

Mark Scheme (Results)

Summer 2014

GCE Economics & Business Studies (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.

6EB02/01 Mark Scheme Summer 2014

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
1(a)	Answer: C (greater efficiency)	1
1(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of lean management e.g. means using fewer resources/minimising waste OR definition of efficiency e.g. is a reduction in average costs (1 mark) • Dell’s lean management system may include JIT production, Kaizen and/or TQM to build computers (1 mark) • Which may have arisen because ‘build to order system’ uses resources for specific projects/orders (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because stock levels using JIT will be minimised at Dell rather than increased as they build the computers to order (1 mark) • B is wrong because lean management is likely shorten product lead times as resources are concentrated specifically on one area (1 mark) • D is wrong because capacity may not be affected given this also relates to factory space and/or use of machinery/labour (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
2(a)	Answer: C (empowerment of employees)	1
2(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of delegation e.g. the transfer/giving of authority/power/responsibility/decision making to employees/subordinates down the chain of command/hierarchy OR • Definition of empowerment, e.g. authorising employees to make their own decisions (1 mark) • Empowered Virgin employees are therefore more involved/motivated (1 mark) • It is likely to result in a more efficient and/or productive workforce within the Virgin Group (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because if workers lower down the hierarchy in Virgin make fewer decisions then they will not be given delegated tasks as decisions are made by managers (1 mark) • B is wrong because there is less likely to be closer supervision of the workforce if Virgin is delegating tasks as responsibility is given to employees (1 mark) • D is wrong because a centralised organisation structure means managers decide and control what happens in the business (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
3(a)	Answer: B (fall by 60%)	1
3(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Definition of PED e.g. the responsiveness of demand to a change in price (1 mark) • OR Alternatively the knowledge mark can be awarded for the formula $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} \quad (1 \text{ mark})$ • % change in QD/30 = -2 (1 mark only; partial working shown) • -60/30 = -2 (2 marks) • Accept any suitable/logical ordering of the PED calculation <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because demand will fall not rise as -2 indicates PED is elastic (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
4(a)	Answer: B (a fall in nominal prices)	1
4(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Definition of inflation e.g. sustained rise in the general price level (1 mark) • Nominal prices do not take into account inflation (1 mark) • Therefore nominal prices will increase and not fall when inflation is rising (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because rising prices make it harder for business to budget with any certainty because costs may change (1 mark) • C is wrong because if UK prices rise faster than those of other countries UK goods become relatively more expensive (1 mark) • D is wrong because rising inflation affects people on fixed incomes as the real value of their incomes declines (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

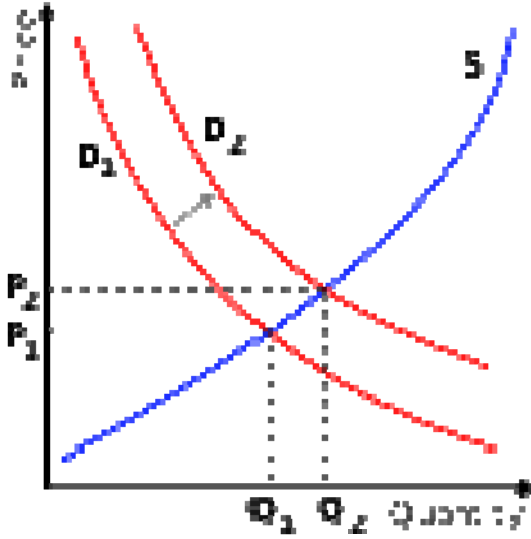
Question Number	Question	Marks
5(a)	Answer: A (consumer choice)	1
5(b)	<p>Explain why this answer is correct:</p> <ul style="list-style-type: none"> • Definition of a barrier to entry e.g. anything that will prevent other firms entering a market and competing with existing firms (1 mark) • Examples of barriers to entry e.g. economies of scale, patents, advertising or brand names such as Shell, BP and Esso (1 mark) • These will limit the amount of competition in the petrol market and restrict consumer choice (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • B is wrong because there is usually high profitability due to the lack of competition (1 mark) • C is wrong because there are high start-up costs such as buying land in order to enter the petrol market (1 mark) • D is wrong because prices in the petrol market tend to be high rather than low due to a lack of competition (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	Answer: B (number of French tourists to London, UK)	1
6(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Definition of exchange rate e.g. the value of one currency expressed in terms of another (1 mark) • A fall in the euro means that one euro will buy less, in terms of UK pounds, than it previously did (1 mark) • It should now cost more for a French tourist in London to purchase goods and services such as a London hotel room, causing a fall in tourism to London (1 mark) <p>Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.</p> <ul style="list-style-type: none"> • A is wrong because a fall in the value of the Euro should make holidays in Spain cheaper for the UK tourist as less pounds need to be exchanged (1 mark) • C is wrong because Audi cars should be now be cheaper in the USA due to a weaker euro so sales should rise (1 mark) • D is wrong because Italian exports should be cheaper in the UK as less pounds are needed to be exchanged so sales should rise (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>N.B. up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Section B Mark Scheme

Question Number	Question	
7	Explain one way in which the use of market research can help Thorntons reduce uncertainty.	4 marks
	Answer	Mark
	<p align="center">(Knowledge 2, Application, 1, Analysis 1)</p> <p>Knowledge/understanding: 1 mark for defining or showing understanding of what is meant by market research e.g. use of primary and secondary research methods (1 mark) and/or for giving a reason for using market research e.g. finding out what consumers want/future trends (1 mark)</p> <p>Application: 1 mark for contextual answers e.g. Thorntons could carry out primary market research about chocolate preferences in the UK chocolate market (1 mark)</p> <p>Analysis: 1 mark is available for giving a reason/cause/consequence e.g. this may lead to Thorntons adapting their chocolate products in order to suit the changing tastes of chocolate consumers (1 mark) OR to anticipate future demand/increasing sales/profits (1 mark)</p>	<p>1-2</p> <p>1</p> <p>1</p> <p>(Total 4)</p>

Question Number	Question	
8	Explain one possible benefit for chocolate retailer Hotel Chocolat of operating in a niche market.	4 marks
	Answer	Mark
	<p style="text-align: center;">(Knowledge 2, Application 1, Analysis 1)</p> <p>Knowledge/understanding: 1 mark for defining or showing understanding of what is meant by niche market e.g. a smaller segment of a market (1 mark) and/or giving a benefit e.g. higher prices/less competition/brand loyalty (1 mark)</p> <p>Application: 1 mark for contextual answers e.g. Hotel Chocolat can charge a premium price for its luxury chocolate (1 mark)</p> <p>Analysis: 1 mark is available for giving a reason/cause/consequence e.g. this may lead to Hotel Chocolat being able to maximise profits on its sales of luxury chocolate as the higher prices will more than cover costs/increase profitability (1 mark)</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">(Total 4)</p>

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

Question Number	Question	
10	Explain two factors, other than its price, which may affect the supply of chocolate.	6 marks
	Answer	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2</p> <p>(Each Factor: Knowledge 1, Application 1, Analysis 1) x 2</p> <p>Knowledge/understanding: 1 mark is available for defining what is meant by supply, e.g. the amount of goods and services available at a given price in a given time period (1 mark) and identifying one non-price factor (1 mark) or identifying 2 non-price factors (2 marks) from below:</p> <ul style="list-style-type: none"> • Weather/natural factors • Cost of inputs/raw materials • The availability of land/labour • Entry/exit of firms • Indirect taxes/subsidies • Technology • Productivity • Prices of other goods the firm can produce <p>Application: up to 2 marks are available for applying these factors to chocolate e.g.</p> <ul style="list-style-type: none"> • Poor weather conditions/poor harvest affecting cocoa • Cost of shipping the cocoa beans • Closure of Thorntons' shops/growth of Hotel Chocolat • Increases in VAT tax on confectionery • Use of GM to produce cocoa • Use of lean production in chocolate manufacturing <p>Analysis: up to 2 marks are available for giving a reason/cause/consequence e.g.</p> <ul style="list-style-type: none"> • Higher raw material costs will reduce profitability and therefore reduce the supply/output (1 mark) • Increased productivity in chocolate manufacturing reduces average costs and therefore increases profitability/output (1 mark) 	<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: right;">(Total 6)</p>

Question Number	Question		
11	Assess the likely social costs of Thorntons' decision to close 180 stores by 2014.		10 marks
Level	Mark	Descriptor	Possible Content
1	1-2	Available for knowledge such as identifying what is meant by social costs	e.g. the social costs are the negative consequences of a business's actions on the wider community
2	3-4	Available for contextualising the response by referring to the social costs of Thorntons closing 180 stores	e.g. Social costs might include unemployed shop workers, decline of the high street e.g. Thorntons have already closed 20 stores and are planning on closing another 160
3	5-6	Available for considering the social costs of Thorntons closing 180 stores NB Analysis not in context award 5 marks	e.g. social costs of unemployment to the UK economy such as anti-social behaviour/ increased crime rates/health issues e.g. cost of wasted resources to the UK economy/more welfare payments being made to unemployed Thorntons ex-employees
4	7-10	Available for providing balance e.g. showing why the social costs of closing 180 stores may not be significant or long term Evaluation: Not in context, restrict to top Level 3 – 6 marks Low Level 4: Award 7 marks if one side only is in context Mid Level 4: Award 8 marks if both sides are in context High Level 4: 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	e.g. some of Thorntons employees will be able to retrain and enter new jobs either in the same market in other retailers such as Hotel Chocolat or with other retailers within the tertiary sector e.g. growth of other chocolate retailers such as Hotel Chocolat who will gain market share from Thorntons therefore reducing social costs e.g. the entry of new chocolate or other businesses renting out the shop spaces left by Thorntons may minimise the social costs

Question Number	Question		
*12	Evaluate two ways in which Thorntons might increase its UK market share. Per way: (1 Knowledge, 2 Application, 1 Analysis, 3 Evaluation) x 2		
Level	Mark per way	Descriptor	Possible Content
1	1	<p>Knowledge must be present. Some awareness of what is meant by market share or ways of increasing market share</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. the % total sales a firm owns in a particular market</p> <p>e.g. advertise, pricing strategies, product development, quality, cutting prices, focusing on service, diversify, cutting costs, sales promotions, other distribution channels, mergers</p>
2	2-3	<p>Application must be present, i.e. the answer must be contextualised by referring to Thorntons</p> <p>Low Level 2: 2 marks Just a simple reference to the context</p> <p>High Level 2: 3 marks 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. product lines such as advent calendars/Santa-shaped chocolates</p> <p>e.g. Mintel forecast 5% increase in UK chocolate market</p> <p>e.g. Thorntons expanding its online sales</p>
3	4	<p>Analysis must be present, i.e. the candidate must give reasons/ causes/ consequences of how Thorntons can increase market share</p> <p>Arguments will be one-sided and in context</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. More affordable chocolate should increase demand because consumers are seeking value for money</p> <p>e.g. advertising campaigns can raise awareness of Thorntons and can be used in conjunction with its online presence so is much cheaper than advertising on mass media.</p> <p>e.g. diversifying into high end luxury premium chocolate may lead to premium prices and higher market share by appealing to a new market segment</p>

	5-7	<p>Low Level 4: 5 marks. Evaluation must be present and in context on one side only, i.e. the candidate must present an argument for the impact of these strategies on the market share of Thorntons</p> <p>High Level 4: 6-7 marks A convincing and balanced answer throughout making good use of concepts and terminology.</p> <p>NB A mark of 5 is awarded when only one side is in context; award 6-7 marks for both sides in context</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>e.g. Cutting chocolate prices may increase sales but will reduce profit margins so Thorntons will have to sell more items and this could have a negative impact on the quality perceptions of Thorntons.</p> <p>e.g. Advertising may increase demand and awareness of the Thorntons chocolate products but has an opportunity cost associated with it.</p> <p>e.g. Diversifying into high end chocolate may be a risky and expensive strategy and is targeting a different market to its original chocolate target market and will put it in direct competition to Hotel Chocolat</p>
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