

Mark Scheme (Results)

Summer 2012

GCE Economics & Business (6EB02) Paper 01

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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.

6EB02/01 Mark Scheme Summer 2012

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			
1(a)	In December 2010, the UK unemployment rate was 7.9%, an increase of 0.1% on the previous quarter. Rising unemployment can be a problem for the UK economy because it increases Answer – (D) welfare payments	1		
1(b)	 Explain why this answer is correct: Unemployment is the number of people willing and able to work but out of work/out of work but actively seeking work/unemployment rate is the percentage of the working population out of work (1 mark) An unemployed person will have to claim welfare benefits such as job seekers allowance whilst out of work (1 mark) This can be a problem because the UK Government has less to spend on other public services (implied opportunity cost) (1 mark) Up to two of the marks above can be achieved alternatively by explaining distracters, e.g. A is wrong because GDP will not increase with a rise in unemployment but will decrease due to workers not being economically active/reduced aggregate demand due to lower consumer spending (1 mark) B is wrong because wage demands are likely to fall as there is a larger pool of workers to choose from/fear of losing their jobs (1 mark) C is wrong because revenue from income tax will decrease rather than increase due to fewer people being employed and paying income tax to the government/ taxes may have to rise to pay for additional welfare payments in the UK economy (1mark) 	1-3 marks		
	Any acceptable answer which shows selective knowledge/understanding/application and/or development NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect	(Total 4)		

Question Number			
2(a)	During the boom period of the economic cycle which of the following businesses is least likely to see a significant increase in sales? Answer – (D) Discount food retailer	1	
2(b)	 Explain why this answer is correct: A boom period has rapidly increasing GDP/ growth or an explanation of the economic cycle (1 mark) A discount food retailer can be regarded as selling inferior goods/ goods may have negative income elasticity (1 mark) A discount food retailer sells fewer luxury goods and sells more necessities such as spaghetti hoops (1 mark) If discount groceries seen as an inferior good then sales may even fall during a boom period (1 mark) Up to two of the marks above can be achieved alternatively by explaining distracters, e.g. A, B and C are wrong because these retailers are more likely to have a positive YED and/or demand rises proportionately to income (1 mark) A, B and C are wrong because travel agents/Mercedes cars/fashionable clothes shop can be seen to be luxury products which are likely to see an increase in sales as incomes begin to rise during a boom. (1 mark) Any acceptable answer which shows selective knowledge/understanding/application and/or development NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect 	1-3 marks	
	Maximum 2 marks for explaining why distracters are incorrect	(Total 4)	

Question Number	Question			
3(a)	In the UK, the energy market is an oligopoly dominated by a few large companies such as British Gas, EON and Scottish Power. This oligopolistic market will most likely feature			
	Answer – (B) restricted consumer choice			
3(b)	Explain why this answer is correct:			
	 Features or characteristics of an oligopoly include large market share/compete on non-price factors/selling differentiated products/high barriers to entry/imperfect competition/lack of consumer sovereignty/price makers (1 mark) This will restrict consumer choice because firms will find it difficult to enter the market due to high barriers to entry (1 mark) High barriers include setting up infrastructure, finance, start-up costs, renting the pipes (1 mark) 	1-3 marks		
	Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.			
	 A is wrong because due to the size of the operations there will be high barriers to entry rather than low barriers the energy industry/low barriers to entry can be found in a monopolistic market (1 mark) C is wrong because there are many buyers in the energy market but only a few sellers/this is a feature of perfect or monopolistic competition (1 mark) D is wrong because perfect knowledge is a feature of perfect competition and will not be found in an oligopolistic market (1 mark) 			
	Any acceptable answer which shows selective knowledge/understanding/application and/or development			
	NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect	(Total 4)		

Question Number				
4(a)	In winter, ASDA, a UK food retailer has a contingency plan called 'operation snowflake' to keep its car parks clear of snow. Business planning can help ASDA to reduce uncertainty because it Answer – (A) prepares resources for possible problems	1		
4(b)	Explain why this answer is correct:			
	 Business planning such as contingency planning is when a firm prepares for unwelcome or unlikely but possible problems (1 mark) OR Uncertainty is when businesses are unable to predict external shocks or future events (1 mark) ASDA has prepared a contingency plan for bad weather which may include things such as supplies, staffing, grit, snow ploughs (1 mark). ASDA may not need to implement its plan if it doesn't snow but this will reduce the uncertain effects of bad weather such as customers not being able to park/suppliers getting food to ASDA (1 mark) 	1-3 marks		
	Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.			
	 B is wrong because market research may help reduce uncertainty but planning will still be needed by ASDA (1 mark) C is wrong because business planning is not just about planning for changes in consumer behaviour but also considers external economic influences such as shocks (1 mark) D is wrong because business planning can only reduce uncertainty not ever eliminate it (1 mark) 			
	Any acceptable answer which shows selective knowledge/understanding/application and/or development	(Total 4)		
	NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect	4)		

Question Number	Question			
5(a)	Kraft Foods acquired Cadbury in February 2010. One of the reasons for the takeover was to gain economies of scale. Economies of scale for Kraft Foods are most likely to lead to a decrease in	1		
	Answer – (C) average costs			
5(b)	 Explain why this answer is correct: Economies of scale are ways in which increases in output/capacity can reduce costs per unit of output/average costs (1 mark) This means that although total costs for Kraft Foods will increase as production increases, the average total cost should decrease due to increased scale of output (1 mark). Kraft Foods could save when bulk purchasing cocoa beans for its chocolate bars as it now owns Cadburys who also use cocoa beans in its production/Kraft could save due to managerial economies if they use the best managers to run both Cadburys and Kraft (1 mark) 	1-3 marks		
	 Up to two of the marks above can be achieved alternatively by explaining distracters, e.g. A is wrong because profits may or may not increase depending on changes in revenue and costs (1 mark) B is wrong because total costs are most likely to increase rather than decrease as output of Kraft Foods increases (1 mark). D is wrong because the number of brands will increase rather than decrease as Kraft Foods now owns all the Cadbury brands such as Dairy Milk (1 mark) 			
	Any acceptable answer which shows selective knowledge/understanding/application and/or development NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect	(Total 4)		

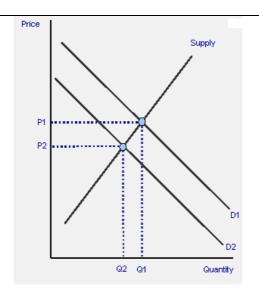
Question Number		Marks
6(a)	Which of the following markets is least likely to be dynamic? The market for:	1
6(b)	 Answer (C) Eggs Explain why this answer is correct: Dynamic market is a market where supply and/or demand factors are constantly changing. (1 mark) Many products are changing due to technology and/or changing consumer taste (1 mark) The egg market is least likely to change due to the nature of eggs being homogenous/difficult to change eggs (1 mark) Egg producers find it much more difficult to differentiate eggs – organic or non-organic (1 mark) Up to two of the marks above can be achieved alternatively by explaining distracters, e.g. A is wrong because designer clothing is changed every season/to follow new trends from the catwalk (1 mark) B is wrong because laptops change as technology improves and new features are being offered e.g. iPad, new software, memory etc (1 mark) D is wrong because mobile phones change constantly and offer new features and upgrades on a regular basis e.g. iPhone (1 mark) Any acceptable answer which shows selective	1-3 marks
	NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect Maximum 2 marks for explaining why distracters are incorrect	(Total 4)

Section B Mark Scheme

Question Number	Question	
7	Explain why a decentralised organisational structure may lead to improved performance for Zara employees	
	Answer	Mark
	(Knowledge 1, Application 1, Analysis 2)	
	Knowledge/understanding: up 1 mark is available for defining or showing implied understanding of decentralised structure, e.g. where local managers have more decision making power/individual branches can operate without a HQ (1 mark)	1
	Application: 1 mark is available for contextualised answers demonstrating how Zara may have improved performance due to a decentralised structure e.g. managers deciding which clothes to sell locally (1 mark),	1 1-2
	Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g. Zara may find communication is quicker as employees can make their own decisions without having to go through a centralised system (1 mark), decisions about clothing can be made quicker leading to an increase in sales or profit (1 mark). Zara employees may be	(4 marks)
	in sales or profit (1 mark), Zara employees may be empowered and this may lead to an increase in motivation and therefore productivity and/or quality (1 mark)	

Question Number	Question	
8	Explain one possible barrier for firms planning to enter the UK clothing retailing market.	
	Answer	Mark
	(Knowledge 2, Application 1, Analysis 1)	
	Knowledge/ understanding: up to 2 marks for defining or showing implied understanding of what is meant by barriers to entry e.g. things which make it difficult for a new business to compete against existing businesses (1 mark) and/or giving an example of a barrier to entry e.g. high start-up costs, advertising, branding, patents (1 mark).	1-2
	Application: 1 mark is available for contextual answers demonstrating that the UK clothing industry may have barriers such as advertising of jeans (1 mark), start-up costs of shops (1 mark), design/copyright issues relating to designer fashions (1 mark), brand names such as H&M, Next (1 mark)	1
	Analysis: 1 mark is available for giving a reason/cause/consequence, e.g. this is a highly competitive market so extensive promotion will be needed to successfully establish a new retailing business (1 mark), advertising of clothing can be extremely expensive, new firms entering the industry may not be able to afford such costs (1 mark), brand loyalty to clothing retailers such as H&M will make it difficult for a new clothing firm to enter the market (1 mark)	(4 marks)

Question	Question	
Number	Question	
9	Using a supply and demand diagram illustrate and explain the possible effect on the high street clothing market of the increase in online clothing market sales.	
	Answer	Mark
	Diagram: 5 marks (Knowledge 3, Application 2) There should be a supply and demand diagram showing: • Correct labelling of axes (1 mark) • Supply and demand curves drawn correctly (1 mark) • Initial equilibrium (1 mark) • Shift in demand curve to the left (1 mark) • New equilibrium correctly shown (1 mark)	1-5
	Written Explanation: 3 marks (Application 1, Analysis 2)	
	Greater competition from online sales has caused a reduction in demand for high street retailers (1 Application mark). This will cause an inward shift of the demand curve and with supply remaining the same, a fall in equilibrium price and quantity (1 Analysis mark). More able students may refer to online retailers being a substitute to the High Street/comment upon falling revenues P1 x Q1 to P2 x Q2,/supply may fall in the long term if high street retailers are forced out of the market (1 Analysis mark). Needs to have context – clothing/online shopping etc rather than just a description of what is happening in the diagram. NB: A total of 5 marks are available for the correct diagram: Correct diagram if shifting the demand curve left/inwards	1-3



(8 marks)

NB: Answers lacking a diagram, maximum of **3** marks.

For diagrams with incorrect shifts of demand and supply curves, maximum of **3 marks**, based on the following:

- Correct labelling of axes (1 mark)
- Supply and demand curves drawn correctly (1 mark)
- Initial equilibrium (1 mark)

Question Number	Question		
10	Assess the importance of lean management techniques in helping Zara develop a competitive advantage.		
Level	Mark	Descriptor Descriptor	Possible Content
1	1-2	Available for knowledge/understanding such as identifying what is meant by lean management techniques and/or competitive advantage	e.g. the use of JIT management of stock, minimising waste and short lead-times to make a product e.g. competitive advantage can be gained through reputation, relationships, innovation or lower price
2	3-4	Available for contextualising the response by referring to Zara	e.g. Zara use lean management techniques in the design and production of their clothing range. e.g. two weeks from design stage to shop
3	5-6	Candidate analyses by offering reasons/ causes/ consequences of the impact of lean management techniques on Zara's competitive advantage Arguments will be onesided NB Analysis not in context 5 marks	e.g. the evidence shows how the use of lean management techniques has enabled Zara to speed up production and offer consumers 'fast fashion' – the latest designs available more quickly than other rival clothing retailers. e.g. lower costs may help Zara become more price competition for their clothing range.
4	7-8	Evaluation must be present and in context i.e. the candidate must present arguments for and against the use of lean management to gain a competitive advantage for Zara	e.g. That the management techniques used by Zara can make its supply chain distinctive and can be defended making it more difficult for rivals like Next to copy. However a distinctive supply chain may not be sufficient if the quality/designs of the

		clothing or the price puts off consumers
in contex award 8	on: Only one side xt award 7 marks; marks if both e in context	e.g. If there is a break in the supply chain then Zara will find it very difficult to restock clothing lines and maintain revenue.
		e.g. JIT has frequent deliveries of small quantities of stock resulting in increase costs for transportation.

If evaluation is not in context, restrict to top Level 3 - 6 marks maximum

Question	Question Question			
Number	Question			
11.	Assess two possible effects on Zara's business of an appreciation (strengthening) of the Euro against other currencies. (Knowledge 1, Application 1, Analysis 1, Evaluation 1 per effect)			
Level	Mark	Descriptor	Possible Content	
1	1	Knowledge and understanding: are available for knowledge such as what is meant by appreciation/strengthening of a currency/ numerical example/ definition of exchange rate	e.g. the rate at which one currency may be converted into another e.g. £1 = €1.20 e.g. when one currency is worth more against another currency	
2	2	Application: are available for contextualising the response by referring to Zara NB if analysis and not in context restrict to 2 marks	e.g. Zara are importers of materials for their clothing ranges e.g. Zara are exporters of finished clothing around the world.	
3	3	Candidate analyses by offering reasons/ causes/ consequences etc. of the impact of the appreciation of the Euro upon Zara Arguments will be onesided.	e.g. Buying raw materials from abroad when the Euro has appreciated means it is likely to have to pay less for its imports of materials therefore increasing profitability if sales are maintained e.g. if it sells clothes outside the Eurozone its export price of clothing could increase and could therefore reduce demand for Zara's clothing due to being less competitive than other retailers who do not export	
4	4	Evaluation must be present and in context for each separate effect i.e. the candidate must show possible advantages and disadvantages of appreciation of the Euro for Zara	e.g. It depends on the strength of the appreciation e.g. depends on how much Zara imports e.g. the extent of Zara's sales within and outside the Eurozone	

	e.g. the significance of price as opposed to quality for its clothes
	e.g. the PED of Zara's clothing range will affect the overall impact of fluctuating exchange rates

If evaluation is not in context, restrict to Level 3 - 3 marks maximum per effect

Question	Question					
Number 12	Evaluate how the increase in online clothing retailing might affect					
	a) consumers					
Level	Mark Descriptor Possible Content					
1	1	Knowledge must be present. Some awareness of what is meant by online retailing /consumers	e.g. internet sales/ people who buy products/services			
		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.				
2	2-3	Application must be present, i.e. the answer must be contextualised by referring to consumers and rising internet sales				
		e.g. loose reference to the data such as 'online sale rising'				
		High Level 2: 3 marks A specific reference to the context	e.g. The total spent online is £73 for every person in the UK			
		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.				
3	4	Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of rising internet sales to consumers	e.g. customers who buy clothes online may be able to see a far greater range of clothes compared to the high street			
		Arguments will be one-sided. QWC: To achieve a mark of 4	e.g. online shopping may be far more convenient because consumers don't have to go to the shops so consumers can			

		the candidate will use business	do it from home
		terminology well/style of writing is appropriate to the question/ reasonable to good spg	e.g. consumers can use the Internet to compare prices which can result in savings.
4	5-7	Low Level 4: 5 marks. Evaluation must be present and in context, i.e. the candidate must present an argument for how consumers can benefit or lose from rising internet sales Medium Level 4: 6 marks Evaluation must be present and in context to convincingly illustrate the extent of the impact on consumers of rising internet sales High Level 4: 7 marks A convincing and balanced answer throughout making good use of concepts and terminology 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.	e.g. consumer sovereignty may increase as there may be increased choice and more information allowing better informed purchases e.g. long tail - small quantities of a large range of products with lower costs of online selling e.g. Prices may be forced down with increased competition and the ability to compare prices e.g. some people with mobility problems are now able to access a wide range of products and services online. e.g. Independent clothing retailers may suffer which leads to a loss of consumer choice especially for those without Internet access. e.g. Personal service may be important for some consumers who need to discuss a purchase/ try clothing on e.g. Some consumers may find the internet intimidating
			the internet intimidating (older people) and are reluctant to give credit card details over the Internet due to fraud.

Question Number	Question				
12	Evaluate how the increase in online clothing retailing might affect				
	b) retailers				
Level	Mark	Descriptor	Possible Content		
1	1	Knowledge must be present. Some awareness of what is meant by retailing. OWC: To achieve a mark of 1	e.g. firms or organisations that sell products/service to consumers		
		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.			
2	2-3	Application must be present, i.e. the answer must be contextualised by referring to retailers and rising internet sales			
		Low Level 2: 2 marks Just a simple reference to the context	e.g. Loose reference to the data such as 'there are more online clothing retailers'		
		High Level 2: 3 marks A specific reference to the context	e.g. Internet shopping is expected to grow from £56 billion to £94 billion		
		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.			
3	4	Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of rising internet sales to retailers	e.g. a high street clothing retailer who does not have an online store may have to implement price cuts and increase promotion in order to maintain sales.		
		One sided answer			
		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			

		cna	
		spg	
4 5-7		Low Level 4: 5 marks. Evaluation must be present and in context, i.e. the candidate must present an argument for how clothing retailers can benefit or lose from rising internet sales	e.g. A high street clothing retailer may see demand for their products/services fall as consumers may be substituting cheaper goods/wider choice via the Internet.
		Medium Level 4: 6 marks Evaluation must be present and in context to convincingly illustrate the extent of the impact on clothing retailers of	e.g. long tail - small quantities of a large range of products with lower costs of online selling
		rising internet sales	e.g. In the long run some clothing retailers may exit the
		High Level 4: 7 marks A convincing and balanced	market e.g. Etam/Woolworths
		answer throughout making good use of concepts and terminology	e.g. Small businesses may see this as a threat or an opportunity. Low barriers to entry mean that small clothing retailers can set up an online
		Assessment for QWC: The candidate will use business terminology precisely and effectively/organises their answer to provide a coherent	store and move into online retailing and have a wider access to a much larger market.
		and fluent response/ good to excellent spelling, punctuation and grammar.	e.g. Depends on the nature of the clothing - Vivienne Westwood consumers would be unlikely to shop online

If evaluation not in context restrict to L3 – 4 marks only

Assessment Objectives

QUESTION	Content	Knowledge	Application	Analysis	Evaluation	Total
1	2.3.4b	2	2			4
2	2.3.6a	1	1	1	1	4
3	2.3.2b	1	1	1	1	4
4	2.3.5c	2	1		1	4
5	2.3.6c	1	1	1	1	4
6	2.3.1a	2	2			4
7	2.3.3a	1	1	2		4
8	2.3.2b	2	1	1		4
9	2.3.1b	3	3	2		8
10	2.3.5a	2	2	2	2	8
11	2.3.3d	2	2	2	2	8
12a	2.3.2a	1	2	1	3	7
12b	2.3.2a	1	2	1	3	7
TOTAL		21	21	14	14	70

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