The Custard Factory.

Some candidates attempted to discuss their ideas by stating what would happen if UK inflation increased, followed by how Provide might be affected if UK inflation fell. This was not awarded level 4.

More able candidates explained that if UK inflation increased significantly and was not matched by increases in income, then sales may suffer since Provide's products are not a necessity.

13(b). Candidates were able to describe what was meant by Government spending or at least provide examples of what the UK Government spends its money on, e.g. education, the NHS. However, few were able to explain convincingly how Provide might be affected by a fall in UK Government spending. Fewer still actually referred to the data in the table given.

More able candidates explained that if those employed in the public sector experienced job losses, given cuts in public spending, then Provide's sales may suffer, particularly if Provide's customer base included young public sector workers like nurses or trainee teachers.

Some candidates suggested that if UK Government spending fell, then this might lead to lower levels of taxation, giving either consumers more disposable income to spend on Provide's clothing or Matthew more profits to spend on expansion.

A levels of response approach to marking was used by examiners for marking both parts of this question.

*13 With reference to Table 1, assess whether or not PROVIDE would be affected by:

(a) an increase in UK inflation rates

(6)

Inflation is defined as the steady increase in prices of all goods in the UK. The store PROVIDE would be affected by the changing inflation rates in the UK. firstly, the store PROVIDE, doesn't say it imports ~~stuff~~ anything from other countries. Therefore it would mean that all the costs for Provide would increase such as costs of raw materials and clothes accessories. This would mean that the cost increasing would decrease profits because $\text{Profit} = \text{TR} - \text{TC}$. Other PROVIDE will give low profit, because inflation fluctuates a lot, decreases a lot in some years could make a lot of profit, other years a loss. OR PROVIDE would increase it's prices due to all their costs increasing. This would increase their profit. However it could drop sales due to it's a fairly new company and it's too expensive people won't buy it. Because the clothes market people have a lot of other choices to buy clothes such as H&M and Primark so the demand for his goods would be not as PED elastic. However I think Matthew would use non-price factors to keep demand up while prices of his goods increase such as advertising and to more product placement and celebrity endorsement.

(b) a decrease in UK Government spending

(6)

Government expenditure is defined as how much the government spends on public goods such as health, education, transport. Figure 1 shows how the government spending fluctuating but steadily increasing from £549bn in 2007 to £675bn in 2013. This would have a very little or almost no effect on PROVIDE since it's a private business. The effect would be to the extent because firstly if government spend a lot on giving free public goods, people would have more money so would have more disposable income, therefore leading to increase demand for PROVIDE. However if government spending increases, they could increase tax which would mean people have lower disposable income. ~~That~~ That would decrease demand for PROVIDE's products. Another way it would get effected is maybe the government would also be spending or subsidizing local business or other loans. This would be beneficial source of finance to PROVIDE as they can expand their business with the money. However they would still need to pay a lot of interest on the loan and it would be hard to get because government rarely subsidize small start-up businesses.



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Examiner Comments

Part (a) Level 4 - 5 marks since the candidate did discuss the effects of an increase of UK inflation on Provide, but did not refer to data

Part (b) Level 4 - 6 marks as the candidate discusses the effects of a fall in UK Government spending on Provide, and refers to the data in table 1.



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Examiner Tip

Read questions with care - 2 lost marks if data not referred to in responses.

*13 With reference to Table 1, assess whether or not PROVIDE would be affected by:

(a) an increase in UK inflation rates

(6)

Inflation is the sustained increase in prices.

In ~~200~~ 2011, Matthew decided to set up PROVIDE. During this year inflation rates had rapidly grown to 4.5%.

PROVIDE would have been affected by this because people would have less consumer confidence and wouldn't want to spend as much money because prices would be high.

This would mean that Matthew may not have been able to maximise sales and profits due to people waiting for inflation rates to come down.

(b) a decrease in UK Government spending

(6)

Government spending is how much money the government spend each year.

we can see from the graph that as government spending decreases so does inflation.

This may help Matthew as people may be able to buy more of his products.



ResultsPlus

Examiner Comments

Part (a) Level 3 - 4 marks awarded, given that analysis was presented, with reference to the 2011 inflation data (4.5%)

Part (b) 1 mark was allowed for describing the trend in UK Government spending shown in the table. However, this candidate does not answer the question.



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Examiner Tip

Knowledge marks not awarded for simply paraphrasing or reordering information already provided in the case study or stem of a question.

Paper Summary

Based on their performance on this paper, candidates should:

- Remember to answer all part (a) sections of Section A, even if it means guessing as this would at least give them a 25% chance of getting the answer right
- Use definitions or written formulae in part (b) of Section A since this often attracts a knowledge mark; the concept defined should normally be in the question or found in the correct response
- Remember to explain why one distracter is wrong in part (b) when the supported multi-choice question in Section A reads 'most likely', 'least likely', 'except' or 'best'; because these questions are asking the candidate to make a judgement which they can very often strengthen by not only explaining the answer they chose in part (a) itself, but also one of the alternatives dismissed. In this paper this applied to questions 1, 2, 7 and 8.
- Read the case study in Section B carefully – candidates are advised to spend 5 minutes reading this and, if necessary, highlighting key words or points which might enable them to answer the questions that follow
- Read questions carefully and attempt to answer the question actually set. On a number of occasions evidence has shown, particularly in Section B, that candidates can waste valuable time struggling with an answer to a question that was not on the paper or trying to gain marks through an 'all I know about' approach which rarely scores any marks.
- Candidates should spend time to plan their answers to levels of response questions 11, 12 and 13. These carry the most marks (8, 8 and 12, respectively) so writing a balanced answer can make all the difference to the awarded grade. Conclusions/recommendations are not required at AS, even to score the top marks.
- Candidates are advised to work on the basis of a '1 minute per 1 mark rule' given that this paper is for 75 minutes, with 70 marks and the recommended 5 minutes reading time for the case study.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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