

Mark Scheme (Results)

Summer 2007

GCSE

GCSE Business Studies & Economics (Nuffield-BP)
(1171) Paper 2F

Nuffield Business and Economics
Perspective Paper 2F
Summer 2007
Mark Scheme

Question 1:
The Olympic Bid

(a) Using an example, explain the meaning of the term 'public sector'.

(4)

Common

The public sector refers to organisations owned, financed and controlled by the state on behalf of the general public at large. The focus of the answer needs to be on the idea of control and the state (or government). Candidates may refer to the public sector being 'run by government' (1 mark) that it is a 'not for profit service' (1 mark) it is 'paid for by taxes' (1 mark). References such as these, supported by an example will usually mean some understanding. Suitable examples could refer to schools, health, the police, and so on. The blurred edges of modern public sector activity means that we need to be fairly flexible with the way we reward the examples given. Some might, for example, refer to the Post Office.

Up to 3 marks for an appropriate definition and a further one mark for a suitable example. With the definition, to distinguish between the mark range, look for a reference to the element of control, finance and ownership.

(b) Using examples, explain the difference between the terms 'cost' and 'price'.

(6)

This is an attempt to get students to clarify a common misunderstanding. Cost refers to the expenditure by producers for the inputs used in production. Price refers to the amount we have to exchange to acquire a good or service. The quality of the language will be a discriminating factor. Reference to 'inputs' or 'production' would be likely to get maximum marks if well supported. Reference to 'what is costs the business to make' is worth 1 mark, 'what it sells the good for' is, similarly, worth 1 mark. Examples should reflect this distinction - the cost of a Mars bar might be 29p to the producer but the price paid by the customer is 35p - the difference therefore representing the element of profit to the producer/s. Some form of example similar to this would be acceptable. 2 marks for the definition of each term and a further 1 for each example offered.

(c) *Using an example, what do you understand by the term 'profit'?*

(4)

Profit is the reward for enterprise. It is the sum of money necessary to persuade entrepreneurs to take risks and start up new businesses. Expect to see candidates offering a more mundane 'profit is the money made by a firm' - which would struggle without a supporting example to get more than 1 mark. Some candidates might also suggest that profit is $TR - TC$, which is acceptable for 3 marks if the terminology is used. A reference to costs and revenue is likely to be an answer that gets the full 3 marks for the definition. Others will refer to the amount of money left over after all the costs have been taken away - this type of answer is sufficient for 2 marks.

Up to 3 marks for the definition and a further 1 for the example used.

(d) *Identify two factors that might affect the competitiveness of a business.*

(2)

Any two appropriate factors can be accepted. These could include price, quality, efficiency, USP, design, skills of the staff, costs of production and so on.

1 mark for each factor.

(e) *Which of the two factors in (d) you have identified do you think is more likely to help a business win the contract to build the athletes village?*

(8)

This is an attempt to lead candidates into demonstrating some assessment. We are looking for a direct comparison to be made - '*the price they charge is an important factor whether they win the contract but it is the costs that affect what price they can charge so this is the more important factor of the two.*' might be the type of approach that will get into the higher level.

Level 2

A clear indication of the direct comparison is made at the top end of the range and the answer offers some development to justify why one is placed above the other. A single focus response which includes a judgement, some good development and which has clear evidence of evaluative comment could get a maximum of 5 marks. The quality of written communication will be of a high standard with accurate spelling, punctuation and grammar throughout and appropriate use of relevant terminology and concepts.

5 - 8 marks

Level 1

A limited attempt at comparison possibly only referring to the two in the first line '*I think the USP is more important than the quality because...*' but with little development of the point or a failure to develop the direct comparison. Developed answers focusing on just the one point will get to the top of level 1. The quality of written communication will be weak with poor spelling, punctuation and

grammar and a limited use of economic and business terminology and methods.

1 - 4 marks

(f) *Using an example, explain the meaning of the term 'opportunity cost'.*

(4)

Common

Opportunity cost is the cost expressed in terms of the next best alternative sacrificed.

The accuracy of the definition will be the distinguishing factor that will give 2 marks as opposed to the 1. A reference (implied or specific) to 'sacrifice' and the 'next best option' is worth 2 marks for the definition. Up to 2 marks for an appropriate example which is likely to be '*government spending money on health means they can't spend it on schools*' or similar. A specific reference to health, education etc. is likely to take the example to 2 marks.

(g) *Using one piece of the information above, estimate the opportunity cost of staging the London Olympics. Show your workings.*

(4)

Common

The aim here is to get candidates using the evidence to calculate the opportunity cost of staging the Olympics. There could therefore be a variety of responses but the direction to only use one of the pieces of information will hopefully help to guide candidates. The workings will show some basic numeracy skills in dividing the price of alternatives into the total cost of staging the Olympics. Possible answers, therefore, could be 6 super hospitals at £400 million each, 1,600 primary schools, 184.6 new secondary schools or 141 miles of motorway! If just a correct answer is given (i.e. 6) a maximum of 2 marks (need to show the working). A written explanation that implies an understanding of opportunity cost could get 1; if a specific figure is mentioned which implies some calculation has been carried out - a maximum of 2. Be wary of scale factors - being out by 1 zero, for example, is acceptable but being way out should not be rewarded.

1 mark for a 'correct answer' and up to 3 marks for the calculation - 1 for substituting the figures correctly and 2 for doing the calculation correctly (dividing the right bits). Some candidates might approach the answer in written form. In such cases if there is an understanding of opportunity cost shown this might earn 1 mark; if a figure is included which is correct (bear in mind scale here), it gets a maximum of 2 marks. If just a correct answer is given without any workings - a maximum of 2 marks.

(h) Explain the likely views of the following groups of people on the decision to host the Olympic Games.

Common

(i) The owner of an existing business in the area where the Olympic village is to be built. (4)

The evidence clearly states that some businesses in the way of the development of the new facilities will have to be moved to other areas and it is also clear that they are not very happy about the prospect. This is mainly due to the fact that they believe they are not getting the level of compensation they should or that they are being asked to move too far away. They are therefore not happy about the plans. It may, of course, not be everyone that is annoyed about the plans but those most affected will certainly be complaining.

We should not expect candidates to have an in-depth knowledge of the issues here but they should be expected to use the evidence to be able to recognize the views of local businesses and be able to articulate these in their answer.

(ii) A street trader in London's Oxford Street, the main shopping area of London. (4)

A street trader is likely to be very pleased about the Olympics coming to London as it would mean an increased likelihood of additional trade from the tourists who come to visit London to see the Olympics and the legacy that the Games will leave in boosting London as a tourist destination. However, the extent of the benefit s/he will gain is dependent on the type of product sold. If it is tourist souvenirs then it is likely that they will benefit a fair amount. If it is fruit or something else that is being sold then the benefit might not be so high. It will also depend on the number of people who come to Oxford Street from Stratford where the Games are held but given that it is the main shopping area of London then this is likely to be a reasonable amount.

(iii) The shareholders of a businesses which is to build facilities at the Games. (4)

The chances are that the boost to the companies of building these new facilities will be substantial and as a result, the share price of those winning contracts will be likely to rise. Shareholders might, therefore, be very pleased with the news. However, the evidence does point to the fact that other bids in the past have not met budgets and in Greece the costs spiralled way beyond that expected. In such a case the companies concerned might sign contracts but end up losing money as a result of the increased costs that might occur. This would not be such good news.

The shareholders views will be dependent on the extent of the benefit to the firms concerned. If it is felt the firm will make good profits out of the contracts then they might well see significant benefits but if the contracts do not give large returns the benefits might not be so great. In each case, 1 mark for recognising the view expressed and up to three for the quality of the development. Candidates who are able to offer some evaluation of the view will be likely to get to the top of the mark range. Alternatively, a candidate could express two views with some development; this could get 3 marks but reserve full marks again for those who are able to evaluate.

(i) Using all the evidence and your knowledge of business and economics, assess the view that the money spent on hosting the Olympics could be better spent on other things. (6)

The intention here is to get foundation candidates to summarise much of what has already been investigated but make a judgement about the Games. Expect to see references to the fact that the money could have been spent on health, education and other public services that would benefit all. However, there should be some balance in the answer and we would expect candidates to also be commenting on the fact that the amount of investment into the Stratford area will bring wider benefits to this deprived area of East London and a legacy that will last beyond the Games.

Level 2

A well argued answer that briefly offers a view from both perspectives at the top end of the level and arrives at a conclusion based on the previous detail offered. An answer that offers just a single focus and some good development contains some evaluative comment could reach 4 marks in this level. The quality of written communication will be good with few errors in spelling, punctuation and grammar and appropriate use of business terminology.

4 - 6 marks

Level 1

Answers in this level are likely to demonstrate a lack of understanding of the issues or have a lack of balance in the answer. A focus just on one perspective but with some evaluation will get to the top of the mark range. If there is no evaluation then it is likely to not get beyond 2 marks. Spelling, punctuation and grammar will be weak with frequent errors and little attempt to use business and economic terminology.

1 - 3 marks

Question 2:
The UK Economy

(a) *Using an example, what do you understand by the term 'business cycle'?* (4)

Common

The business cycle describes the tendency for economies to move in cycles over a period of time, these cycles being growth, slowdown, recession and upturn as a means of describing the changes in economic growth over a period.

Reference to the economy = 1 mark; mention of up to 3 stages = 2 marks; if a graph is included = 1 mark; an implied example embedded in the answer or a reference to a specific case is worth 1 mark up to a maximum of 4 marks.

(b) *Describe two effects that changes in the business cycle might have on a company like B&Q.* (6)

The effects could be either positive or negative (or indeed neutral) depending on the movement in the business cycle. Students will need to use their understanding of the 'roller coaster' element of the cycle to link this to a firm like B&Q. The hope would be that students will recognise that a downturn will mean a likely fall in sales for the business as people cut back spending and the subsequent effect on profit levels. It could however be the case that an upturn in the cycle might lead to rising sales and possibly even a case where demand is outstripping their capacity to supply. This might result in rising prices and also rising profits. Some students might go beyond the obvious and suggest that if sales are falling, for example, they might have to close down stores, make people redundant and so on. Such responses should be rewarded.

1 mark for the effect (x2) and a further two for the description (x2).

(c) *Describe the trends in UK economic growth between the years 2000 and 2005.* (4)

There is more than one trend shown on the graph - hence the plural in the question. Between 2000 and the middle of 2002, the rate of growth of GDP slowed down but after this period the rate of change picked up reaching a peak in the middle of 2004 before falling back quite sharply to around 1.8% in early 2005.

For the full 4 marks, candidates should describe at least two periods from the graph and also use the data to make some specific reference to the trend for example, '*growth fell from just over 3.5% in 2004 to about 1.8% in 2005.*' A simple description that fails to use the data effectively will be likely to get 2 marks and responses offering only one view of growth will get one - '*economic growth fell*'.

(d) State two factors that could cause a slowdown in economic growth.

(2)

Any two appropriate factors can be accepted - fall in demand, cut in spending, rising taxes, rising interest rates and so on.

1 mark for each appropriate response.

(e) Which of the two factors you have chosen in (d) do you think has the biggest impact on economic growth from 2004 to 2005 and why?

(8)

This is an attempt to lead candidates into demonstrating some assessment. We are looking for a direct comparison to be made - *'rising interest rates have more of an impact than rising taxes because interest rates affect everyone but it depends on what the tax is as to whether everyone pays it..'* might be the type of approach that will get into the higher level.

Level 2

A clear indication of the direct comparison is made at the top end of the range and the answer offers some development to justify why one is placed above the other. A single focus response which includes a judgement and some development and which has clear evidence of evaluative comment could get a maximum of 5. The quality of written communication will be of a high standard with accurate spelling, punctuation and grammar throughout and appropriate use of relevant terminology and concepts.

5 - 8 marks

Level 1

A limited attempt at comparison possibly only referring to the two in the first line *'I think that rising taxes are more important than a fall in demand because..'* but with little development of the point or a failure to develop the direct comparison. Developed answers focusing on just the one point will get to the top of level 1. The quality of written communication will be weak with poor spelling, punctuation and grammar and a limited use of economic and business terminology and methods.

1 - 4 marks

(f) Explain the difference between a job description and a person specification.

(4)

Common

A job description covers the responsibilities and tasks involved in the job and will specify the tasks to be carried out in that job. For example, 'working as part of a team developing relationships with sales teams in different regions'. A person specification outlines the skills and qualities of the person sought - for example, 'must have GCSE English and maths at GCSE level and an ability to work with people'

2 marks for the explanation of a job description and a further 2 for the explanation of a person specification. A simple reference to 'what the job entails', 'tells you what the job is' is worth 1 mark; same supporting information like an example will get a second mark. For person specification, again, a reference to 'what type of person' or 'skills and qualities' will get 1 mark and same supporting information 'for example languages' will get the second mark.

(g) Describe the role of an interview in the selection process for a new employee.

(4)

An interview allows both the prospective employee and the employer to get to know one another to find out whether they would be suitable partners. The interview allows the employer to find out more about the person and ask them questions related to their application and CV. An interview might also allow the employer to see how an employee would react under pressure and how they might respond to certain situations put to them in the interview. This allows the employer to complete the selection process.

The command word is 'describe' so we would expect candidates to be able to tell a story about the role of an interview. If candidate make a judgement about the importance of an interview - award 1 mark. Award 1 mark for same reference to the role of the interview ('to find out about the candidate'); 1 mark if there is same reference to changing suitability; 1 mark for development of the role - 'dress, punctuality, appearance' etc. Full marks will be reserved for those who recognise that the interview also allows the candidate to decide whether the job/place is right for them.

(h) Explain the views of the following people on the jobs market in Northampton.

Common

The views of each individual are outlined in the evidence; the candidate is asked to explain these views.

(i) Stuart Abraham

(4)

Stuart is unlikely to understand the idea that there might be unemployment in Northampton. Stuart has an upbeat view of the economic situation in Northampton and believes there are plenty of opportunities for those seeking work - especially those in the service sector.

(ii) Kevin Clark

(4)

He clearly has plenty of opportunities but there does not seem to be the people either wanting to be lorry drivers or who do not have the skills required to do the job. His understanding of the situation is likely to be affected by the fact that he is working in a job where there are specific skills required -i.e. a licence to be an HGV driver.

(iii) An unemployed person

(4)

Those unemployed might have a different view. It will depend on their age and how they have been unemployed. The previous evidence suggests getting work in the service sector might be relatively easy but if you do not have the skills then it doesn't matter how much work is available, you might stay unemployed.

In each case, 1 mark for recognising the view expressed and up to three for the quality of the development. Candidates who are able to offer some explanation for the view will be likely to get to the top of the mark range. An understanding of the circumstances that each person now finds themselves in and hence the reason for their view will be at the top end of the mark range. A paraphrasing of the evidence which might offer some valid comment with no explanation will be likely to get a maximum of 1 mark whilst simple copying of the evidence will get 0 marks. (x3)

(i) Assess the case for the government increasing the level of state benefits for those people who are unemployed. (6)

This refers to the section of the specification 'What can the government do?' (Unit 2) and 'Is there help at hand?' (Unit 6).

People who are unemployed have little money coming in and therefore need some form of assistance to be able to afford the basics in life. The level of Job Seekers Allowance may not be sufficient to be able to support an individual and their family and so increasing the state benefit would help them to be able to survive whilst looking for work. However, doing this might encourage some people to rely on benefit and not look for work with the same enthusiasm that they would if benefits were lower.

The question deliberately allows students to be able to clearly express two opposing perspectives - it could be that some prejudices come to the fore here and reference to 'scroungers' might be common.

Look to award marks in relation to the quality of the argument developed and the demonstration of the assessment objectives. Answers in Level 2 must demonstrate both perspectives. If only one perspective is shown this will put the answer in level 1.

Level 2

A balanced answer showing both perspectives at the top end of the level and offering some development of the point/s made. The candidate will have grasped the reason for offering benefits and also recognise the potential problems if benefits are too high. A simple conclusion may be offered. An answer that offers just a single focus and some good development but which contains some evaluative comment could reach 4 marks in this level.

The quality of written communication will be of a good level with few errors in spelling, punctuation and grammar and appropriate use of business and economic terminology.

4 - 6 marks

Level 1

An answer that might have two perspectives but little or no development or an answer that has only one perspective will characterise this level. There will be limited understanding demonstrated of the issue concerned.

The quality of written communication will be poor with frequent errors in spelling, punctuation and grammar and little or no use of economic and business terminology.

1 - 3 marks

Question 3:
Ringtones and Regulation

(a) Explain the meaning of the term 'marketing'.

(4)

Common

Marketing is the process whereby a business seeks to anticipate and identify consumer needs and look at ways to meet those needs at a price that enables the firm to make a profit. This type of question came up a few years ago and we had a lot of responses that just focused on advertising. As then, if this is the case then the answer can only get a maximum of 2 marks. For the full 4 there must be some recognition of not only making customers aware of a product/service but also identifying those needs. Some development of a point about the market, such as a reference to the 4ps or a target market may be sufficient to take an answer to 3 marks as will an example drawn from the evidence.

(b) Identify and explain two reasons for a firm advertising its products.

(6)

Firms might seek to advertise to make customers aware of a new product or changes to an existing product. The advertising might seek to provide information or seek to persuade customers to buy a good or service. Advertising might be used as a means of raising sales and thus revenue.

1 mark for identifying the reason and up to 2 marks for the development (x2). Good development will make links showing the consequences of advertising, for example, '*Firms advertise to try and raise sales. They do this by hoping that if enough people see the advert they will think it is a good product and buy it. If it is successful then the firm's sales will rise as a result.*' Would be a good example of a developed response worthy of the full 3 marks.

(c) Using examples from the evidence, explain the meaning of the term 'market segment'. (4)

A market segment is an identifiable group within a market that has particular characteristics in common. It could be age, gender, lifestyle and so on. The evidence gives suggestions of segments of young people under the age of 16 and also adults over the age of 32. Candidates could deduce some other segments from the evidence but these must have some relevance to the ringtones theme.

Up to 3 marks for the quality of the definition and 1 mark for an appropriate example. A quality definition will have reference to the common characteristics in some form whereas the typical definition may just refer to a 'part of a market'. We should expect a reasonable degree of precision given that candidates have spent 2 years on the course. A reference to 'categories' or 'splitting up the market' would be worth 1 mark; if a specific reference to common characteristics is made it is likely to get the 3 marks for the definition. Confusion with market niche should not be rewarded.

(d) State two factors that might have caused the demand for ringtones to increase. (2)

Any two relevant factors can be accepted - incomes, tastes/fashion, advertising, the increasing use and functionality of mobile phones etc. 1 mark for each correct factor.

(e) Explain which of the two factors you have identified in (d) will have been the most important reason for the rise in demand and why.

(8)

This is an attempt to lead candidates into demonstrating some assessment. We are looking for a direct comparison to be made - '*the fashion for ringtones is more important than peoples' income because ringtones are cheap so this is not that important but having a cool ringtone is something you can show your mates and this is more important to young people...*' might be the type of approach that will get into the higher level.

Level 2

A clear indication of the direct comparison is made at the top end of the range and the answer offers some development to justify why one is placed above the other. A single focus response which includes a judgement and some development and which has clear evidence of evaluative comment could get a maximum of 5. The quality of written communication will be of a high standard with accurate spelling, punctuation and grammar throughout and appropriate use of relevant terminology and concepts.

5 - 8 marks

Level 1

A limited attempt at comparison possibly only referring to the two in the first line '*advertising is most important because they have spent a lot of money on it, this is what the evidence says...*' but with little development of the point or a failure to develop the direct comparison. Developed answers focusing on just the one point will get to the top of level 1. The quality of written communication will be weak with poor spelling, punctuation and grammar and a limited use of economic and business terminology and methods.

1 - 4 marks

(f) Using an example, explain the meaning of the term 'entrepreneur'.

(4)

Common

An entrepreneur is a person who organises resources into production. S/he will take risks in putting in time and money in setting up business activity and will have to have flair, determination, skill and some luck to be able to succeed.

Examples could be drawn from the evidence - using the case of the owners of Jamba or could be drawn from more familiar examples like Richard Branson et al.

Up to 3 marks for the explanation and 1 for an appropriate example. The full marks can be gained if the candidate refers to risk, initiative and skills - in other words, recognising at least three elements of entrepreneurship.

(g) Describe two objectives that an individual might have in seeking to set up his or her own business. (4)

Any two appropriate objectives can be accepted - making money, security, personal satisfaction, being your own boss, doing things for yourself etc. Some candidates may focus on practical objectives such as setting a price, finding a location etc. These are acceptable. The command word is 'describe' so we are looking for the candidate to develop the objective. There are only 2 marks available for each objective so the development need not be detailed and this question should be accessible for all ability levels.

1 mark per objective and 1 for the development for each.

(h) Explain the views of the following people on the advertising strategy of Jamster.

Common

(i) Young people aged between 14 - 16.

(4)

These people might like the idea of ringtones and think that the advertising is fine. It will depend of course if they are paying for the service and they might think that they are buying a ringtone for a one-off price and so be surprised when they find they are running up bills! The evidence suggests that it is not this age group that is usually buying the ringtones so candidates may pick up on this and comment on the fact that some in this group might think the whole crazy frog thing is a bit naff!

(ii) Managers of mobile phone service providers such as O2 and Vodafone.

(4)

The emphasis of this is on the service providers. Service providers might be pleased that Jamster have been so popular because it means that mobile phone users will be persuaded to use their phones more and they will benefit from the charges that they make on each call.

It is also possible that managers will not be very happy about the advertising because they might not want the users to think that they had anything to do with the advertising of these ringtones. The public might not have a full understanding of the structure of the industry.

(iii) Rob Andrews.

(4)

Rob Andrews is an IT professional - presumably he should know better but it appears that he has also been affected by the promotion by Jamster. He is likely to be annoyed at the amount of money run up by his daughter and feels that Jamster are advertising inappropriately.

In each case, 1 mark for recognising the view expressed and up to three for the quality of the development. Candidates who are able to offer some explanation for the view will be likely to get to the top of the mark range. An understanding of the circumstances that each person finds themselves in and hence the reason for their view will be at the top end of the mark range. A paraphrasing of the evidence only with no explanation will be likely to get a maximum of 2 marks whilst simple copying of the evidence will get only 1. (x3)

(i) Assess the view that the public need protecting from businesses who advertise their products and services in ways that might exploit children. (6)

Jamster might feel that there is nothing wrong with what they are doing. They might point out that they have made things clear in the small print and that people ultimately have a choice. They would argue that they are not targeting the young and might point to the consumer statistics to prove this point. They might be unhappy with the ASA but might also be pleased with the extra publicity that comes their way.

Jamster were reprimanded because it was felt that their advertising might appeal in particular to young people who might not fully understand what it was they were letting themselves in for. The advert is catchy and the animation is bright and breezy and many people might not bother to be aware of the 'small print' at the bottom of the screen. For these reasons the argument that the adverts should be withdrawn or put on at times when children are not watching is fairly strong especially as many young people have limited funds at their disposal to pay for the subscription.

However, some candidates may recognise that people have a choice and do not have to be protected. They might argue that young people are not as gullible as some might think and are old enough to be able to make up their own minds about such things.

It will depend on how many people are 'persuaded' by the advert to subscribe without being fully aware, how many people actually complained to the ASA and whether the claims of Jamster that it was not designed to appeal to children specifically as to how far the view is 'correct'.

Level 2

A balanced answer showing both perspectives and offering some development of the point/s made will be characteristic of the top of the level. The candidate will make their judgement on the view expressed in the question clear and there will be evidence of evaluation in the answer. An answer that offers just a single focus and some good development but which contains some evaluative comment could reach 4 marks in this level.

The quality of written communication will be of a good level with few errors in spelling, punctuation and grammar and appropriate use of business and economic terminology.

4 - 6 marks

Level 1

An answer that might have two perspectives but little or no development or an answer that has only one perspective will characterise this level. There will be limited understanding of the issue concerned demonstrated.

The quality of written communication will be poor with frequent errors in spelling, punctuation and grammar and little or no use of economic and business terminology.

1 - 3 marks