

Examiners' Report  
June 2015

GCE Business Studies 6BS04 01

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## Introduction

This paper was based on the pre-release featuring Center Parcs, the adventure holiday park business. This business is well known to a range of people, and in particular teenagers who may have enjoyed holidays at one of the parks. The pre-release material covered a wide range of specification areas, lending itself to a breadth of discussion areas for teachers and students to explore in lessons.

The paper followed the established format of shorter knowledge and application based questions at the start of section A, progressing to an evaluation question at the end of the first half of the paper. This section contained the main calculation question and with quantitative decision-making techniques so important in this unit, gave students an opportunity to demonstrate their numerical understanding early in the paper.

Section B, as ever, asked more open-ended questions intended to prompt students to explore broad issues of corporate strategy in their answers. The intention in both questions (7(a) and 7(b)) was to prompt candidates to make links across the pre-release material and the specification content, thus allowing a more in-depth evaluation of the business decisions in question.

Successful candidates in this paper:

- Stuck closely to the requirements of the question posed - there is a danger that with examinations based on pre-release material that candidates are tempted to answer questions that they practised before the examination, or had been prepared for by teachers.
- Answered in the context of Center Parcs and its markets. They were able to recognise the nature of Center Parcs as an established market leader, expanding its portfolio by opening a new holiday park in Woburn.
- Made sure they had a sound understanding of the specification content so they could apply it confidently to the questions - this is particularly the case with the numerical/calculation questions.

Less successful candidates in this paper:

- Did not show secure enough understanding of specification content and terminology. Specifically: 'Net Present Value'; 'Labour turnover'; or 'Decision trees'. Glossaries of key terminology are a good way of securing this knowledge at all stages of preparation for the examination.
- Did not read the wording of the question carefully enough, resulting in answers that related to a very different question. This was particularly the case in Section B, which although the nature of the questions demand wide-ranging responses, they still need to be relevant to the specific specification areas.

## ***Question 1***

This question focused on the specification area of stakeholders and required a simple definition. It draws on terms included in the additional evidence at the beginning of the question paper. Candidates were simply asked to define the term - knowledge without an example was sufficient here to gain two marks, however a good example would have helped to lift the mark to two if the explanation was not clear enough.

## ***Question 2***

This was a short question on another large section of the specification - corporate culture. As with the previous question, it draws on terms included in the additional evidence at the beginning of the question paper. Again, strong responses without examples were sufficient to achieve the full marks.

### Question 3

This is another question that draws on information presented in the additional evidence. In this case it is the information regarding Center Parcs labour turnover relative to competitors with similar workforces. This is an interesting example because, for this business operating in a relatively low skilled service sector, their labour turnover is relatively low.

This question asks candidates to make the link between labour turnover and human resource competitiveness. Candidates were only required to explain one way in which labour turnover can be used as such a measure, hence one being written in bold in the question.

- 3 Explain **one** way in which the Center Parcs labour turnover calculation measures its human resources competitiveness. (Additional Evidence K)

labour turnover is the amount of employees who leave a business in a given time period.

one way it measures it's human resource ~~competitiveness~~ <sup>competitiveness</sup> is by comparing their own of 23% in 2013 to industry average. ~~23%~~, this shows that their employees feel valued at centre parcs which may be why their labour turnover is so low; this maybe linked to staff feeling empowered and trusted to make decisions alone.

(Total for Question 3 = 4 marks)



#### ResultsPlus Examiner Comments

The candidate clearly defines labour turnover and applies their answer with reference to the Center Parcs figure of 23%. The analysis comes from the response comparing this to competitors and suggesting that this might make Center Parcs more competitive in HR terms.



#### ResultsPlus Examiner Tip

Although the knowledge and application in this answer are clear, the analysis could be improved. The mention of Human Resource competitiveness is not clear, nor is it linked to labour turnover. Make sure you use connective phrases, such as 'this means that...' in order to sharpen your analytical statements.

## **Question 4**

Center Parcs have undertaken a large investment in building their Woburn holiday park. Such a project will have involved a large degree of financial forecasting and planning, in which investment appraisal techniques are likely to have played a significant part. The different methods of investment appraisal require specific knowledge and understanding that this question was written to test.

Good answers were clear about Net Present Value being a technique which aims to take into account the declining value of money over time. This means that a discount rate has to be applied, which in turn has to be estimated, which provides one of the main disadvantages of such a technique. External economic changes might also make the initial cash flow estimates inaccurate and there was scope here for candidates to take this approach to analysis.

## Question 5

This question was a straightforward ratio question on profitability. Candidates were required to calculate four ratios in part (a) and then comment on these ratios in part (b) in terms of what the changes in values mean and how they might help us to understand Center Parcs' performance over 2 years.

- 5 (a) Using Evidence D, calculate Center Parcs' Gross Profit Margin and Net Profit Margin for 2012 and 2013.

(4)

	2013	2012
Gross	$\frac{272.1}{303.5} \times 100 =$	$\frac{257.6}{291.7} \times 100 =$
	89.66%	88.31%
Net	36.6%	36.8%
	$\frac{111.1}{303.5} \times 100 =$	$\frac{107.4}{291.7} \times 100 =$

- (b) Comment on the results of your calculations in 5(a).

(4)

From 2012 - 2013 gross profit margin has increased by 1.3%. This could be due to the fact revenue has increased along with cost of sales decreasing. However net profit margin has decreased by 0.2%. This could be due to a rise in expenses from 150.2 - 161. Although not a big drop in terms of how much revenue Center Parcs make 0.2% could be a significant amount.



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### Examiner Comments

This response calculates the ratios accurately in part (a) and importantly, they have labelled the years correctly. In this instance answers are written to 1 or 2 decimal places, however, accurate calculations to whole numbers would still allow full marks to be achieved.

In part (b) the candidate makes statements about the size of the change e.g. 1.3 percentage points; then goes on to analyse why this might have occurred with reference to the wider financial information which appears in the pre-release stimulus material.



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### Examiner Tip

It is not necessary to show your working to achieve full marks, but this is still a good strategy to use; as if you make a mistake in the calculation and write the wrong answer, you will still gain reward if you have used the correct technique.

When making comments about changes in figures (e.g. Gross profit margin), quote figures and then do something with them. For example, it is not sufficient to just repeat your answers to part (a) in part (b), you need to do a calculation to show by how much a figure has changed.



## Question 6

Critical path analysis is a key quantitative technique used by businesses in project management. While it is important for candidates to be able to complete the numerical aspects of this technique, it is important for them to be able to evaluate the uses and limitations of this technique, as with any other in the specification. This question required that skill.

Critical Path Analysis is particularly suited to projects that involve a large number of separate activities, many of which can be carried out at the same time as other activities that are not dependent on their completion. Building accommodation in the new forest park is such a project. In this question, the focus shifts to ISG, one of Center Parcs' contractors - and it was important that candidates recognised this for context in their answers.

- 6 Assess the likely value of Critical Path Analysis/Network analysis to ISG in planning the building of the accommodation blocks at the new Woburn village (see Evidence C).

(10)

Critical path analysis refers to a network analysis that helps organisations to identify the minimum time required to complete all the tasks and delays that is critical for its completion. The Critical path analysis, will help ISG to plan delays as time will be planned well, i.e. if there is float time, it is because time is already planned to complete the project before 59 weeks. This results in the process of the project will be done more smoother as careful planning involves.

Also, the critical path analysis gives a better view of the project i.e. it shows the tasks which can be simultaneously done, therefore shortening the length of time of the project. For instance, a worker ~~taking breaks and giving~~ <sup>doing the decor of the</sup> laying bricks and giving ideas on what to do next can be done at the same time, therefore time being saved.

On the other hand, in order for critical path analysis to be successful, ~~the~~ managers commitment is needed, i.e. their experience & exposure plays a big role in critical path analysis as a ~~stage~~ <sup>helps</sup> to finish the project before time. Therefore success

Cannot be guaranteed. This is because, if managers are lethargic and using a laissez-faire leadership style, then it is not possible to finish the project before 59 weeks and thus financial penalty will be charged.

In addition, like all projects experts are needed to do tasks, therefore being expensive for

Center Parcs or they would have to install expensive software in order to do the complex tasks more easily leading to increased costs for Center Parcs and reducing profitability. In conclusion, since Critical path analysis, helps to handle delays and carry out processes smoothly it helps to finish the project within 59 weeks, ~~and~~ without being fined for penalties.



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### Examiner Comments

This answer shows a very clear understanding of what Critical Path Analysis (CPA) is and what its key features are - which makes a good introduction. The answer then applies this understanding clearly to the Center Parcs/ISG context by explaining the time constraint the contractors are under, which is why a planning tool like CPA might be useful.

The candidate makes it clear how CPA will help this business (ISG, the contractor) and how it might be particularly important in this project. The limitations are also clearly in context and analysed well. In a 10 mark question there is only scope for a small conclusion, but this answer successfully links back to the question and context - by explaining how ISG might avoid late completion fines/additional payments if they plan ahead with CPA.



## ResultsPlus

### Examiner Tip

In 10 mark evaluation questions, make sure that you provide balance in your answer with a short conclusion that answers the question. Each point needs to be in the context of the business in question, so use the pre-release material, and additional evidence to pick out appropriate evidence.

## Question 7 (a)

Corporate Social Responsibility is a big feature of the unit specification and is a big feature of this examination's pre-release material. It is an interesting concept for questions because there is much debate about whether businesses genuinely act responsibly, or do so as a means to the end of achieving financial success. This is an on-going debate and one which provides a rich source of evaluative discussion.

This question required candidates to make an assessment of the importance of Corporate Social Responsibility (CSR) to Center Parcs. The challenge was for candidates to weigh the undoubted efforts of Center Parcs to be energy efficient, for example, with the fact that they do other things such as continually heat the swimming area at a high financial and environmental cost.

7 \*(a) Assess the importance of Corporate Social Responsibility to Center Parcs.

(20)

Corporate Social responsibility refers to firms operating responsibility ~~and corporatively~~ towards the communities they operate in or for. Centre Parcs is a firms that provides short term break holidays to consumers in a forest location. Thus ~~setting up in a forest acting~~ CSR is very important for Centre Parcs. The wood for the beams is sustainably sourced under the PEFC system, meaning that for every tree used another is plant. This will eventually create a positive image about Centre Parcs in front the public, government, media and pressure goods. Thus just to support Centre Parcs for the CSR activities they do, consumers may go for holidays to Centre Parcs. This will eventually give Centre Parcs with the ability to charge premium prices and earn high revenue. CSR activities will help Center Parcs to easily attract investors to invest on its

projects. This is because CSR <sup>improves</sup> ~~creates~~ the goodwill, brand value and business reputation thus Centre Parcs is more likely to sustain in the market and achieve growth. CSR activities will lead to positive employee motivation. Centre Parcs has developed an internal training programme for all employees. This is also considered as CSR as the firm is being corporately responsible to its employees. Further since CSR improves profitability of business it will lead to better <sup>pays</sup> ~~wages~~ to workers. Employee motivation is important for Centre Parcs so that workers provide high customer service which will lead to repeat sales and greater consumer satisfaction.

However CSR activities are expensive. Centre Parcs has invested more than £2 million in creating an environmentally friendly fleet of vehicles. Since CSR increases the overheads of Centre Parcs, they may have to pass on this in the form of higher prices to consumers which may lead to a reduction in competitiveness of Centre Parcs in the market. ~~Further if Centre Parcs doesn't carry out CSR.~~ Further even though green



Values is Centre Parcs aim you cannot say Centre parc is full socially responsible as there has been an increase in water useage due to the last amount of water adventures built building up of villages leads to ~~global~~ deforestation which contributes to global warming and the parking of vehicles in the gate helps to reduce pollution, congestion and travel but may not necessary lead to business to local suppliers. If Centre Parcs doesnot behave socially responsible it ~~to~~ will lead to a negative impact on Centre Parcs image leading to fall in longrun sales and share prices.

Centre parcs need to socially responsibly may be it needs to start looking into renewable resources and the ~~help~~ <sup>advice</sup> of Energy Saving Trust could help it to keep its keen its cost low related to its investments in CSR. If center parcs fail to be social responsible it may receive press are from government and pressure groups who may impose fines on Centre parc.



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**Examiner Comments**

This answer provides a balanced discussion of how Center Parcs follows a policy of CSR and how this is beneficial to their brand image and is welcomed by customers. Importantly, the answer picks lots of relevant examples from the case study to support their argument e.g. the PEFC system of certification. The balance is provided by a discussion of the financial cost of such a policy and how this could, in the future, detract from the importance of CSR to Center Parcs. Importantly, there is a clear judgement to the answer, which is contextual and relevant. Their point shows a thorough understanding of Center Parcs' image and relationships with stakeholders such as the government, which might be damaged if CSR is abandoned or diluted.



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**Examiner Tip**

With questions that require an assessment, make sure your answers are well balanced and discuss both sides of the argument - in this case the importance of CSR to Center Parcs, even if in your view the answer is obvious. Furthermore, when writing a conclusion in order to provide an 'assessment', bring in something extra about the business's context or market in order to support this. In this case, the candidate uses the stakeholder model to explain how their views and actions might mean that CSR is important overall.

## Question 7 (b)

Decision trees are one important decision making tool for businesses. Center Parcs decision on which advertising agency to use for the new Woburn park is one where decision trees could be relevant.

This question was not based on specific data in the pre-release, but more on the decision-making techniques a business such as Center Parcs might use. The ability to evaluate these techniques is an important part of the specification. Decision trees are one of those techniques with a range of uses and limitations depending on the business context.

In 2013 Center Parcs had to decide which creative agency it would use for the next five years.

\*(b) Assess the usefulness of decision trees to Center Parcs when making this choice.

(30)

Decision tree's involve planning out each potential opportunity against its ~~overall~~ probability of success overall. In this case Centre <sup>Parcs (CP)</sup> would plot both Bromers and sisters and Beattie McGuinness Bungary. While in many cases decision trees may be useful, in this case in which the data is qualitative rather than quantitative a decision tree would be of little help. For instance the success of a creative agency can not be directly linked with sales while it does contribute due to them publishing all promotional activity. ~~while for a decision such as what to do to grow next a decision tree may be useful.~~ <sup>→ therefore success hard to plot.</sup> Instead in the case of finding a creative agency it may be beneficial to look at what each firm brought to the pitch, while B+S may have got the ideas ~~do~~ they have the capabilities to provide or should they have instead stayed with a firm that already provided them with success. Decision tree's also work on probability which in a case that involves the performance of people ~~and~~

may be hard to figure out. While instead looking at previous marketing material in relation to CP's own goals for the future may help when figuring out which firm to choose. Brothers and Sisters for instance fit well with the new parc Woburn Forest (Evidence 9) and may therefore have been a contributing factor to their success.

~~Center~~ Parcs may have also wished to consult how each of the competing agencies materials suited and attracted potential customers. As each of agencies while may have carried out their own research may not have done this without bias. And therefore to figure out which would be potentially the most successful in its aims of supporting growth and attracting new customers. However it could be argued that in 2013 CP would be more concerned with expansion over re-testing research. Although the people within CP involved in recruiting the agency are probably not involved <sup>in Woburn</sup> and perhaps more likely to re-check.

Furthermore, decision trees although not altogether beneficially perhaps, may also provide new ideas that had yet to be thought of, as a decision tree also has the option to do nothing. However, with CP investing £5 million suggests they were ~~never~~ never going to do 'just nothing' and implies instead that perhaps Beattie McGuinness Bungay were not fulfilling their requirements.



In all, a decision tree may not be directly useful as the estimated monetary gain can't accurately be predicted. However a decision tree is a good way of setting out and looking at the gains and losses. So it could perhaps be a methodical way of concluding. However, CP should instead look at what each agency is offering and independently looking at Center Parcs' goals and objectives for the future. See where each of the two firms also fit in and whether they would be able to provide.



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#### Examiner Comments

This response accurately analyses how decision trees might be used by Center Parcs for this decision by outlining the key features of the technique, such as probability and expected value. This provides a good basis for the evaluation of the lack of usefulness of decision trees due to problems with predicting the financial outcomes and profits of creative marketing campaigns, as well as the qualitative factors such as Center Parcs having an existing relationship with the BMB agency.

In this case the answer did not gain marks for a contextualised judgement as the attempt at one was a repetition of previous arguments made.



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#### Examiner Tip

Although there was not a requirement for decision tree calculations to be made in this question, an understanding of the decision-making technique and its key features would have provided the basis for a sound answer here.

For a conclusion, the candidate could have explained how working with a new creative agency such as Brothers and Sisters, might be appropriate because it would complement Center Parcs' new approach and expansion. This decision would be made for strategic qualitative reasons and would not need a more precise quantitative approach such as decision trees.

## Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Make sure that they are fully aware of the content of the pre-release material and have a secure understanding of all the business terminology within it, particularly those that appear in the specification as well.
- Read the additional evidence carefully. By its nature it is intended to give you additional information and raise additional issues that are likely to be examined. As you will not have seen this information before the examination, careful reading of it at the start of the exam is time well spent.
- Practise writing in context. This means showing an understanding of the business and its wider situation: its market, objectives, products or services, and the situation it currently finds itself in. Simply writing 'Center Parcs' at this level is not sufficient; candidates need to show an understanding that it is an established business that is gradually expanding in the face of increased competition from domestic holiday parks and foreign package holidays and holiday parks. This is all evident in the case study, but understanding can be deepened through wider reading of the financial press and news articles to understand current developments.
- Aim to write balanced, evaluative answers to questions 6, 7(a) and 7(b). This means writing two-sided answers with a conclusion that answers the question directly and brings in wider contextual points that support the overall judgement.
- Practise time management so that the last questions in particular can be given sufficient time to be answered in depth and detail. Together these questions are worth 62.5% of the paper's marks, so performance on these will have a big effect on a candidate's overall mark.
- Look for the command words in each question and structure answers accordingly - this avoids writing answers that are either too short or too detailed, and should help with overall time management.
- Ensure that you are writing answers to the question posed: it will state clearly the perspective from which to answer e.g. stakeholders. Answers clearly focused in this way are likely to achieve the higher level marks.

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