

Examiners' Report
June 2016

GCE Economics B 8EB0 02

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Introduction

This was the first paper for the new specification and overall candidates' performance showed a sound grasp of economic concepts. Answers suggested that candidates on the whole had been very well prepared for this paper. There appeared to be use of precise economic terminology throughout all sections of the paper. The more able candidates demonstrated excellent application of their knowledge to the precise question set, while the less able candidates attempted questions from a 'common sense' approach rather than demonstrating any economic concepts. The examination paper required candidates to apply their understanding; more able candidates did this well with clear development of points. Examination timing skills appeared to be very good as a whole.

Question 1 (a)

There were two parts to the explanation of 'capital intensive' and examiners were looking for references to capital equipment compared to the use of labour. Candidates had to provide both parts to gain 2 marks. Examiners accepted references to 'machinery' but did not accept vague references to 'technology' or 'people'. Examples were often used by candidates to support their explanations of capital intensive but no marks are available for the use of examples. Partial explanations were awarded 1 mark.

1 (a) What is meant by the term 'capital intensive'?

(2)

A firm that is capital intensive operates using mostly machinery and other capital assets, rather than using primarily labour, and being labour intensive.



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Examiner Comments

This response scored 2 marks and clearly has two parts to the explanation - references to the use of machinery rather than using labour.



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Examiner Tip

This question will always have 2 marks available for the explanation of 'what is meant by....' so ensure that your response is fully developed and is not a vague attempt at explaining the economic term. There are no marks available for using an example so do not rely on an example to lift an imprecise definition.

Question 1 (b)

Many candidates were able to calculate the correct answer so achieved 4 marks. Marks were awarded for showing workings and for many candidates with an incorrect answer, marks could still be gained if the workings were shown. Marks were deducted if the percentage sign was missing or if the answer was not given to two decimal places. The vast majority of candidates were able to score 3 or 4 marks for this question. It is essential that candidates are able to use a range of quantitative skills either in a calculation or interpretation of data from the extracts.

(b) Calculate, to 2 decimal places, the percentage change in India's income per capita from 2011 to 2015 (Extract A). You are advised to show your working.

(4)

$$\% \text{ change} = \frac{\text{New} - \text{original}}{\text{original}} \times 100\%$$

$$\% \text{ Change in income} = \frac{88533 - 64316}{64316}$$

$$\% \text{ Change in income} = 37.65\%$$



ResultsPlus Examiner Comments

This response scored 4 marks and as you can see, it clearly shows the workings to arrive at the correct answer of 37.65%.



ResultsPlus Examiner Tip

Quantitative skills are an important part of the new linear A Levels. Candidates will be expected to be able to apply a range of quantitative skills such as percentage change. If the question asks for a percentage or an answer to 2 decimal places, then marks will be deducted if the response does not do what the question asks.

Question 1 (c)

This was marked using points based Assessment Objectives of 1 Knowledge, 2 Application and 1 Analysis mark. The Knowledge was awarded for giving one impact of the changes in Extract A. The most popular impact used was an increase in disposable income. Application could be awarded for simply stating that there had been an increase in income per capita and/or any use of data from Figure 1. There had to be two separate references to data to gain both Application marks. Analysis could be awarded for any consequence from the changes in income per capita such as Indians could purchase more goods and services. For many candidates, they lost 1 Application mark due to not giving two separate pieces of Application from the extract.

(c) Using Extract A, explain **one** impact on households in India of the changes in income per capita.

(4)

Income per capita is the average or general income earned. If income has risen, which in this case it has, from 64,316 in 2011-12 to 88,533 in 2014-15. This will mean that the general population will have more disposable income, to spend on luxury goods, rather than just necessities. This could improve the standard of living for those people and may allow them to purchase things that they previously couldn't.



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Examiner Comments

This response scored 4 marks and is a good example of how to structure a response for a 4 mark question. The candidate has used the data in Extract A to be able to explain that there has been an increase in income and has also used data to support this so gains both Application marks. Another mark was awarded for stating that the general population will have more disposable income. Analysis was provided by the way of explaining that standards of living could improve due to people being able to purchase more luxury goods.



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Examiner Tip

The AO allocation for this question will always be 1 Knowledge, 2 Application and 1 Analysis. So ensure that you provide enough use of context - whether this is use of data or context from the extract to be able to gain both Application marks. Lack of 2 separate Application points was often the reason for not gaining 4 marks for this question.

Question 1 (d)

This was marked using the new levels based marking grid. For an 8 mark 'Discuss' question there are 3 levels. Examiners read the whole response and then decided which level best matched the response. Examiners then awarded marks according to the quality of the response within the level. If a response was lacking certain characteristics, examiners moved towards the bottom of the level and this approach was used for all levels of response questions on the paper. On the whole, many candidates were able to use the information in the extract to write about the benefits to Ford of manufacturing cars in India, such as a cheaper labour force or that it was cheaper than China.

The command word was 'discuss' but unfortunately many candidates only gave a one-sided response which only focused on the benefits so were unable to fulfil all the requirements of 'a balanced awareness of competing arguments' part of the descriptor in Level 3 in order to achieve full marks. In addition, many candidates also focused their responses on the benefits of selling in India rather than why Ford had decided to locate their manufacturing and unless this was linked to avoiding tariffs or transport costs, this was not rewarded.

(d) Discuss the possible benefits to *Ford* of manufacturing cars in India.

(8)

A benefit to Ford with manufacturing its cars and engines in India is that the large labour intensive force needed is there for them. The jobs will be filled easily, also the employees in India will have a lower minimum wage which keeps costs down. These two points help productivity and low costs which both help to see increased profits.

Another benefit to Ford is that, they want to sell more to Asia and in India, well now they sell domestically to India which means they can potentially rise sales due to no tariffs on the goods meaning price could be lower, increasing demand. Also being in India means Ford are in Asia and transport costs of goods going to Asia will be cheaper than America as it is less distance. This again reduces costs and can see profits increase.

However India may have an available large work force, they may not have the needed skills for the job of producing cars due to a lack of education or training. This means Ford will have to train most new employees which increases costs of the business and if they do not train productivity will be low and quality of product will be lower than required. Overall, I believe it will save costs for Ford as Asia will be a longterm customer.



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Examiner Comments

This response was awarded Level 3 - 8 marks. This is a well written response which uses relevant evidence throughout the answer. It is balanced and provides both the benefits and disadvantages to Ford of manufacturing cars in India.



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Examiner Tip

The command word 'discuss' requires both sides of an argument. In this question, both the benefits and drawbacks of manufacturing in India were required. Many candidates only gave the benefits so restricted their marks due to not providing a balanced awareness of competing arguments (Level 3). A conclusion is not required for an 8 mark discuss question.

Question 1 (e)

Many candidates did evaluate and provided both positives and negatives of globalisation for India such as an increase in GDP and FDI. Some candidates used Ford as their relevant evidence but examiners rewarded any relevant evidence in terms of MNCs, such as Nike, McDonalds, M&S and Buxton Water. Again, examiners did see many one-sided responses despite the command word being 'Assess'. These were unlikely to enter Level 4 as the bulk of the descriptors in Level 4 are to do with the candidate providing evaluation and a full and balanced awareness. For a Level 4 response, examiners were looking for arguments which were developed and evaluated and supported throughout with relevant evidence. For a high Level 4 response, examiners were looking for developed evaluation as well as a full and balanced awareness of the validity and significance of competing arguments.

(e) Assess the likely impact on the Indian economy of increased globalisation.

(12)

Globalisation is the increased flow of ideas, labour, capital and goods and services ~~from one country~~ between countries.

India is an emerging economy, meaning it is in the process of developing and increasing its manufacturing industry. This means that they will significantly benefit from globalisation in the form of increased investment from abroad. This will help India's industry continue to grow, ~~also~~ allowing it to increase output. Investment from large, multinational corporations such as Ford is significant because they also provide a brand ~~name~~ image to help sell Indian products, in this case cars.

Another benefit for the Indian economy is that it helps them to sell goods and services. ~~Also~~ Over-the-phone customer service and call centres are a big industry in India and they export their services to markets all over the world. Developed countries such as the UK and the USA provide customers for Indian I.T. support, which helps that industry to grow. As the industry grows, India call centres will want to increase output by hiring more telephone operators, which provides more jobs and reduces unemployment.

On the other hand, ~~it can lead~~ globalisation can lead to the abuse of cheap Indian Labour. Developed nations like the USA have a lot of power and use this to drive down prices of Indian goods. USA Sports Supplier Adidas are known to use Indian Sweatshops to produce their trainers and football kits. This provides employment but ~~reduces it~~ results in many sweatshop workers ~~the~~ working for a tiny wage in appalling conditions. This leads to reduced living standards.

Overall, the main benefit to the Indian economy is the globalisation results in a large foreign market to buy Indian exports^{like cars & support}. This not only results in economic growth but also reduces unemployment by providing jobs in call centres and as car mechanics. ~~the~~ On the other hand, it has the negative impact of abusing Indian Sweatshop workers who make trainers and sportswear for Adidas in appalling conditions, reducing their standards of living.



ResultsPlus Examiner Comments

This response achieved Level 4 - 10 marks. It clearly evaluates the impact on the Indian economy of increased globalisation and uses relevant evidence throughout the response - references to Ford, call centres and IT support. There is development of the benefits and the candidate has provided chains of reasoning rather than unsupported assertions. The candidate does also discuss the drawbacks of globalisation in terms of possible exploitation of Indian workers by firms such as Adidas. The candidate does provide a conclusion at the end of the response but this does not really add anything to the response and just repeats earlier comments, hence why the mark awarded was at the bottom of Level 4.



ResultsPlus Examiner Tip

The command word 'Assess' will always require a deeper evaluation of an economic concept compared to the command word of 'Discuss'. Candidates are encouraged to use a range of relevant evidence throughout their response - either from the Extracts or use their own examples to highlight and demonstrate their chains of reasoning. The conclusion should not just be repetition of the earlier points made.

Question 2 (a)

As with Q1(a), there were two parts to the explanation of 'mass market' and examiners were looking for references to products being targeted at the whole population and that mass markets do not target a specific market segment. Examiners did not reward that mass market was the opposite of a niche market. Again, examples were often used by candidates but no marks are available for the use of examples. A partial definition achieved 1 mark.

2 (a) What is meant by the term 'mass market'?

(2)

A mass market is a large collection of consumers with similar wants and needs, where demands are ^{often} satisfied by homogenous products and companies have wide customer bases, with no specific marketing or product features. ~~An example is the brand Am Sunshings, which~~ ~~eyes inferior, named and luxury goods~~ Demands are not specific and prices are often a key source of competitive advantage.



ResultsPlus Examiner Comments

This scored 2 marks for stating that a mass market is a large collection of consumers (1 mark) and that they have similar wants and needs.....no specific marketing or product features (1 mark).



ResultsPlus Examiner Tip

Always give a full and detailed explanation for this question.

Question 2 (b)

Many candidates were able to calculate the correct answer so was awarded 4 marks.

Marks could be awarded for showing workings but these were not necessary if the correct answer was shown. Examiners deducted 1 mark if the percentage sign was missing. This calculation question was not as well done as 1(b) and some candidates were unable to calculate the change in quantity demanded. Examiners did award 1 mark if a candidate gave the correct formula for PED.

- (b) The price elasticity of demand for the new graphene lightbulbs is estimated to be -0.8 and they will be priced at £10 each.

Calculate the percentage change in quantity demanded following a £5 increase in price. You are advised to show your working.

(4)

$$\% \text{ PED} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

$$\% \text{ change in quantity demanded} = \text{PED} \times \% \text{ change in price}$$

$$\% \text{ change in QD} = -0.8 \times \left(\frac{15 - 10}{10} \times 100\% \right)$$

$$\% \text{ change in QD} = -40\%$$



ResultsPlus Examiner Comments

This response scored 4 marks for providing the correct answer of -40%. The candidate does also show their workings, including the formula for PED.



ResultsPlus Examiner Tip

Always provide your workings for a calculation question as you can still gain marks for this with an incorrect answer.

Question 2 (c)

This, like 1(c), was marked using points based Assessment Objectives of 1 Knowledge, 2 Application and 1 Analysis mark. The Knowledge was awarded for giving a factor which may affect PED. The most popular factor was availability of substitutes. Application could be awarded for

references to the new graphene lightbulb being innovative, energy efficiency, longevity of the new lightbulb and the price of £15. Again, there had to be two separate references to gain both Application marks. Analysis could be awarded for how this factor affected the elasticity - what may make it price inelastic or price elastic.

Some candidates lost 1 Application mark due to not giving two separate pieces of Application from the extract. Some candidates also gave incorrect responses which were referring to cross elasticity of demand or income elasticity of demand rather than PED.

(c) Explain **one** factor that may influence the price elasticity of demand for the graphene lightbulbs.

(4)

Product differentiation ~~it~~ might influence the price elasticity of demand for the graphene light bulbs. It has got an atom thick layer of carbon which is stronger than steel and conduct heat and electricity efficiently. ~~that~~ These are the features only graphene lightbulbs have. ~~So~~ So there is no alternatives for graphene lightbulbs if you want the same features. Therefore this makes the graphene bulbs stands out from all those other similar products and it might have price inelasticity of demand because of the products has differentiated itself from the others.



ResultsPlus Examiner Comments

This response scored 4 marks for providing a factor which may influence PED (differentiation), 2 separate Application points (thick layer of carbon and conducting heat efficiently) and then did explain the consequence of this in terms of the elasticity.



ResultsPlus Examiner Tip

Use the extracts for Application. There will be more than enough context in the extracts to provide the Application needed for a 4 mark question.

Question 2 (d)

Like 1(d), this was marked using the new levels based marking grid. On the whole, many candidates have been able to evaluate on this question and the vast majority of candidates were able to access top Level 2 or Level 3. A really good one-sided answer with relevant evidence could access Level 3 but was unlikely to fulfil 'a balanced awareness of competing arguments' part of the descriptor in order to achieve full marks. This was a very popular and straightforward question with good marks being achieved. Examiners did see some generic responses and in order to achieve the higher marks, examiners were looking for relevant evidence throughout the response. Relevant evidence could be related to any firm as the question did ask for firms such as Graphene Lighting so references to other firms were rewarded appropriately.

(d) Discuss the possible benefits of online retailing for firms such as *Graphene Lighting*.

(8)

One benefit of online retailing is that graphene lighting could benefit from increased sales, as a larger ~~can~~ market can be reached online using e-commerce, perhaps people in remote locations, which could increase profits for graphene lighting. However, as the graphene bulb is a particularly niche product, some consumers may feel it is a luxury good, and opt for less expensive substitutes, such as the standard lightbulb, and therefore it may be redundant to sell online, as the product has a limited market anyway. An additional benefit of online retailing for this firm is that, due to the nature of the product, it would be financially unwise to open up a highstreet store, as there simply wouldn't be enough business on the highstreet for graphene bulbs to ensure they are profitable. By setting up online, graphene bulbs can benefit from low running costs and low staff wages, increasing their profits.

further. However, it could be more beneficial to graphene lighting if they were to open a smart, ~~today~~ pop-up shop, as this would enable them to gauge whether or not there is even a market for their product.



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Examiner Comments

This response was awarded Level 3 - 7 marks. There are clear chains of reasoning throughout the response, good use of relevant evidence and a balanced awareness of competing arguments. A conclusion is not required.



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Examiner Tip

Discuss - this is not just asking for the possible benefits but also the disadvantages or problems. Make sure you give both sides of the argument and use relevant evidence on both sides of the argument.

Question 2 (e)

This was a levels based question with 4 levels for this question. Many candidates have been able to evaluate and provide both positives and negative of R&D in gaining a competitive advantage such as being able to charge a premium price or gain a USP. Examiners did see some one-sided responses with relevant evidence but these were unable to enter Level 4 as the bulk of the descriptors are concerned with the candidate providing evaluation and a full and balanced awareness.

For a Level 4 response, examiners were looking for arguments which were developed and evaluated and were supported throughout with relevant evidence. For a high Level 4 response, examiners were looking for developed evaluation as well as a full and balanced awareness of the validity and significance of competing arguments. Unfortunately, some candidates focused their response on only market research rather than R&D so were unable to score any marks for this question unless the response directly related to R&D.

(e) Many firms are developing new products that use graphene.

Assess the importance to these firms of research and development (R&D) in gaining a competitive advantage.

(12)

Research and development is the process of a business finding out information about new technology to allow them to innovate and integrate new ideas into their products using development.

A competitive advantage is when one firm has a unique selling point or idea that they don't think will allow them to gain market share and generate more sales over competition.

The importance of research and development for these firms would be firstly to see if they can research about new technology such as ~~the~~ "graphene" and integrate it into their products. This is therefore important as it will give your product a unique selling point which none of the other competitors have. This would increase sales for these small firms and by doing this it will gain them market share.

Also ~~by doing~~ by integrating new ideas into your product by research and development, the company would have the ability to increase the price of their goods.

On the other hand due to the amount of time and people and testing that is put into research and development it makes the process very expensive ~~and~~ and if they didn't manage to generate sales this could leave the company in huge debt.

Also another important factor of research and development would be in the short term it would be very expensive but in the long term it will allow the company/firm to generate more sales for the company. If they have a good idea that people want, they can gain market share by doing predatory pricing, as consumers will buy their product at a low price meanwhile gaining you market share as you are eliminating competitors.



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Examiner Comments

This response achieved Level 4 - 10 marks. It evaluates the importance of R&D and gives a balanced approach. There are chains of reasoning and use of relevant evidence, although this was lacking on the counter argument. This was awarded 10 marks rather than 12 marks due to it lacking 'a full and balanced awareness of the validity and significance of competing arguments' along with a lack of relevant evidence.



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Examiner Tip

If you are asked to 'assess' the importance of an economic concept, you must give the benefits of that economic concept as well as give other factors which may also be as important. Do not just agree with the question and give a one-sided response.

Question 3

This was the largest mark question on the paper, worth 20 marks and had 4 levels. On the whole, examiners have been pleased with the responses seen as this question discriminated well between candidates. Examiners were looking for an evaluation in terms of which macroeconomic objectives may improve due to the rise in interest rates and which ones may be negatively affected. Candidates did not have to cover all macroeconomic objectives to access Level 4. Examiners were looking for relevant evidence in terms of using the information in the extract or by candidates bringing in their own examples of current macroeconomic data such as the current rate of inflation. More able candidates were able to show that there was a trade-off between the different macroeconomic objectives and often contrasted the impact of low inflation versus an increase in unemployment caused by a fall in aggregate demand. Unfortunately, examiners did see many responses with 'flawed' or 'incorrect' economic understanding which did restrict the level it could access. More able responses with accurate knowledge, supported by use of relevant evidence and an awareness of competing arguments which had correct chains of reasoning, were able to access Level 3. In order to access the highest marks, examiners were looking for a 'nuanced and balanced conclusion' which could have included references to things such as the impact may depend upon PED, the state of the economy, the amount of the rate rise, how long the rate rise will last and the time lag of an increase in the base rate. It was clear that some candidates simply ran out of time for this question and a careful consideration to time management would improve marks.

- 3 Evaluate the impact of an increase in the Bank of England's base rate on the government's macroeconomic objectives.

(20)

The Bank of England's base rate (interest rate) is a monetary policy aimed at influencing demand in an economy. An increase in interest rates is likely to lead to deflation in the UK economy as our ~~inflation~~ inflation rate is already very low - almost 0% and much lower than the target of 2% \pm 1%. This is not sustainable and may lead to a decline in the economy as ~~the~~ consumers don't want to spend as they're anticipating further deflation, forcing firms to put their prices down and starting a vicious deflationary cycle. However this may not happen due to the time lag which ~~is~~ a change in interest rates has, ~~which~~ which is about 18 months, and so it may

be that the ~~the~~ Bank of England is peering
for the future when demand may be high and
wants to cut this to ensure demand is sustainable
by increasing interest rates. When interest
rates go up people tend to save more and spend
and borrow less, whereas when they go down they
tend to spend and borrow more and save less. If
the ~~government~~ ^{Bank of England} is increasing interest rates because
they're anticipating higher aggregate demand in
the future it may help them ^{government} achieve sustained

and sustainable economic growth - a key
macroeconomic objective. ~~The~~ An increase in
interest rates may also influence employment
as it's likely to lead to less aggregate
demand in an economy as the cost of
borrowing is increased - decreasing consumption,
and meaning unemployment may rise as the
supply of labor ^{needed} to make goods and services
will be less. However this is assuming consumers
react completely rationally, and also certain
policies. If the increase in interest rates is low,
some consumers won't care or maybe won't
even understand and keep spending and borrowing
money for goods and services, off-setting
the impact of increasing interest rates.
Similarly...



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Examiner Comments

This response achieved 15 marks, and was placed at the top of Level 3. The economic reasoning was sound and the candidate did evaluate throughout the response using a range of relevant evidence. The response did not achieve Level 4 due to running out of time. What was there, was really good but there simply was not enough for it to reach Level 4.



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Examiner Tip

This question is worth 25% of the marks so it may be sensible to tackle Section C first to ensure that enough time is spent on this question. Many examiners commented on the fact that this response seemed to be rushed compared to other questions. Make sure you use relevant evidence throughout your response and this can be either from the extract or your own examples. Responses with good use of relevant evidence scored highly compared to generic evaluations.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the questions carefully in terms of the command words. It was clear that some candidates were not aware of the demands of the question or how to structure their responses.
- Q1(a) and Q2(a) will always require two parts to the explanation and examples are not rewarded.
- Quantitative skills will be tested throughout the paper and these may be in the form of calculations or using the data in the extracts to provide the Application in the 4 mark questions or for relevant evidence in the levels of response questions.
- The 4 mark 'explain' questions will always have two Application marks so ensure that there is enough Application to gain both marks.
- The command word 'discuss' is an evaluative command word so candidates must provide both sides of an economic argument in order to achieve full marks.
- Use of relevant evidence is required throughout the paper and this can be from the extracts provided or using examples provided by the candidate themselves. The extracts are there for a reason – so use them.
- Use economic concepts rather than generic 'common sense' answers.
- Examination timings – make sure there is enough time to answer the 20 mark question in Section C.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

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