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Examiners' Report January 2010

GCE Business/Economics 6BS01/6EB01

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January 2010

Publications Code US022670

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6BS01/6EB01 January 2010

Overall candidates' performance on this paper showed a reasonable to sound grasp of business concepts and theory and an improved performance on January 2009, with the mean rising by an average of 2 marks across the two populations. Answers suggested that candidates had, on the whole, been effectively prepared for this exam.

Section A

Examiners were exposed to a full range of approaches, from what appeared to be candidates carefully drilled in handling supported multiple choice questions to others where there appeared to be little evidence of preparation. The spread of marks obtained in Section A may have owed more to variations in the grasp of the assessment objectives, than to the extent of knowledge and appreciation of business/economics concepts and behaviour. At GCE level, the use of supported multiple choice questions enables the awarding body to test more than straightforward recall. Question 2 tested mainly application; for other questions the three explanation marks proved good discriminators, particularly for questions 4, 6 and 8 which required candidates to analyse and evaluate.

Correct answers to supported multiple-choice questions: Part a's

1 – A

2 – A

3 – D

4 – C

5 – C

6 – B

7 – B

8 – C

Question 1

The majority of candidates answered this question correctly, (A – Rent) though some explanations in part b) often lacked focus. Better answers tied their response to Aroma Italia in the stem, e.g. by suggesting that stock purchases would not change as if more pizzas are sold then more cheese or more tomato puree would be needed. One or two perceptive candidates made a point of saying that rent might increase in the longer term if the Aroma Italia moved to larger premises or if the landlord increased the rent.

- 1 (a) The Aroma Italia Pizzeria is a well-known small business in Cheshire, owned by partners Marcus Johnson and Karen Gilmour. The business has a number of fixed and variable costs.

Which of the following is an example of a **fixed cost** for Marcus and Karen?

(1)

- A Rent
- B Wages of waiting staff
- C Utility bills
- D Stock purchases

Answer

A

- (b) Explain why this answer is correct.

(3)

A fixed cost is a cost that does not change whether the demand increases or decreases as well as other changes. Rent is a fixed cost as when they rent the property, it costs the same (fixed) each month. Wages of the waiting staff may change due to raises, stock purchases may also change if more ingredients are used possibly due to more customers.

(Total for Question 1 = 4 marks) **4**



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Examiner Comments

Here the candidate answers part a) correctly, indicating A, provides a valid definition, explains why rent is considered a fixed cost and explains why stock is variable so was awarded 3 marks for part b)

- 1 (a) The Aroma Italia Pizzeria is a well-known small business in Cheshire, owned by partners Marcus Johnson and Karen Gilmour. The business has a number of fixed and variable costs.

Which of the following is an example of a **fixed cost** for Marcus and Karen?

(1)

- A Rent
- B Wages of waiting staff
- C Utility bills
- D Stock purchases

Answer

B

- (b) Explain why this answer is correct.

(3)

The wages are a fixed cost because they are set out at the beginning and not changed. Whereas the stock purchases are variable as they may need to buy more or less stock than they previously have. Utility Bills and Rent may go up and down in price and they can use more or less electricity and water than they have before so they are Variable.



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Examiner Comments

Here the candidate answers part a) correctly, indicating A, but fails to provide a valid definition, or explain why rent is considered a fixed cost or explain any of the distracters or provide any development to their answer, so was awarded 0 marks for part b)

- 1 (a) The Aroma Italia Pizzeria is a well-known small business in Cheshire, owned by partners Marcus Johnson and Karen Gilmour. The business has a number of fixed and variable costs.

Which of the following is an example of a **fixed cost** for Marcus and Karen?

(1)

- A Rent
- B Wages of waiting staff
- C Utility bills
- D Stock purchases

Answer

B

- (b) Explain why this answer is correct.

(3)

The wages are a fixed cost because they are set out at the beginning and not changed. Whereas the stock purchases are variable as they may need to buy more or less stock than they previously have. Utility Bills and Rent may go up and down in price and they can use more or less electricity and water than they have before so they are variable.



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Examiner Comments

Here the candidate answers part a) incorrectly, indicating B, but attempts a definition, and explains why stock/electricity is considered a variable cost, so was awarded 2 marks for part b)

Question 2

Use of the data (application) is always significant, but was crucial here. Candidates who are reluctant to use numbers have a real disadvantage in this subject. Incorrect answers simply stemmed from not knowing the formula and making incorrect guesses. In part b) one mark was awarded for an appropriate formula, such as Break-Even = Fixed Costs/Contribution and the other two marks for demonstrating exactly how the answer of £10 (A) was arrived at, e.g. $600 = 120 / (12 - 10)$ because contribution = average selling price minus average variable cost. Too many candidates failed to show their workings or appeared to guess part a).

- 2 (a) Adonis Dascalakis, the Head Chef at Aroma Italia Pizzeria, has calculated that he needs to prepare 60 meals a day at an average price of £12 per customer in order to break even. Fixed costs work out at approximately £120 per day.

Which of the following is the **average variable cost** per meal for Aroma Italia Pizzeria at the break-even level of output?

$$b.e.o = \frac{f.c}{c.u.m} \quad (1)$$

- A ✓ £10
 B £4
 C £8
 D £2

Answer

A

- (b) Explain why this answer is correct.

(3)

I chose this because the break-even output =
 fixed costs ÷ contribution per unit, which
 equals $120 \div 12 = £10$, so £10 would
 be the average variable cost.



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 Examiner Comments

Here the candidate answers part a) correctly, indicating A, provides a valid formula, (break-even output = fixed costs/contribution), but fails to insert correct data, so was awarded 1 mark for part b)

- 2 (a) Adonis Dascalakis, the Head Chef at Aroma Italia Pizzeria, has calculated that he needs to prepare 60 meals a day at an average price of £12 per customer in order to break even. Fixed costs work out at approximately £120 per day.

Which of the following is the **average variable cost** per meal for Aroma Italia Pizzeria at the break-even level of output?

(1)

- A £10
B £4
C £8
D £2

Answer

A

- (b) Explain why this answer is correct.

(3)

Fixed costs = £120 Break even output = 60

Selling price = £12

Variable c. = ?

$$\therefore \frac{FC}{SP - VC} = \text{break even output}$$

$$\therefore \frac{120}{12 - VC} = 60$$

$$\therefore 120 \div 60 = 2 \quad \text{per} \quad 12 - 2 = 10 = £10$$



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Examiner Comments

Here the candidate answers part a) correctly, indicating A, provides a valid formula, (break-even output = $fc/sp-vc$), and inserts correct data, so was awarded 3 marks for part b)

Question 3

As anticipated, a number of candidates confused stakeholder with shareholder and so therefore identified C as the correct answer to part a) when in fact the answer was D. Better candidates recognised that owners, the community and financiers are all stakeholders since they all have an interest in the way in which the business operates. Those who gained the third mark for part b) went on to provide examples of other stakeholders (consumers, competitors) to illustrate their knowledge and understanding further or distinguish between internal and external stakeholders.

3 (a) Aroma Italia Pizzeria has several stakeholders.

To be a stakeholder in a small business like Aroma Italia Pizzeria, it is necessary to (1)

- A be at least a part-owner
- B live or work in the geographical region of the business
- C provide start-up capital to the business
- D be affected by the business in some way

Answer

D

(b) Explain why this answer is correct. (3)

A stakeholder is someone that has an interest in a business because they are affected by it in some way. To be a stakeholder you do not need to be a part-owner, ~~be~~ you don't have to live or work near the business and you don't have to provide start-up capital. These are all just examples of what certain stakeholders do. Stakeholders can be, local community, workers, managers, suppliers, local government or shareholders.



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Examiner Comments

Here the candidate answers part a) correctly, indicating D, provides a valid definition of stakeholder, and goes on to develop their explanation with examples (local community, managers, suppliers, local government or shareholders) so was awarded 3 marks for part b)

3 (a) Aroma Italia Pizzeria has several stakeholders.

To be a stakeholder in a small business like Aroma Italia Pizzeria, it is necessary to

(1)

- A be at least a part-owner
- B live or work in the geographical region of the business
- C provide start-up capital to the business
- D be affected by the business in some way

Answer

A

(b) Explain why this answer is correct.

(3)

a "stake" holder is someone that has interest in a business. You also have to be a part owner to be able to have a part of a business. This is different from a share holder as it applies to anyone in the community. Though similarly they have to buy part of the business. Stake holders are more for the employees and owners.



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Examiner Comments

Here the candidate answers part a) incorrectly, indicating A, but does provide a valid definition of stakeholder, and goes on to develop their explanation with reference to the local community, so was awarded 2 marks for part b)

Question 4

This microeconomic question was tackled effectively by the majority of candidates – both business studies and economics and business populations. Candidates recognised that if Apple iPods fell in price then this must have occurred because the price of substitutes fell (C). Better answers in part b) explained at least one of the distracters, e.g. that if consumer incomes were to rise then this would increase their buying power, effective demand and so put pressure on prices to rise. A number of candidates drew supply and demand diagrams which, although not expected, were credited when useful, e.g. showing a negative shift in demand caused by the emergence of rival products from companies such as Sony.

4 (a) The retail price of Apple iPods fell, on average, by 50% between 2007 and 2009.

The **most likely** explanation for this was:

(1)

- A A rise in consumer incomes
- B The rate of tax on profits was increased
- C Price of substitutes fell
- D Productivity of workers manufacturing iPods fell

Answer

C

(b) Explain why this answer is correct.

(3)

If the price of other products fell, other substitutes to the iPod fell, then people would buy the other product at a cheaper price instead. This would decrease demand for the iPod. Demand is the amount of people willing and able to buy a product/service ~~over~~ at a specific price over a specific period of time. Supply is the amount the producer is willing and able to make. If demand fell due to competition then iPod would have to reduce their prices (which they did by 50%) to be able to sell their product and keep a share of the market. If they didn't they would lose sales and could result in a loss for Apple.

(Total for Question 4 = 4 marks) **4**



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Examiner Comments

Here the candidate answers part a) correctly, indicating C, and provides a valid definition of demand, and goes on to develop their explanation with reference to Apple, justifying their choice and so was awarded 3 marks for part b)

4 (a) The retail price of Apple iPods fell, on average, by 50% between 2007 and 2009.

The **most likely** explanation for this was:

(1)

- A A rise in consumer incomes
- B The rate of tax on profits was increased
- C Price of substitutes fell
- D Productivity of workers manufacturing iPods fell

Answer

C

(b) Explain why this answer is correct.

(3)

C is correct because, with the price of substitutes falling (to a more attractive price), Apple would lose customers seeking a similar, but cheaper alternative, so to lower their selling prices would keep them in a competitive position in the market. A rise in consumer incomes would surely see a rise in prices, due to the general increase in disposable income amongst the public. The same would apply with B, as Apple would be losing a larger amount of profit if they weren't to raise their prices.



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Examiner Comments

Here the candidate answers part a) correctly, indicating C, and provides an explanation with reference to Apple, justifying their choice further by explaining why a rise in consumer incomes would not be correct and so was awarded 3 marks for part b)

Question 5

A surprising number of candidates thought that private sector landlords (D) was the answer, failing to analyse that this market segment may need to purchase building and/or decorating products from time-to-time. Better candidates identified Homebase stores (C) as the correct response indicating that it is not a category of consumers which may share the same characteristics but, instead, a competitor of B&Q and Jewson.

- 5 (a) B&Q and Jewson serve different segments of the market for building and decorating products.

Which of the following is **not** a market segment for the above businesses?

(1)

- A Do It Yourself (DIY) enthusiasts
- B Self-employed electricians
- C Homebase stores
- D Private sector landlords

Answer

C

- (b) Explain why this answer is correct.

(3)

As this is another decorating and building store then it is not a market segment that B&Q and Jewson are focusing on. They need to know about the DIY enthusiasts and Private Sector Landlords as they may want to refurbish their homes and Self employed electricians need it for their work so the segment that is not for B&Q's and Jewson's market is Homebase Stores



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Examiner Comments

Here the candidate answers part a) correctly, indicating C, and provides an explanation indicating that Homebase is another decorating and building store, justifying their choice further by explaining why a private sector landlord would not be correct and so was awarded 2 marks for part b); there was no definition of market segment

- 5 (a) B&Q and Jewson serve different segments of the market for building and decorating products.

Which of the following is **not** a market segment for the above businesses?

(1)

- A Do It Yourself (DIY) enthusiasts
- B Self-employed electricians
- C Homebase stores
- D Private sector landlords

Answer

C

- (b) Explain why this answer is correct.

(3)

Market segment is a target audience that you aim specifically to sell your products to. There are different market segments which a business can aim at. B and Q is a business which sells to consumers but not stores. Homebase store is another DIY store with its own supply. They are competitors with each other. Identifying Market segments are important as (Total for Question 5 = 4 marks) 4 they are your consumers by buying your products,



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Examiner Comments

Here the candidate answers part a) correctly, indicating C, and provides knowledge of market segmentation and indicates that Homebase is another decorating and building store, justifying their choice further by explaining why market segmentation is important and so was awarded 3 marks for part b).

Question 6

This question had the biggest standard deviation in section A, with scores of both 4 and 0 common. Incorrect answers seemed to stem from candidates not knowing the factors that affect supply (see Specification, page 18, Element 1.3.2). Those candidates who did correctly work out the answer as B did so recognising that this was a demand factor; fashion tastes and preferences will affect supply - *but not directly*. Marks in part b) were awarded for showing knowledge of supply or defining competitive advantage and then developing their explanation by explaining one of the distracters, e.g. explaining that lower interest rates affect the cost of production and so affect supply.

- 6 (a) Orange Mobile used to enjoy a competitive advantage over its main rivals Vodafone and O2 by supplying free home broadband to its mobile phone customers.

Which of the following is **least likely** to be a factor which directly affects the supply of a product or service?

(1)

- A Lower interest rates
- B Fashion, tastes and preferences
- C Employee wage costs
- D An innovative design team

Answer

C

- (b) Explain why this answer is correct.

(3)

An employees wage is not much use to a customer. Fashion, taste and preferences is a major factor that affects the supply of a product, because Fashion is a key aspect within the media/retail stores, also the wage an employee gets is between the employee and employer, it doesn't stop the business flow, unless every employee had a problem with the wage they receive.

(Total for Question 6 = 4 marks) 0



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Examiner Comments

Here the candidate answers part a) incorrectly, indicating C, and provides no knowledge or real understanding of supply or demand, so was awarded 0 marks for part b).

- 6 (a) Orange Mobile used to enjoy a competitive advantage over its main rivals Vodafone and O2 by supplying free home broadband to its mobile phone customers.

Which of the following is **least likely** to be a factor which directly affects the supply of a product or service?

(1)

- A Lower interest rates
- B Fashion, tastes and preferences
- C Employee wage costs
- D An innovative design team

Answer

 B

- (b) Explain why this answer is correct.

(3)

Fashions, tastes and preferences change by consumers, this is more likely to affect the demand of a product. Lower interest rates means a business can borrow more money which can help them grow, therefore increasing the supply of the good. If employee wages rise then, they may have to cut back ^{costs} elsewhere like in the amount supplied.


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Examiner Comments

Here the candidate answers part a) correctly, indicating B, and provides clear knowledge and understanding of demand and justifies their choice further by explaining why interest rates can affect supply and so was awarded 3 marks for part b).

Question 7

On the whole, this question was tackled easily by candidates. Most were generally clear on the contrast between primary and secondary research and the better candidates applied this grasp to the Office of National Statistics context. Taking part a) and b) together, this was the best answered supported multiple choice question. However, a significant number of candidates failed to achieve the third mark for part b) because they did not show development in their answer by stating for example that both ONS and MINTEL collect their data for no particular company or specific purpose.

- 7 (a) The Office of National Statistics (ONS) is a valuable secondary source of information for new businesses.

Which of the following is also an example of a source of secondary research for a new business?

(1)

- A Customer surveys
- B Market intelligence reports, e.g. MINTEL
- C Visits to anticipated suppliers of stock
- D Interviews with a manager at an employment agency

Answer

B

- (b) Explain why this answer is correct.

(3)

Secondary research (Desk research) is research that has already been gathered eg: reports (books).
The answer is B because Market intelligence reports have already been conducted by another company, in this case Mintel. Thus it is secondary research. The answer is not A, C, D because they are all types of primary research, research that has been conducted first hand.

(Total for Question 7 = 4 marks) **3**



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Examiner Comments

Here the candidate answers part a) correctly, indicating B, and provides clear knowledge and understanding of secondary research and justifies their choice further by identifying why A, C and D are primary research methods and so was awarded 2 marks for part b).

7 (a) The Office of National Statistics (ONS) is a valuable secondary source of information for new businesses.

Which of the following is also an example of a source of secondary research for a new business?

(1)

- A Customer surveys \times
- B Market intelligence reports, e.g. MINTEL
- C Visits to anticipated suppliers of stock \times
- D Interviews with a manager at an employment agency \times

Answer

B

(b) Explain why this answer is correct.

(3)

Secondary research known as 'desk research' is a source of information that has already been collected and published. Market intelligence reports is an example of secondary research because somebody has already gone to find out the research and they have published it whereas customer surveys is primary research because they have to go and get it themselves. The advantages of secondary are it's quick and cheap, the disadvantages are it could be out-of-date or bias, to sum up secondary research is ~~not~~ ^{so} ~~not~~ ^{not} a quick decision is needed. (Total for Question 7 = 4 marks) 4



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Examiner Comments

Here the candidate answers part a) correctly, indicating B, and provides clear knowledge and understanding of secondary research and justifies their choice further by identifying why customer surveys are primary research methods and develops their answer by stating that secondary research tends to be quick and cheap, so was awarded 3 marks for part b).

Question 8

Candidates generally fell into two camps – those who correctly identified C and those who thought the answer was B. Whilst Yasmina does now sell digital signage for the NHS there is no evidence that she no longer manages. A trade-off involves an opportunity cost decision where one alternative is sacrificed. In this case Yasmina had to choose between two forms of employment and could not do both. Therefore the answer was C.

- 8 (a) Yasmina Siadatan, winner of the BBC's The Apprentice in 2009, gave up her job as a successful restaurant manager to pursue a £100,000 a year job working for Sir Alan Sugar's company Amscreen Health Care, which sells digital signage to the NHS. Yasmina's decision might **best** be described as a **trade-off** because (1)
- A she used to import and export
 - B she now sells rather than manages
 - C she was forced to choose between two jobs
 - D she does not buy products any more

Answer

C

- (b) Explain why this answer is correct. (3)

a trade-off is similar to an opportunity cost in which you choose "the best" next best thing alternative. She was forced to choose between two jobs. She was once a manager of a successful restaurant but now chose a better alternative.



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Examiner Comments

Here the candidate answers part a) correctly, indicating C, and provides clear knowledge of trade off by indicating opportunity cost and justifies their choice further by explaining that Yasmina was now choosing a better alternative and so was awarded 2 marks for part b).

- 8 (a) Yasmina Siadatan, winner of the BBC's The Apprentice in 2009, gave up her job as a successful restaurant manager to pursue a £100,000 a year job working for Sir Alan Sugar's company Amscreen Health Care, which sells digital signage to the NHS. Yasmina's decision might **best** be described as a **trade-off** because (1)
- A she used to import and export
 - B she now sells rather than manages
 - C she was forced to choose between two jobs
 - D she does not buy products any more

Answer

 C

(b) Explain why this answer is correct. (3)

trade off means taking the best alternative job that will gain more success in the long term. The answer is not A because she still imports and exports.

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Examiner Comments

Here the candidate answers part a) correctly, indicating C, and provides vague knowledge trade off by stating 'best alternative' but fails to justify their choice, so was awarded only 1 mark for part b).

Section B

The Morris-Brown CLC Leisure Library case study appeared to be accessible to most candidates. Whilst it was not about a typical private sector profit maximising business, candidates' ability to show their understanding of the organisation's behaviour – or rather that of the Community Manager Mike Watson – was not hampered. Given the Edexcel support material and guidance provided to centres for this Unit through 'Getting Started' and other sources; it is clear that candidates were well prepared for some of the topics which featured, namely motivational objectives and external economic influences.

Question 9

Poor application resulted in an unnecessary loss of marks. Although most candidates were very clear with regard to the purpose of a business plan and were able to analyse why, for example, a statement of aims and objectives or cash-flow forecast - both contained in a business plan - were necessary, they did not refer to Mike Watson.

9 Mike Watson, the Community Manager at Morris Brown CLC, prepared the business plan.

Briefly give two reasons to explain why Mike might have prepared a business plan.

(6)

Reason 1 A business plan is a formal document written before a business starts to trade as a guide to how it will operate. ~~As~~ Mike may have chosen to prepare a plan to help his business succeed, many new business fail in the first year and a plan would help him meet goals ~~more~~ ~~effo~~ and track progress more effectively. A cash-flow forecast and break even account may have helped him ~~estimate~~ ^{prove} the business's potential and so gain funding from grants.

Reason 2 A business plan contains extensive market research. This market research ~~could help him to identify~~ may have helped him identify a business opportunity. ~~It could~~ Mike could also carry out competitor analysis so he can ensure he has a differentiated product from competitors or previously running ~~the~~ ~~CLC's~~ CLC's, thereby adding value and improving his service.



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Here the candidate gives reasons as 'a guide' to help 'meet goals' to 'gain funding' as a result and then goes on to explain that it would help Mike differentiate his products against competitors or 'previously running CLCs' so gained 5 marks out of 6 because factors were identified, explained and ONE was developed on context.

Question 10

A significant number of candidates clearly did not read the evidence. Of those that answered reasonably well, very few analysed in depth enough to provide a consequence to the business. Candidates provided many reasons why the research was unreliable, e.g. only 100 people questioned, and offered other methods which might be more appropriate, but they failed to say why this would be better for the Leisure Library.

10 Examine why the primary research findings provided in Evidence B might be considered as insufficient as a basis for the Morris Brown CLC developing a leisure library.

(4)

Evidence B may be regarded as insufficient because it only shows a response from over 100 people between 11-18. With Birmingham being a large city, and 100 people not enough to even fill a secondary school, the findings may ~~be~~ be regarded as too little a proportion of Birmingham to base a Leisure Library and ~~its~~ everything involved with it on. Furthermore, the fact that only 100 people were asked would mean that the findings are insufficient because if these findings were to provide the basis, even though they might give an inaccurate reflection of 11-18 year olds in Birmingham,

(Total for Question 10 = 4 marks) **3**

may mean the CLC still may not be able to provide a service to all children



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Here the candidate gives the reason as 'from over 100 people between 11-18, with Birmingham being a large city' as 'not enough' and 'too little a proportion' clearly written in context given the reference 'provide a service to all children' so gained 3 marks out of 4; knowledge of primary research was a little 'thin' hence not awarded 4 marks – see mark scheme.

Question 11

Candidates need to be reminded of the expectations when asked to discuss. The majority provided very full but one-sided analysis. Most understood the differences between the profit and non profit driven motivations but very few were able to identify the common motivational factors (e.g. survival or cost efficiency) or need for a surplus – which is similar to profit - in the not for profit sector.

11 In his attempts to persuade the Women's Business Development Agency to provide a grant to help finance the Leisure Library, Mike Watson argued that the business would be run as a not-for-profit social enterprise.

Discuss the extent to which the motivational objectives of Mike Watson might differ from those of a typical private sector entrepreneur.

(8)

A typical entrepreneur would be looking to make some profit, from the business. Money would be their motivation for starting a business.

Mike's motivation is the benefit the children in the area. Mike wants to encourage children to come to the Morris Brown Community Learning Centre to help them, not to take their money.

He is using staff who are existing staff at the school because they understand the educational needs of the children in the local area, not to benefit his profit, which is what a typical private sector entrepreneur would do.



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Here the candidate gives reasons as to why Mike is not a profit-maximiser and refers to the context 'encourage children'. However, the answer is one-sided so scored 5 out of 8 marks.

Question 12

Similar to responses to question 3 in January 2009, there was evident confusion between market mapping and location factors. Candidates appeared to struggle with the topic. A few did not know what market mapping was or gave confusing definitions. However, several scripts showed diagrams and discussed gaps in market and made some analytical points with respect to the Leisure Library, e.g. that it could be used to provide the right sports equipment at the right price for the neighbouring community.

12 Mike Watson has clearly considered that the Leisure Library might not have the potential for market growth in the Birmingham area alone (see Contingency Plan, Evidence A).

Evaluate the likely value to Mike Watson of using market mapping to help examine other markets in the neighbouring towns.

(8)

market mapping is when a business plots two contrasting axes on a map under titles relevant to their particular market and plot themselves and their rivals on this map. Market mapping would help Mike Watson to assess whether there is a gap in the market for neighbouring towns for a leisure library equipment which is currently being neglected by competitors such as fitness first ^{and local schools}. It would also be valuable to plot a map. However, it would not be particularly valuable according to the prices of lending his equipment ~~because~~ net to others. However, market mapping may merely consume time and energy as we do not know if Watson has the appropriate information on the markets of ~~leisure~~ sports equipment for local areas. Even if market mapping was useful for the contingency plan, it may not be the most important consideration as Mr Morris Brown CLE may not be able to afford the potential necessity of providing a delivery service.

(Total for Question 12 = 8 marks) **7**



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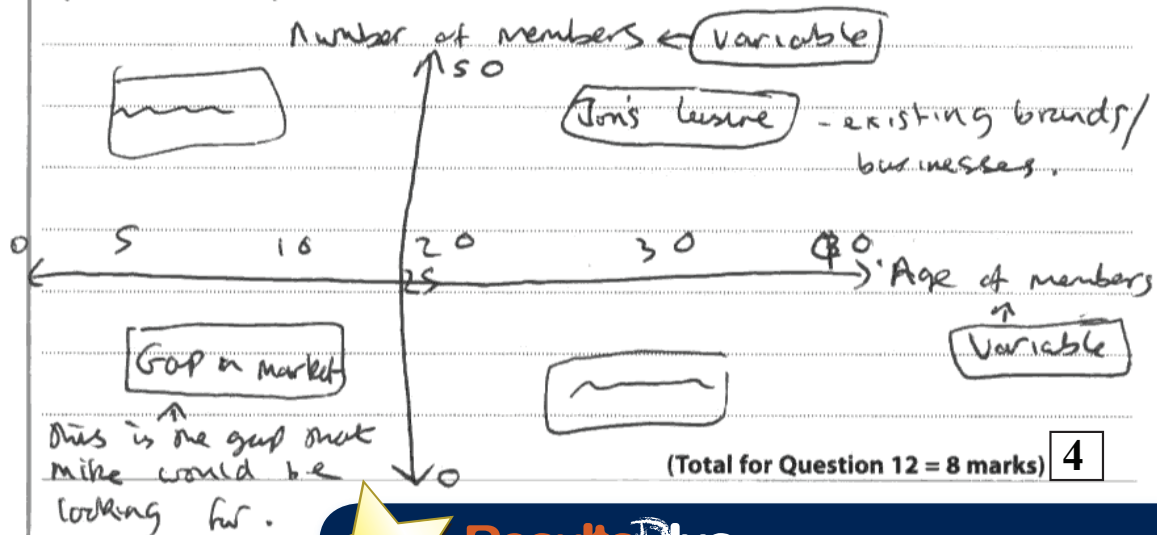
Here the candidate gives reasons as to why Mike would find market mapping useful and why he might not given that it is time consuming. This is an answer which draws well upon the context, so scored 7 out of the 8 marks available.

12 Mike Watson has clearly considered that the Leisure Library might not have the potential for market growth in the Birmingham area alone (see Contingency Plan, Evidence A).

Evaluate the likely value to Mike Watson of using market mapping to help examine other markets in the neighbouring towns.

(8)

Market Mapping is identifying key variables in a product or good, then plotting existing brands/products on those variable axis, then identifying a gap in the market. In the contingency plan it states if demand is lower than anticipated then the facility will be offered to schools and organisations in neighbouring towns, Mike would need to identify one 2 key variables in the Leisure Library. e.g. number of members / ~~percentage~~ age of members. After that he can examine which brand/products that exists in that area and spot a gap in the Leisure Library market e.g.



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Here the candidate shows knowledge and understanding of market mapping and applies it to the Leisure Library but fails to analyse, so scored 4 out of the 8 marks available.

Question 13

A very small minority of candidates took the opportunity to shine on this question with full evaluation of two factors. A more significant number were able to either analyse 2 factors or only to evaluate one. Where there was good analysis, examiners were not always able to reward evaluation because of the complete lack of context. There was also some repetition across the answers, e.g. how a rise in interest rates and a fall in interest rates could be considered as two external influences or recession/boom; in such instances marks were limited to 6 out of 12.

Many candidates identified correctly external economic – macro and micro - influences (inflation, unemployment, growth, competition, consumer preferences) and successfully analysed the effects in context with respect to David Lloyd Leisure. Occasionally some scripts referred to purely non-economic influences e.g. the weather or threat of terrorism and so these responses were not always awarded unless linked to supply or demand.

A significant number of candidates did not attempt question 13, possibly because they ran out of time and it was the last question. These candidates need to be reminded not to spend too much time on Section A and allocate their time proportionately, i.e. about 35 minutes on section A and 40 minutes on Section B.

*13 Leisure businesses in the private sector, such as David Lloyd Leisure, are likely to be affected more by **external economic influences**.

Assess the likely implications for a private sector leisure business, such as David Lloyd Leisure, of changes in any **two** external economic influences.

(12)

Influence 1 One external economic influence would be interest rates. Interest rates affect the amount a person can borrow. Therefore, if the interest rates were low, people would be able to borrow more. This means that more people would be able to spend money on such leisure activities like at David Lloyds. However, if interest rates increase, less people would be able to borrow as much so David Lloyds would most likely have a decrease in sales, as not many people can afford this service. Also, David Lloyds could be affected on the amount of new machinery bought for their leisure centres. With a high interest, they will be able to borrow less, therefore it could affect how much stock they buy for their centres, as they may buy less.



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Examiner Comments

Here the candidate gives reasons as to why David Lloyd Leisure might be affected by TWO external economic influences, giving the benefits of changes in interest rates and the costs of changes in interest rates. The candidate also discusses how unemployment might affect DLL. There are no conclusions to each discussion so the candidate scored 10 out of the 12 marks available, i.e. 5 + 5 for each influence.

*13 Leisure businesses in the private sector, such as David Lloyd Leisure, are likely to be affected more by **external economic influences**.

Assess the likely implications for a private sector leisure business, such as David Lloyd Leisure, of changes in any **two** external economic influences.

(12)

Influence 1 If there are higher interest rates, then consumers will have less disposable income, because they are having to pay larger loan repayments. Therefore their spending will decrease. This will have an impact on the business, because they have less demand. Especially on luxury items such as leisure facilities. The business may have to reduce how much they operate, to cut costs. They will have to seek recommendations. This happens in recession, where people aren't spending enough in the economy so there is less demand and less output. There are less job opportunities. There is less investment in businesses and it becomes difficult for them to obtain loans especially private sectors because interest rates are so high that they can't afford repayments.



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Examiner Comments

Here the candidate gives reasons as to why David Lloyd Leisure might be affected by TWO external economic influences, giving the drawbacks of inflation and increases in interest rates. However, the candidate fails to discuss how each influence might affect DLL so the candidate scored 8 out of the 12 marks available, i.e. 4 + 4 for each influence.

Statistics

6BS01 & 6EB01

Grade	A	B	C	D	E
Grade Boundaries	48	43	38	34	30

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