

Mark Scheme (Results)

Summer 2016

Pearson Edexcel GCE  
in Economics & Business (6EB02/01)

Unit 2B: Business Economics

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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.

## 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)**

Question Number	Question	Marks
<b>1(a)</b>	Answer: A (increase, as demand is price inelastic)	1
<b>1(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of price elasticity of demand e.g. the responsiveness of demand to a change in price (1 mark) <b>OR</b> gives the formula: % change in quantity demanded/ % change in price (1 mark) <b>OR</b> a definition of revenue: income from sales</li> <li>• LW matches are always sold out as demand exceeds supply (1 mark)</li> <li>• A rise in price is unlikely to have a significant impact on demand and therefore revenue will increase <b>OR</b> The % change in quantity demanded is less than the % change in price and so total revenue will increase (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• B is wrong because if demand was price elastic demand would fall and therefore revenue would decrease (there would be a more than proportional fall in demand if price rises) (1 mark)</li> <li>• C is wrong because revenue would increase, not decrease, if demand is price inelastic (as a rise in price is greater than a proportionate fall in demand) (1 mark)</li> <li>• D is wrong because if every ticket is sold at every match, this suggests that demand is price inelastic and not price elastic (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number		Marks
<b>2(a)</b>	Answer: C (Price)	1
<b>2(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of consumer knowledge e.g. consumers have all readily available information about the market (e.g. prices and products) (1 mark)</li> <li>• E-commerce makes it easier for consumers to compare prices between competing businesses (1 mark)</li> <li>• Therefore businesses try to gain market share by lower prices (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because businesses are more likely to increase advertising in order to attract consumers to their brands (1 mark)</li> <li>• B is wrong because there should be an increase in the choice of products as e-commerce increases the information of the range of products available to consumers (1 mark)</li> <li>• D is wrong because there is likely to be an increase in quality as businesses try to compete on non-price factors to attract consumers (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number		Marks
<b>3(a)</b>	Answer: C (- 1.5)	1
<b>3(b)</b>	<p><b>Explain why this answer is correct</b></p> <ul style="list-style-type: none"> <li>• Definition of YED e.g. the relationship between the change in quantity demanded and a change in real income</li> </ul> <p><b>OR</b> gives the formula:</p> <ul style="list-style-type: none"> <li>• <u>% change in QD</u></li> </ul> <p style="padding-left: 40px;">% change in Income      <b>(1)</b></p> <p style="padding-left: 40px;">+ <u>15%</u> <b>(1)</b> = -1.5</p> <p style="padding-left: 40px;">- 10% <b>(1)</b></p> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p style="text-align: center;">1-3 marks</p> <p style="text-align: right;"><b>(Total 4)</b></p>

Question Number		Marks
<b>4(a)</b>	Answer: B (an increase in profits)	1
<b>4(b)</b>	<p><b>Explain why this answer is correct</b></p> <ul style="list-style-type: none"> <li>• Definition of monopoly e.g. a situation in which the market is dominated by one seller or producer <b>OR</b> by law a monopoly occurs if a firm has a market share of 25% (1 mark)</li> <li>• Consumers may pay higher prices due to the lack of competition/no choice of train providers (1 mark)</li> <li>• Virgin Trains controls the rail prices and is a price maker resulting in an increase in profits (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because Virgin Trains is the only provider therefore there will not be a duplication of resources (1 mark)</li> <li>• C is wrong because a monopoly usually leads to economies of scale due to the size of the business gaining economies such as purchasing (1 mark)</li> <li>• D is wrong because monopoly markets have high barriers to entry such as high start-up costs and are difficult to enter/ is a characteristic of perfect competition (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

Question Number	Question	Marks
<b>5(a)</b>	Answer: D (inadequate market research)	1
<b>5(b)</b>	<p><b>Explain why this answer is correct:</b></p> <ul style="list-style-type: none"> <li>• Definition of market research e.g. Information gathered about all aspects of the market such as customer wants and preferences (1 mark)</li> <li>• Inadequate market research may lead to the wrong smartphones being manufactured (1 mark)</li> <li>• This may result in large quantities of unsold stock (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because JIT is a technique that minimises stockholding because products are made to order (1 mark)</li> <li>• B is wrong because this will result in a quicker design period which means the stock is held for less time (1 mark)</li> <li>• C is wrong because using common components for various designs reduces the need to hold a wide range of stock (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

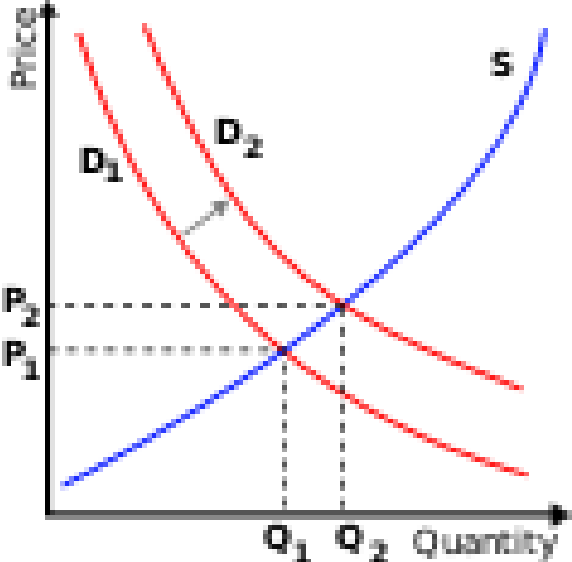


Question Number		Marks
<b>6(a)</b>	Answer: D (National television advertising)	1
<b>6(b)</b>	<p><b>Explain why this answer is correct</b></p> <ul style="list-style-type: none"> <li>• Definition of marketing strategy e.g. the combination of the 4Ps used to promote the product to the target market (1 mark)</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• Definition of mass market e.g. targeting the a larger part of the population (1 mark)</li> <li>• Chocolate producers will want to target as many potential customers as possible (1 mark)</li> <li>• National TV advertising is able to quickly reach all potential customers across the country (1 mark)</li> </ul> <p><b>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</b></p> <ul style="list-style-type: none"> <li>• A is wrong because these are more suitable for niche chocolate producers who may advertise to a small segment of the chocolate market (1 mark)</li> <li>• B is wrong because this pricing strategy is more suitable for a high end chocolate product rather than a mass market chocolate bar (1 mark)</li> <li>• C is wrong because mass market chocolate bars are more likely to be sold in supermarkets and shops which focus on price (1 mark)</li> </ul> <p><b>Any acceptable answer which shows selective knowledge/application and/or development</b></p> <p><b>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b></p>	<p>1-3 marks</p> <p><b>(Total 4)</b></p>

## Section B Mark Scheme

Question Number	Question	
7	Explain <b>one</b> likely reason why Halfords use centralised distribution centres.	4 marks
	Answer	Mark
	<p align="center"><b>(Knowledge 2, Application, 1, Analysis 1)</b></p> <p><b>Knowledge/understanding:</b> 1 mark for defining or showing knowledge of what is meant by centralised organisation/distribution centre e.g. when decisions are made at the top/goods are dispatched from a central location rather than individual branches (1 mark) <b>and/or</b> for stating one reason e.g. this makes it easier to control/coordinate (1 mark)</p> <p><b>Application:</b> 1 mark for contextual answers e.g. the centralised distribution centres supply products to their 460 retail stores around the country or direct to customer's homes (1 mark)</p> <p><b>Analysis:</b> 1 mark is available for giving a reason/cause/consequence e.g. faster delivery will improve customer service therefore leading to increased sales/profits (1 mark)</p>	<p align="center">1-2</p> <p align="center">1</p> <p align="center">1</p> <p align="right"><b>(Total 4)</b></p>

Question Number	Question	
8	Explain <b>one</b> benefit to Boardman Bikes of using research and development (R&D) when designing new cycling ranges.	4 marks
	Answer	Mark
	<p align="center"><b>(Knowledge 2, Application 1, Analysis 1)</b></p> <p><b>Knowledge/understanding:</b> 1 mark for defining or showing understanding of what is meant by R&amp;D e.g. creating new and improved products, processes, and services (1 mark) <b>and/or</b> giving one benefit e.g. in order to stay competitive (1 mark)</p> <p><b>Application:</b> 1 mark for contextual answers e.g. the R&amp;D used in Boardman Bikes create award winning bikes ridden by Olympic champions which others want to buy (1 mark)</p> <p><b>Analysis:</b> 1 mark is available for giving a reason/cause/consequence e.g. to gain a competitive advantage Boardman Bikes need to constantly improve their performance cycles to differentiate themselves from competitors (1 mark)</p>	<p align="center">1-2</p> <p align="center">1</p> <p align="center">1</p> <p align="right"><b>(Total 4)</b></p>

Question Number	Question	
9	Using a fully labelled supply and demand diagram, explain the possible impact on the cycle market of the increase in the number of people cycling.	8 marks
	Answer	Mark
	<p style="text-align: center;"><b>(Knowledge 3, Application 3, Analysis 2)</b></p> <p><b>Diagram: 5 marks</b>  There should be a supply and demand diagram showing:</p> <ul style="list-style-type: none"> <li>• Correct labelling of axes (1 mark)</li> <li>• Supply and demand curves drawn and labelled (1 mark)</li> <li>• Initial equilibrium shown on P and Q axes (1 mark)</li> <li>• Shift in demand curve to the right (1 mark)</li> <li>• New equilibrium showing increase in price and quantity on P and Q axes (1 mark)</li> </ul> <p><b>Written Explanation: 3 marks</b>  The price has risen due to an increase in demand from changes in consumer tastes for cycling (1 mark). With supply remaining the same (1 mark), this has forced up the equilibrium price for cycling (1 mark)</p> <p><b>NB: A total of 5 marks are available for the correct diagram:  Correct diagram shifting the demand curve right</b></p> <div style="text-align: center;">  </div>	<p style="text-align: center;">1-5</p> <p style="text-align: center;">3</p> <p style="text-align: right;"><b>(Total 8)</b></p>

Question Number	Question	
10	Explain <b>two</b> reasons why rising inflation might be a problem for Halfords.	6 marks
	Answer	Mark
	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 2</b></p> <p><b>(Each Reason: Knowledge 1, Application 1, Analysis 1) x 2</b></p> <p><b>Knowledge/understanding:</b> 1 mark is available for defining what is meant by inflation, e.g. inflation is a rise in the general level of prices of goods and services in an economy over a period of time (1 mark) <b>and/or</b></p> <p>identifying one reason (1 mark) or identifying 2 reasons (2 marks) from below:</p> <ul style="list-style-type: none"> <li>• Uncertainty</li> <li>• Re-distribution of wealth</li> <li>• Loss of competitiveness</li> <li>• Increase costs/raw materials costs/wage costs</li> </ul> <p><b>Application:</b> up to 2 marks are available for applying these reasons to Halfords/Boardman Bikes e.g.</p> <ul style="list-style-type: none"> <li>• Halfords cannot be sure of future revenues and costs of the sale of cycles and car accessories</li> <li>• Halfords sell luxury products such as expensive cycles which cost up to £1800</li> <li>• Halfords have to compete with cycles which are imported from abroad</li> <li>• Staff who work in the bike department in Halfords stores may seek an increase in wages because of rising inflation</li> </ul> <p><b>Analysis:</b> up to 2 marks are available for giving a reason/cause/consequence e.g.</p> <ul style="list-style-type: none"> <li>• This makes planning and growth more difficult for Halfords</li> <li>• Demand for Halfords' cycles may fall if real incomes do not keep up with inflation.</li> <li>• It may mean a loss of competitiveness if Halfords' prices are rising faster than foreign competitors.</li> <li>• This may reduce Halfords' profitability or if they increase prices they risk losing competitiveness.</li> </ul> <p><b>NB: Cap at 3 if only one reason is given.</b></p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;"><b>(Total 6)</b></p>

Question Number	Question		
11	Assess how useful macroeconomic indicators are in helping Halfords to reduce uncertainty		10 marks
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying what is meant by macroeconomic indicators or uncertainty	e.g. macroeconomic indicators are statistics that indicate the current status of the economy  e.g. uncertainty is when outcomes are unable to be predicted
2	3-4	Available for contextualising the response by referring to macroeconomic indicators	e.g. unemployment has fallen by 0.4%  e.g. GDP has increased by 0.8%  e.g. CPI at 1.9%
3	5-6	Available for considering the use of macroeconomic indicators by Halfords to reduce uncertainty  <b>NB Analysis not in context award 5 marks</b>	e.g. Halfords may monitor macroeconomic indicators such as unemployment and GDP in order to predict future trends/sales of their Boardman Bikes and car accessories in order to plan for future developments  e.g. GDP and unemployment may give Halfords an indication of future demand for luxury cycles thus enabling Halfords to increase/decrease stocks accordingly
4	7-10	Available for providing balance e.g. showing why macroeconomic indicators might not help to reduce uncertainty <b>Low Level 4:</b> Award 7 marks if <b>one side only</b> is in context  <b>Mid Level 4:</b> Award 8 marks if <b>both sides</b> are in context  <b>High Level 4:</b> 9-10 marks Evaluation is developed to show a candidate's real perceptiveness. Several strands may be developed: the answer is clear, coherent and articulate, leading to a convincing conclusion  <b>Evaluation: Not in context, restrict to top Level 3: 6 marks</b>	e.g. macroeconomic indicators record are lagging indicators/what has already happened and can only give pointers on future trends and market events.  e.g. Evidence C only gives one set of figures which may not indicate what are the underlying trends in the economy.  e.g. There are many other ways other than the use of macroeconomic indicators which may help Halfords to reduce uncertainty such as research planning, R&D, market orientation and market research.

Question Number	Question		
*12	Evaluate the likely impact on <b>two</b> stakeholder groups of the takeover between Halfords and Boardman Bicycles. <b>Per Stakeholder Group: (1 Knowledge, 2 Application, 1 Analysis, 3 Evaluation) x 2</b>		
Level	Mark per way	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by stakeholder group</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>	e.g. stakeholders are individuals/groups who are affected by a business such as customers, employees, shareholders, local community, suppliers, the Government
2	2-3	<p>Application must be present, i.e. the answer must be contextualised by referring to Halfords or Boardman Bikes</p> <p><b>Low Level 2: 2 marks</b> Just a simple reference to the context</p> <p><b>High Level 2: 3 marks</b> A specific reference to the context</p> <p><i>QWC: To achieve a mark of 2-3 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. Employees within Halfords and Boardman Bikes will be affected by the takeover.</p> <p>e.g. Shareholders in Halfords and Boardman Bikes may see the value of their shares increase or the dividend yield increase.</p> <p>(or any other stakeholder groups identified such as customers)</p>
3	4	<p>Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of the takeover</p> <p><b>Arguments will be one-sided and need not be in context</b></p> <p><i>QWC: To achieve a mark of 4 the candidate will use business terminology well/style of writing is appropriate to the question/ reasonable to good spg</i></p>	<p>e.g. Some employees may experience redundancy or change in conditions as consolidation takes place</p> <p>e.g. Chris Boardman benefitted from the takeover because he has received £20m and has remained as Chairman and Design Director</p> <p>e.g. The share price of Halfords may also increase due to increased power within the market benefitting shareholders</p>

4	5-7	<p><b>Low Level 4:</b> 5 marks. Evaluation must be present and in context <b>on one side only</b>, i.e. the candidate must present an argument for the impact of the takeover</p> <p><b>High Level 4:</b> 6-7 marks A convincing and balanced answer throughout making good use of concepts and terminology with <b>both sides in context</b></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><b>Evaluation: Not in context, restrict to top Level 3: 4 marks</b></p>	<p>e.g. The takeover could lead to diseconomies of scale and therefore shareholders may not gain from the takeover.</p> <p>e.g. The takeover, if successful, may result in opportunities for promotion and improved working conditions.</p> <p>e.g. there may be culture clashes from Halfords completely owning Boardman Bikes and there may be a change in the way the business is run restricting future growth and the loss of experienced staff</p> <p>The evaluative element may take the form of the extent of these changes and the effect on both workforces in terms of motivation and/or job security.</p>
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