

# Mark Scheme (Results)

## January 2008

GCE Level

# GCE Economics & Business Studies (Nuffield) (6364)

## Paper 1

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

### THE MARK SCHEME - SOME GENERAL POINTS

1. The scheme tries to provide a range of likely relevant responses to the questions set. All relevant responses are worthy of marks; it is important to reward good work even if it is not referred to explicitly in the mark scheme. **Valid original responses could well call for high marks.**
2. Points made should be ticked in the body of the script and marks placed in the right-hand margin.
3. The Levels of Performance table should be used to reinforce the content level descriptors to establish the appropriate level of achievement and number of marks to be awarded to each candidate. Marks for quality of written communication are embedded in the Levels of Performance table and, consequently, candidates will be assessed on their quality of written communication wherever a Levels of Response mark scheme is used.
4. Marks within levels are determined by examiner judgement based on both quality and quantity of work.
5. Do not be reluctant to use the full mark range and, especially, do not shy away from awarding maximum marks. The candidates are working under great pressure; ask what might be considered excellence in such circumstances.
6. Be careful not to be severe in awarding marks to candidates answering questions within your own area of expertise. Conversely, avoid being too generous in less familiar areas.
7. When marking large centres it is possible to become 'localised' to the quality of the centre and drift away from agreed standards. To avoid this, make frequent references to the copied scripts marked at the standardisation meeting.
8. The total marks for each question should be circled and also entered on the front of the answer book.
9. Throughout this Mark Scheme, "toolkit" refers to the concepts, theories and techniques which form the knowledge base for this subject.
10. Our view of analysis entails a logical sequence of explanation, generally using 'toolkit' concepts.
11. The sequence of evaluation is a conclusion drawn from weighing evidence.

Briefly explain the benefits for firms such as Toyota of collaborating with Chinese car firms

Question Number		Indicative content
1.		<p><b>Knowledge 2, application 3, analysis 3 marks. (8)</b></p> <p>Toyota like many other manufacturers has recognised the potential of the Chinese car market. Collaboration with a Chinese partner allows Toyota access to the Chinese market. Government regulation prevents foreign firms entering the Chinese market.</p> <p>There may well be synergistic benefits for Toyota entering into a collaboration with Chinese firms. Chinese firms may bring labour, factories and local knowledge to the partnership. Toyota may bring capital and technical expertise to the arrangement.</p> <p>Markets in developed countries are mature. Opportunities for growth in these markets are limited. As a result the Chinese market may appear particularly attractive. As the economy in China grows demand for cars is likely to grow significantly - the demand for cars is income elastic.</p> <p>Toyota's knowledge of manufacturing systems means the cars produced in collaboration may be of better quality and greater reliability. This may be a potential source of competitive advantage for Toyota.</p> <p>Responses <i>must</i> be linked to the idea of collaboration and/or joint ventures-If only one benefit cap at level 2.</p>
Level	Mark	Descriptor
Level 4	7-8	Answers should demonstrate real understanding and offer a clear and accurate grasp of at least two potential reasons why firms such as Toyota may wish to collaborate with Chinese firms. Answers should demonstrate logical development and offer a coherent explanation of the potential benefits of collaboration.
Level 3	5-6	Look for development of a coherent response, which identifies two benefits firms such as Toyota, may gain from collaborating with Chinese manufacturers. We are looking for candidates to demonstrate applied knowledge with reasoned explanation supporting analytical comment.
Level 2	3-4	We are looking for some relevant knowledge of possible ways that manufacturers such as Toyota may benefit from working with Chinese manufacturers. Responses may lack the logical development required to progress to Level 3, offering theory without linking it to the context.
Level 1	1-2	Some relevant understanding of at least one potential benefit is apparent. Application may be weak. Answers may lack a clear understanding of the reasons why firms might engage in restrictive practices.

Examine the reasons behind the decision of Japanese car firms such as Honda to build factories in the United Kingdom

Question Number	Indicative content	
2.	<p>Knowledge 3, application 4, analysis 3 marks (10)</p> <p>EU trade regulation were a key determining factor behind the original decision to locate factories in the UK. Trade barriers limited the number of cars that could be imported into the European Union. In order to circumvent these barriers, Japanese firms chose to locate manufacturing facilities within the European Union. By locating within the UK Japanese car firms could then export their cars throughout the European Union without restriction.</p> <p>The decision to locate in the UK, rather than elsewhere in the European Union was affected by a number of factors. Government policy sought to encourage inward investment. Regional aid was offered to Toyota and Nissan for locating in areas of high unemployment. In the case of Honda financial assistance was not available for locating in Swindon (candidates would not be expected to make this distinction). The decision to locate in Swindon was more to do with Honda's relationship with Rover (Oxford) and the availability of a pressing plant owned by Rover in Swindon that could manufacture body panels.</p> <p>In locating in the UK, Japanese firms could draw on the available manufacturing expertise of British workers and the long British tradition of car manufacture. Union guarantees and the readiness to accept new work practices ensured that labour disruption would not be a problem.</p> <p>Candidates may also refer to the theory of comparative advantage.</p>	
Level	Mark	Descriptor
Level 4	9-10	Candidates accessing this level should offer balanced comment explaining why the Japanese car firms might have chosen to locate in the UK. Look for the use of appropriate business terms applied to the context. Answers should demonstrate analysis which offers insights into the reasons why Japanese car firms such as Honda chose to build factories in the United Kingdom.
Level 3	7-8	Responses should apply relevant knowledge to the analysis of the question. At this level argument may lack balance. Answers at this level may offer a partial analysis of the reasons why Japanese car firms such as Honda chose to build factories in the United Kingdom.

Level 2	4-6	Candidates provide partial answers, which fail to fully develop possible reasons for the decision of Japanese firms to locate in the UK. Valid insights will be identified. Responses, which are limited to one reason for Japanese firms locating in the UK, will be capped at Level 2. At this level there may be few actual examples of the benefits that Japanese firms may have anticipated when making a decision to locate plants in the UK. Candidates achieving this level may place a greater emphasis on assertive statements rather than seeking to support comments with examples appropriate to the context.
Level 1	1-3	Reward valid assertions which identify some possible suggestions but which may lack coherent development. Expect to see some general insight offered. Answers may not be linked to the context.

Assess the likely reasons behind Ford's decision to sell off brands such as Jaguar and Land Rover

Question Number	Indicative content
3.	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3 (10)</b></p> <p>Ford acquired premium brands ranging from Aston Martin to Jaguar as part of a strategy to raise profitability. This strategy has proved optimistic. Sales of Land Rover models have proved disappointing. This has been in part due to manufacturing problems, which have affected product reliability. Sales of Jaguar have also been disappointing. Plans to significantly increase output have not materialised. Sales have been in part affected by a recession in the United States and the devaluation of the US dollar, which has affected the relative competitiveness of imported cars.</p> <p>The impact on sales will depend upon the price elasticity of demand and whether Ford chooses to cut its sterling price of Jaguars and accept a lower profit margin. The indications are that Jaguar cars are price sensitive and sales have slipped significantly. This may be partly due to Ford's use of the Mondeo platform and parts in the manufacture of the Jaguar range.</p> <p>Ford's Premier Automotive Group was Nasser's idea and holds the company's European brands Jaguar, Land Rover Volvo and Aston Martin. But despite hopes the group could generate a third of its automotive profit, Premier failed to meet performance targets. Jaguar proved particularly troublesome with disappointing sales, high costs and an image problem for the X-type. Instead of appealing to young executives it appealed more to the retired motorist. Build problems with Land Rover, high costs and low productivity compounded the problems of the group.</p>

		<p>Ford has made significant losses from the sale of its Ford range of cars. The need to cut costs means that Ford is keen to raise capital to fund the restructuring of the company and cover the significant healthcare costs. The decision to dispose of the Land Rover and Jaguar is part of a strategic review. The company is seeking to refocus on what it sees as its core competency, producing high volume competitively priced cars. The company appears to be intent on focusing on its perceived strengths.</p> <p>Candidates may identify the decision to sell off premium brands as part of a strategic review and refocus on its core capabilities.</p> <p>This question requires an evaluative response if candidates are to access the higher levels of the mark range. A range of possible reasons may be identified. Two would be sufficient to access Level 4 of the mark scheme. Accept any logical response here.</p>
Level	Mark	Descriptor
Level 4	9-10	Candidates will offer a clear assessment of the possible reasons for Ford wishing to dispose of Land Rover and Jaguar. At this level a balanced assessment should lead to evaluative comment.
Level 3	7-8	There should be some attempt to make an assessment of the possible reasons why Ford wishes to sell off Premium brands such as Land Rover and Jaguar. Two reasons may be identified although reasons may lack balance or not be fully developed.
Level 2	4-6	Conclusions may be based on assertions. An attempt should be made to identify plausible reasons for Ford's decision to sell subsidiaries. The examination is likely to be one-sided and may lack the use of appropriate examples.
Level 1	1-3	Some relevant comments offer at least a partial consideration of the reasons for selling subsidiaries. Responses at this level are likely to be characterised by limited development.



## Evaluate the role of market segmentation in the car industry

Question Number		Indicative content
4.		<p><b>Knowledge 2 , application 2, analysis 2, evaluation 6 marks. (12)</b></p> <p>The use of market segmentation by car companies enables them to produce a range of different cars, which may address the specific needs of different consumer groups. Car producers can target consumers in different income and lifestyle groups, offering them products which cater for their specific needs. In doing so firms may hope to be market orientated and achieve higher sales. Accept benefits or otherwise for the consumer.</p> <p>There is a strong evaluative element here and this may take many forms, perhaps stressing the importance of other factors such as quality, branding, marketing and so on. It may be that too much segmentation can be counter productive.</p> <p>Discussion of niche vs. mass markets is not the same as market segmentation and whilst there may be some merit in developing this it is unlikely to gain many marks.</p>
Level	Mark	Descriptor
Level 4	10-12	A response clearly demonstrates the benefits of market segmentation for firms in the car market. Evaluative and analytical comment should be evident leading to an assessment of the potential implications of market segmentation. Look for evidence of informed conclusions demonstrating evaluative comment. At this level expect to see the use of appropriate examples of market segmentation to support evaluation.
Level 3	7-9	Some sound analysis is evident but responses lack appropriate development for the highest marks. Look for two implications of market segmentation and evidence of concepts being correctly applied. At this level answers should offer some development of arguments through the use of examples. Look for developed explanations and conclusions. There should also be some evaluative comment to reach this level.
Level 2	4-6	Identification of the possible implications of market segmentation will be identified. Answers may be incomplete and not fully developed. Candidates may offer suggestions regarding the benefits of market segmentation for car producers. At this level candidates may overstate the potential implications of market segmentation. If no evaluation L2 max.
Level 1	1-3	Candidates may show some awareness of the possible implication of market segmentation for firms in the car industry. Answers will demonstrate limited development.

Evaluate two reasons for government intervention in the car industry

Question Number	Indicative content	
5.	<p><b>Knowledge 8, application 8, analysis 11, evaluation 13 marks. (40)</b></p> <p>This question gives candidates broad scope to identify a variety of reasons why government might choose to intervene in the car industry.</p> <p>Government may be concerned about the market power of firms in the car industry and may wish to control market dominance, mergers and anti-competitive practices such as the restrictions imposed on new car servicing.</p> <p>Government also chose to intervene when Rover got into difficulties. The government gave short term funding in an effort to arrange a takeover of the company that would have protected jobs.</p> <p>Aid was given by the UK government to companies such as Nissan in order to attract inward investment and create jobs in areas of social deprivation.</p> <p>Candidates may well focus on China and the governments attempts to regulate entry of foreign firms into the market by insisting on joint ventures to help protect it's infant industry.</p> <p>This question is heavily biased towards an evaluative response.</p>	
Level	Mark	Descriptor
Level 4	31-40	<p>Response should consider potential reasons for government intervention in the car industry. An evaluative response is required; making reasoned comments on the significance of possible reasons for government intervention should be explored. Expect to see appropriate examples being used in order to support arguments. Look for reasoned conclusions.</p> <p>Answers should provide evidence of accurate and wide-ranging knowledge. At this level we need evidence of appropriate theories, concepts and methods to support wide-ranging evaluation. Candidates demonstrating sustained evaluation throughout their response, leading to appropriate conclusions, will be rewarded in the upper half of the mark allocation. Two reasons must be assessed.</p> <p>L4 responses will be characterised by flowing, articulate and well constructed responses. Expect to see evaluation integrated throughout the response rather than say, lumped on at the end. There should be a reasoned conclusion.</p> <p><b>37-40</b></p> <p>Candidate demonstrates detailed and accurate knowledge relevant to the question. Relevant concepts are drawn together. There is consistent evidence of the candidate reaching informed and evaluative conclusions. Answers should demonstrate a high degree of sophistication. Candidates are</p>

		<p>able to discuss the rationale behind possible government intervention in the car industry.</p> <p>34-36 Candidate's responses are accurate but lack the development seen at the highest level. Conclusions are balanced and arguments are made clearly. The candidate's answer demonstrates sound evaluation.</p> <p>31-33 The candidate uses appropriate terminology to convincingly analyse and evaluate possible reasons for government intervening into the market. Knowledge demonstrated should be relevant and should be developed to provide valid insights relevant to the question.</p>
Level 3	21-30	<p>A number of possible reasons may be identified but we are looking for analysis to support reasoned evaluation of two reasons why the government may wish to intervene into the market and the measures that might be adopted. Relevant areas of knowledge should be identified and applied, leading to analysis. Evaluation at this level may not be supported by fully developed explanations of concepts. Some assertions may be evident. It is possible for an answer without evaluation to reach this level but it cannot access the highest descriptor.</p> <p>27-30 Candidate demonstrates relevant knowledge and is able to select relevant knowledge and apply it in appropriate contexts. Concepts and theories are applied. Sources are used to develop appropriate and justified conclusions. Answers demonstrate reasoned comment regarding the motives for government intervention. There should be evidence of appropriate evaluation relevant to the car market. Expect two reasons to be identified and developed. Development should be in context.</p> <p>24-26 Appropriate knowledge is applied to the question. There should be evidence of theories and concepts applied relevant to the question. Candidates should demonstrate the ability to produce conclusions regarding the effectiveness of suggested reasons for government intervention. Some attempt should be made to support conclusions reached by reasoned argument.</p> <p>21-23 Candidates demonstrate sound knowledge of possible reasons for government intervention into the market. Some relevant theories and concepts have been selected. Answers should attempt to justify government intervention. Look for the appropriate use of some theories and concepts.</p>

Level 2	11-20	<p>Candidate demonstrates an awareness of two possible reasons for the government to intervene in the car market. Analysis of the implications of government intervention may be limited. There is little, if any, evaluation. Candidates should display some appropriate application of knowledge. Development of responses may be limited and candidates may rely too heavily upon unsubstantiated assertions. Application of appropriate concepts is likely to be limited, particularly at the bottom end of this mark range. If only one valid reason L2 max.</p> <p>17-20 Candidates demonstrate appropriate knowledge. A selection of concepts and theories are applied to the questions. Not all concepts and theories are fully developed (expect to see some assertion). Relevant techniques are imperfectly applied. Look for a reasoned explanation of why the Government might wish to intervene into the market. Conclusions demonstrate an understanding of the potential benefits of government intervention.</p> <p>14-16 Candidates should have demonstrated an ability to select information relevant to the question. Answers demonstrate a straightforward understanding of the issues and identify two reasons for government intervention. Answers should demonstrate some insights as to why the Government might wish to intervene into the car market.</p> <p>11-13 Two reasons for Government intervention into the market are identified. The explanation of the two reasons for intervention may not be fully developed. Alternatively one reason may be developed more fully than the other. Candidates' responses may demonstrate a lack of selectivity. Concepts are used in simple contexts.</p>
Level 1	1-10	<p>Answers will demonstrate some appropriate knowledge and understanding. Responses will be characterised by lack of development, errors and omissions. Expect to see simple assertions, possibly in bullet point form, offering conclusions without development. Responses may lack coherence. Contradictions may be evident.</p> <p>7-10 Candidates demonstrate some relevant knowledge and understanding. Simple insights are offered. Limited explanation offers simple conclusions. Expect to see only limited use made of appropriate sources of information. Answers demonstrate only limited knowledge of the possible reasons for government intervention.</p> <p>4-6 Answers demonstrate limited knowledge and limited understanding.</p>

		1-3 Candidates show evidence of having some limited knowledge relevant to the question.
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## LEVELS OF PERFORMANCE TABLE

The following 'levels of performance table' should be used in conjunction with the indicative content for each question to establish the appropriate level of achievement and number of marks to be awarded to each candidate. The performance criteria are based on 4 assessment objectives for the specification overall.

Levels	Percentage Marks	Performance Criteria
4	100	Has demonstrated detailed, accurate and wide-ranging knowledge relevant to the question. Has drawn together relevant concepts, theories and methods, integrated them and used them convincingly. Has demonstrated the skills and used independence of mind to draw informed conclusions.
	76	Has demonstrated precision in thought processes leading to logical, balanced and clear conclusions. Has demonstrated integration of concepts and theories to solve problems within the Economic and Business context. Communicates arguments, explanations and conclusions with clarity and produces answers with a clear sense of direction culminating in evaluation which flows from the preceding discussion. Uses Economics and Business terminology precisely and effectively with excellent spelling, punctuation and grammar.
3	75	Has demonstrated a grasp of relevant areas displaying some specificity and selectivity. Has demonstrated a thorough application of concepts, theories and methods, integrating Economic and Business terminology. Has demonstrated the skills and shown evidence of using sources to draw informed conclusions. Communicates arguments, explanations and conclusions well and produces answers with evaluation clearly linked to the preceding discussion.
	51	Uses Economics and Business terminology well, with good spelling, punctuation and grammar.
2	50	Has demonstrated knowledge which is characterised by generalisation or lack of selectivity. Has demonstrated application of concepts, theories and methods with a limited attempt at integration. Has demonstrated the skills in a superficial manner leading to unsubstantiated conclusions. Has demonstrated a capacity to evaluate and has drawn conclusions which are dependent on a narrow range of inputs. Has demonstrated relevant techniques and related them in simple contexts. Communicates arguments, explanation and conclusions adequately with straight forward narrative or explanation.
	26	Some Economics and Business terminology is used with reasonable spelling, punctuation and grammar.



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