

Mark Scheme (Results) January 2011

GCE

GCE Economics & Business (6EB02) Paper 01

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6EB02/01 Mark Scheme Winter 2011

Section A Mark Scheme

NOTE: If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b)

Maximum 2 marks for explaining why distracters are incorrect

| Question Number | Question | Marks |
|-----------------|---|-----------------------------------|
| 1(a) | <p>A price war in school uniforms led Tesco to drop the price of a complete uniform by 25%, which led to sales increasing by 50%.</p> <p>Calculate the price elasticity of demand for Tesco's school uniform</p> <p>Answer: (D) - 2.0</p> | 1 |
| 1(b) | <p>Explain why this answer is correct:</p> $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} = \frac{50\%}{-25\%} = -2 \text{ or } 2.0$ <ul style="list-style-type: none"> • Gives formula only (1 mark) • Puts correct figures into formula (1 mark) • Calculates correct answer (1 mark) (correct calculation = 2 marks) • Defines PED e.g. percentage change in QD/percentage change in P (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|--|-----------------------------------|
| 2(a) | <p>eBay sells a large number of specialist items each in relatively small quantities through its online market place. This is an example of the 'long tail'.</p> <p>Online retailing is likely to increase all of the following, except</p> <p>Answer: (C) Price</p> | 1 |
| 2(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of the long tail (1 mark) • Online retailing may decrease the price of products due to consumers being able to compare prices (1 mark) • Online retailing will increase the number of suppliers in the market therefore exerting a downward pressure upon price (1 mark) • Consumer choice is likely to increase due to the internet and being able to purchase globally (1mark) • Online retailing has meant that many new suppliers are entering the market because they no longer need to be physically close to the market (1 mark) • Anyone can sell on eBay therefore increasing the number of suppliers (1 mark) • Online retailing has lead to an increase in the number of small firms supply niche products (1mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | Question | Marks |
|-----------------|---|--|
| 3(a) | <p>In an imperfectly competitive market such as hairdressing, which of the following is most likely to occur?</p> <p>Answer: (A) Product differentiation</p> | 1 |
| 3(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of imperfectly competitive market (1 mark) • Product differentiation often occurs in monopolistic/imperfectly competitive markets through branding (1 mark) in order to add value and gain consumer loyalty (1 mark) • Monopolistic/Imperfect markets such as hairdressing have low barriers to entry and exit (1 mark) • It is relatively easy for businesses to set up as a hairdresser and these are usually small scale (1 mark) • Perfect competition has identical prices, homogeneous products and many sellers (1 mark) • Hairdressers will compete on price (1 mark) as there are plenty of alternative suppliers in a monopolistic/imperfectly competitive market (1 mark) • Hairdressers will often advertise their services in order to raise awareness and gain customers (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|--|--|
| 4(a) | <p>In 2009 Walt Disney Inc bought comic book giant Marvel Entertainment in a £2.5 billion deal.</p> <p>One of the reasons for the takeover was to increase</p> <p>Answer: (B) increased market share</p> | 1 |
| 4(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of market share (1 mark) • Disney will gain increased market share as these two firms are in the same market (1 mark) and therefore the sales of Marvel will belong to Disney increasing overall market share within the entertainment industry (1 mark) • Average costs are likely to decrease rather than increase due to economies of scale (1 mark) • There will be a reduction in competition due to elimination of a major rival (1 mark) • When businesses merger/takeover another there will be a duplication of resources (1 mark) therefore it is likely there will be redundancies made (1 mark) and staffing levels will decrease. <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | Question | Marks |
|-----------------|--|--|
| 5(a) | <p>The John Lewis Partnership is the largest employee-owned company in the UK with all 69,000 employees known as 'Partners'; they are all consulted on how the business is run.</p> <p>Consultation is most likely to lead to</p> <p>Answer: (A) increased productivity by employees</p> | 1 |
| 5(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Consultation should lead to the employees feeling more involved in the decision making process (1 mark) and therefore employees work harder (1 mark) • Consultation should mean that employees understand tasks and decision making therefore should require less supervision (1 mark) • Consultation should increase not decrease employee morale due to employees feeling empowerment and valued (1 mark) • Staff turnover should decrease not increase if the employees feel valued and are involved more in the decision making process (1 mark) • If employees own part of John Lewis then they are more likely to work harder, be more motivated and remain loyal (1 mark) because they will share a percentage of the profits (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

| Question Number | | Marks |
|-----------------|--|--|
| 6(a) | <p>The demand curve for cars in the UK will shift to the left if there is</p> <p>Answer: (D) there is a decrease in public transport prices</p> | 1 |
| 6(b) | <p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • A left or inward shift of the demand curve means demand has decreased (1 mark) • Public transport is a substitute for cars and so it is possible that cheaper public transport will reduce the demand for cars (1 mark). • A change in public transport prices will actually shift the whole demand curve. • Cost changes (steel) will affect the firm's supply decision and therefore shift the supply curve (1 mark). • This means a move along the demand curve and not a shift in it (1 mark). • Higher economic growth and therefore higher disposable income will tend to increase the demand for cars, shifting the demand curve to the right (1 mark). • Scrappage Scheme will increase demand for cars as this subsidises the price of a car (1 mark) and will shift the demand curve to the right not left. (1mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect</p> <p>Maximum 2 marks for explaining why distracters are incorrect</p> | <p>1-3 marks</p> <p>(Total 4)</p> |

Section B Mark Scheme

| Question Number | Question | |
|-----------------|--|------------------------------------|
| 7 | What is meant by the term 'market share'? | |
| | Answer | Mark |
| | <p>Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks are available for defining or describing what is meant by market share</p> <p>Percentage of total sales volume in a market held by a brand, product or firm or formula:</p> $\frac{\text{Sales of a business}}{\text{Total sales in a market}} \times 100$ <p>NB Vague or incomplete definitions should only receive a maximum of 1 mark. However a clear and relevant example can gain the second mark</p> | <p>1-2</p> <p>(2 marks)</p> |

| Question Number | Question | |
|-----------------|--|--|
| 8 | Briefly explain one way in which JLR could increase its market share | |
| | Answer | Mark |
| | <p>(Knowledge 1, Application 2, Analysis 1)</p> <p>Knowledge: up to 2 marks are available for defining market share e.g. Percentage of total sales volume in a market held by a brand, product or firm (1 mark) or one way JLR could increase its market share e.g. pricing, advertising, merging etc</p> <p>Application: up to 1 mark is available for contextualising how JLR can increase market share e.g. pricing strategies (1 mark), marketing strategies (1 mark), new product development. (1 mark), innovation (1 mark), competitive advantage (1 mark), merging/take over another car firm (1 mark)</p> <p>Analysis: up to 1 mark is available for further developing the above and how JLR can realistically achieve an increase in market share within a very competitive market and the implications of the above strategies in relation to the effectiveness of increasing market share from rival car companies.</p> <p>Award marks for relevant diagrams</p> | <p>2</p> <p>1</p> <p>1</p> <p>(4 marks)</p> |

| Question Number | Question | |
|-----------------|--|--|
| 9 | Briefly explain one reason why the Government might want to reduce unemployment. | |
| | Answer | Mark |
| | <p>(Knowledge 1, Application 2, Analysis 1)</p> <p>Knowledge: up to 1 mark is available for describing what is meant by unemployment levels e.g. unemployment is when a person is actively seeking work (1 mark) or why any Government would want to reduce unemployment.(1 mark)</p> <p>Application: up to 2 marks are available for contextualising the response by explaining why the Government would want to reduce unemployment levels in the UK e.g. the UK Government would want to reduce unemployment levels in order to reduce benefit payments (1 mark), reduce social costs (1 mark) , economic costs (GDP) (1 mark) and increase tax revenues (1 mark).</p> <p>Analysis: up to 1 mark is available for developing these reasons e.g. There is an opportunity cost of unemployment and the more people in employment, the better the economy is</p> | <p>1</p> <p>1-2</p> <p>1</p> <p>(4 marks)</p> |

| Question Number | Question | |
|-----------------|--|--|
| 10 | Analyse why JLR may have been hit harder than other car manufacturers during the recession | |
| | Answer | Mark |
| | <p>(Knowledge 2, Application 2 , Analysis 2)</p> <p>Knowledge: up to 2 marks are available for defining recession e.g. negative GDP for 2 successive quarters (1 mark) and or why a car manufacturer may be hit during a recession. (1 mark).</p> <p>Application: up to 2 marks are available for contextualising answers and demonstrating why JLR have been hit harder e.g. JLR sells premium cars (1 mark) which are more likely to be affected in a recession (1 mark). JLR may also be less competitive due to higher labour costs of production in the UK than cars made in developing countries (1 mark)</p> <p>Analysis: up to 2 marks are available for expanding on the above e.g. explaining that the premium car market is more likely to be hit in a recession than cheaper cars (1 mark). For full marks expect to see reference to YED</p> <p>Award marks for relevant diagrams</p> | <p>1-2</p> <p>1-2</p> <p>1-2</p> <p>(6 marks)</p> |

| Question Number | Question | | |
|-----------------|---|---|---|
| 11 | Analyse two ways in which a business such as JLR could increase productivity. (Per method: Knowledge 1, Application 1, Analysis 2) | | |
| Level | Mark | Descriptor | Possible Content |
| 1 | 1-2 | Available for knowledge such as identifying what is meant by productivity or ways to improve productivity | e.g. productivity is output per worker per hour e.g. Various ways to increase productivity including TQM, lean production, JIT, capitalisation, cell production, financial incentives |
| 2 | 3-4 | Available for contextualising the response by referring to JLR | e.g. JLR may use a variety of methods such as TQM, Lean production, cell production, JIT and financial incentives to increase productivity - applied to the car manufacturing such as JIT and car parts |
| 3 | 5-6 | Available for considering the impact of these methods upon productivity for JLR | e.g. Increased productivity means greater output from the same amount of resources e.g. These methods may lead to cost saving for JLR which can be passed onto the consumer in the form of lower prices which may lead to JLR becoming more competitive with other car manufacturers. e.g. JLR may already utilise many of these methods already and the implications of further capitalisation on the work force/training. |

| Question Number | Question | | |
|-----------------|---|---|--|
| 12 | Assess possible implications for businesses of rising unemployment in areas such as Merseyside. | | |
| Level | Mark | Descriptor | Possible Content |
| 1 | 1-2 | Available for knowledge such as identifying what is meant by unemployment | e.g. unemployment is when a person is actively seeking work and is not economically active |
| 2 | 3-4 | Available for contextualising the response by referring to unemployment in Liverpool and Merseyside | e.g. Liverpool has seen a change in the types of jobs available in the area - change from traditional industries such as manufacturing to tertiary based industries. |
| 3 | 5 | Available for considering the impact of rising unemployment in Liverpool and Merseyside | e.g. Some businesses will benefit and lose out from rising unemployment in Liverpool and Merseyside. E.g. changing pool of labour and disposable income levels |
| 4 | 6-8 | Available for providing balance e.g. showing possible advantages and disadvantages to businesses in Liverpool and Merseyside of rising unemployment | <p>e.g. Some businesses will benefit from a large pool of labour to choose from therefore bidding down wages.</p> <p>Some businesses may suffer from rising unemployment if they sell luxury products which have elastic demand.</p> <p>Some businesses may benefit from rising unemployment if they sell inferior products as consumers switch to cheaper products.</p> |

| Question Number | Question | | |
|-----------------|---|--|---|
| 13 | Evaluate the likely impact of structural change such as the rise in the knowledge economy on: (a) Businesses in the UK | | |
| Level | Mark | Descriptor | Possible Content |
| 1 | 1 | <p>Knowledge must be present. Some awareness of what is meant by the knowledge economy and/or businesses in the UK</p> <p><i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i></p> | <p>e.g. intellectual skills, command of knowledge/ideas/technology is more important than traditional manufacturing industries</p> <p>e.g. businesses are organisations which employ people and aim to make a profit</p> |
| 2 | 2 | <p>Application must be present, i.e. the answer must be contextualised and be applied to the knowledge economy in the UK</p> <p><i>QWC: To achieve a mark of 2 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i></p> | <p>e.g. there has become more emphasis in the UK on the knowledge economy rather than primary and secondary sectors.</p> <p>e.g. Structural change has meant that the UK relies more on knowledge, technology, expertise and intellectual property.</p> |
| 3 | 3 | <p>Analysis must be present, i.e. the candidate must analyse the consequences of an increase in the knowledge economy on businesses</p> <p><i>QWC: To achieve a mark of 3 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p> | <p>e.g. Evidence A & B show a swing towards the knowledge economy in areas such as Liverpool and therefore businesses need to adapt to the structural change and ensure they are offering products which are needed by the knowledge economy such as Biotech industries</p> |
| | 4-7 | <p>Low Level 4: 4 marks. Evaluation must be present, i.e. the candidate must present arguments for how businesses are</p> | <p>e.g. Technology and knowledge based industries will be well placed to gain from this structural change.</p> |

| | | |
|--|--|---|
| | <p>winners and losers from an increase in the knowledge economy</p> <p>Medium Level 4: 5-6 marks Evaluation must be present to convincingly illustrate the impact on businesses of a rise in the knowledge economy</p> <p>High Level 4: 7 marks A convincing and balanced answer throughout making good use of concepts and terminology</p> <p><i>Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p> | <p>Other businesses (car manufacturing and traditional industries) will struggle with this change and may have to exit the market or change the products/services they are offering. They will have to adapt to the change.</p> |
|--|--|---|

| Question Number | Question | | |
|-----------------|--|---|--|
| 13 | Evaluate the likely impact of structural change such as the rise in the knowledge economy on: (b) Workers in the UK | | |
| | Mark | Descriptor | Possible Content |
| 1 | 1 | Knowledge must be present. Some awareness of what is meant by the knowledge economy <i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i> | e.g. intellectual skills, command of knowledge/ideas/technology is more important than traditional manufacturing industries e.g. workers are people who are employed in various organisations |
| 2 | 2 | Application must be present, i.e. the answer must be contextualised and be applied to the knowledge economy in the UK <i>QWC: To achieve a mark of 2 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i> | e.g. there has become more emphasis in the UK on the knowledge economy rather than primary and secondary sectors. e.g. Structural change has meant that the UK relies more on knowledge, technology, expertise and intellectual property. |
| 3 | 3 | Analysis must be present, i.e. the candidate must analyse the consequences of an increase in the knowledge economy on workers <i>QWC: To achieve a mark of 3 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i> | e.g. Evidence A & B show a swing towards the knowledge economy in areas such as Liverpool and therefore workers need to ensure that they have the necessary skills to cope with this change |
| | 4-7 | Low Level 4: 4 marks. Evaluation must be present, i.e. the candidate must present arguments for how workers are winners and losers from an increase in the knowledge | e.g. some workers will benefit from this structural change and will have the necessary skills and products already to take up opportunities in areas such as Liverpool. |

| | | |
|--|---|--|
| | <p>economy</p> <p>Medium Level 4: 5- 6 marks Evaluation must be present to convincingly illustrate the impact on workers of a rise in the knowledge economy</p> <p>High Level 4: 7 marks A convincing and balanced answer throughout making good use of concepts and terminology</p> <p><i>Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p> | <p>Other workers (car manufacturing and traditional industries) will struggle with this change and may have to retrain to gain these new skills</p> |
|--|---|--|

Assessment Objectives

| Question | Spec | Knowledge | Application | Analysis | Evaluation | Total |
|--------------|--------|-----------|-------------|-----------|------------|-----------|
| 1 | 2.3.1b | 2 | 2 | | | 4 |
| 2 | 2.3.2b | 1 | 2 | 1 | | 4 |
| 3 | 2.3.2b | 1 | 2 | | 1 | 4 |
| 4 | 2.3.4b | 1 | 1 | 1 | 1 | 4 |
| 5 | 2.3.3b | 1 | 1 | 1 | 1 | 4 |
| 6 | 2.3.1b | 2 | 2 | | | 4 |
| 7 | 2.3.4b | 2 | | | | 2 |
| 8 | 2.3.1b | 2 | 1 | 1 | | 4 |
| 9 | 2.3.6b | 1 | 2 | 1 | | 4 |
| 10 | 2.3.6b | 2 | 2 | 2 | | 6 |
| 11 | 2.3.3b | 2 | 2 | 4 | | 8 |
| 12 | 2.3.6b | 2 | 2 | 1 | 3 | 8 |
| 13a | 2.3.6b | 1 | 1 | 1 | 4 | 7 |
| 13b | 2.3.6b | 1 | 1 | 1 | 4 | 7 |
| Total | | 21 | 21 | 14 | 14 | 70 |

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