

Mark Scheme (Results)

Summer 2007

GCSE

GCSE Business Studies & Economics (Nuffield-BP)
(1171) Paper 4H

Nuffield Business and Economics
Perspective Paper 4H
Summer 2007
Mark Scheme

Question 1

(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) *The evidence suggests that the 'cost of putting on the Games is £2,400 million'. Does this mean that the price that spectators will have to pay to watch the Games will also add up to £2,400 million?*

(4)

This is a question targeting the distinction between price and cost. Candidates will need to recognise that the cost of staging the Games refers to the value of the factor inputs that go into it whereas the price paid by spectators represents the amount of money they will have to give up to watch the Games. The combined revenues from the prices paid by spectators might be much larger than £2,400 million but in order to cover it the cost will have to be at least as much.

1 mark each for the recognition (implied or otherwise) of the distinction between price and cost and up to 2 marks for the quality of the development that follows. This might include a recognition at the top end of the mark range of the necessity to cover costs to make the Games profitable but at the lower end will be a simple statement such as 'if they don't make £2,400million they will make a loss'.

- (c) *Discuss two key factors that might give a firm bidding to win a contract to build facilities in the Olympic Village a competitive advantage.* (8)

This is a fairly open ended question in relation to exactly what sources of competitive advantage could be discussed but look to differentiate to some extent by the ability of the candidate to relate the advantage to the construction industry. Answers could include benefits in terms of costs of building, the price they submitted the tender at, the quality of the design, the quality of the materials they might be proposing to use, the skills of the workforce and so on.

The command word is 'discuss' so we should expect to see evidence of analysis and evaluation present in the answer.

Level 2

Two relevant factors identified and followed by development that demonstrates analysis and clear understanding of competitive advantage. At the very top end of the mark range the answer will be clearly applied to the case study in question. Equally, answers that show some element of judgement in terms of the extent to which the competitive advantage discussed will give the firm a competitive advantage will get to the top end. At the lower end the discussion will not be as informed and development weaker.

5 - 8 marks

Level 1:

One or two factors might be identified but the answer is not related to the case and there will be limited development. Answers in this level might discuss inappropriate sources of competitive advantage and will also have little if any evaluation attached.

1 - 4 marks

- (d) *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!

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.

(e) Briefly discuss two factors that the government might have considered in deciding whether supporting the bid was the best use of taxpayers' money. (6)

The stem of this question offers a hint to the candidate that the opportunity cost was very high. This will hopefully lead higher candidates to be able to develop their answer and use the concept of opportunity cost in relation to this decision. The government would have had to consider what else the money could have been used for and what the benefit of that might have been to the UK as a whole as opposed to just East London or the London area. They would have had to consider what the cost of using this money for the Games will be and whether that represents a sound use of taxpayers money. They will have considered the benefits of bringing the Games to London not just in terms of the benefits to London itself but also to the reputation of the UK as a whole.

The question asks for a brief discussion so we are not expecting great detail. The emphasis is on candidates demonstrating an understanding of the relative costs and benefits of this project as compared to what else the money could have been used for.

Treat the answer as 3 + 3. 1 for each factor plus up to 2 for the development. Good development with 2 marks will be characterised by evidence of good use of economic/business terminology and concepts.

(f) 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 planned 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.

(g) Using all the evidence and your knowledge of business and economics, assess the strength of the case for hosting the Olympic Games in London in 2012. (12)

There is plenty of evidence on which to base the answer to this question. Candidates will be expected to develop an argument that considers different perspectives on the issue. Candidates should be considering the benefits to the area around Stratford which is relatively deprived and will be given a much needed boost in investment.

This investment will provide jobs for local people and provide a long term benefit for the area in terms of the facilities and infrastructure improvements. In addition, the prestige to the UK of holding the Games might mean that sport as a whole will benefit and more young people get involved in sport.

However, there are very high costs associated with hosting the Games and these funds could have been used elsewhere on projects that could be considered more important. The evidence suggests that many other cities have gone way over budget and that taxpayers have to pick up the bill in the end.

Level 3

A clear argument which is balanced and uses appropriate business and economics terminology, concepts and methods. At the very top end a conclusion will be offered that draws on the previous information and is well supported. The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of evaluation in the answer.

9 - 12 marks

Level 2

A reasoned response that is balanced but not as developed as that at level 3. At the top end of this level, the balance will be there but there might be a limited conclusion or no conclusion at all. At the lower end of this level the answer might be unbalanced with more being written either in favour of or against the Games. A single focus answer but which is well developed and which has some evaluation could gain 6 or 7 marks if the quality of the development/evaluation is high.

The quality of written communication will be of a good standard with some errors in spelling, punctuation and grammar and some use of business and economic terminology, concepts and methods but not as assured as that in level 3.

5 - 8 marks

Level 1

A limited response that demonstrates a poor grasp of the different perspectives. Any argument will be simplistic as will any conclusion if provided. Candidates in this level might also provide just a paragraph worth of response demonstrating poor time management skills.

The quality of written communication will be poor with little use of business and economics terminology, concepts and methods. There will be frequent errors in spelling, punctuation and grammar.

1 - 4 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)

This is an attempt to encourage candidates to follow through the effect of a slowdown in spending to a particular firm. The logical process is that spending is reduced, B&Qs sales slowdown and they have more stock left. Their costs are likely to be similar initially and so they experience a reduction in profits. They might look to reduce prices to encourage sales but this squeezes margins. In the medium term they might look to cut back on stock and reduce costs by making staff redundant and possibly closing some stores. The evidence suggests they are cutting back on management staff rather than at the stores so this is also an acceptable response. Candidates may offer a simple reverse response - "in a boom...", "in a recession...". This is acceptable but to differentiate between 4, 5 and 6 marks look for the quality of the language and terminology used.

Look for at least two links being made with some explanation of each to award full marks.

(c) Describe and explain the trends in UK economic growth between 2000 and 2005.
(6)

Candidates should be able to identify the main trends apparent from the data but the command word calls for some explanation. Essentially we are looking for candidates to be able to explain factors that might have caused a decrease in the rate of economic growth in the early part of the decade and a subsequent spurt in growth between 2002 and 2003. After this period, GDP falls quite sharply and we might expect candidates to offer some reason for this. If candidates can relate these trends to specific events - excellent - but a detailed knowledge of the economic history of the UK during this period is not expected.

Possible explanations could include the end of the Millennium effect, lower interest rates, lower taxes, rising unemployment, higher spending, higher interest rates and so on. At this level we are looking for some understanding of the link between key economic factors and economic growth so whilst it could be argued that these have fallen we should not be too pedantic about this.

Level 2

A sound understanding of the links between key economic factors and economic growth is demonstrated. At the very top of this level, the explanation of the link will demonstrate a clear understanding of economic cause and effect. At the lower end the link will be made but the articulation of the development will be less convincing.

The quality of written communication will be good with few errors in spelling, punctuation and grammar and good use of economic terminology, concepts and methods.

4 - 6 marks

Level 1

Answers in this level will be less convincing. There may be evidence of confusion and/or limited development of the points made. Candidates may merely describe the trends but not offer any reasons for these trends.

The quality of written communication will be weak with errors in spelling, punctuation and grammar and there will be little use of appropriate economic terminology or concepts.

1 - 3 marks

(d) 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.

(e) How useful is an interview in the selection of the right person for a job?

(6)

This is a question requiring some evaluation. It assumes some understanding on the candidate's part of the role of an interview but asks candidates to make a judgment as to the value of this in selecting appropriate members of staff for the job.

As always, the answer depends on a variety of factors; it depends on the type of job applied for, what the employers want to know about the employee, what other methods are available of finding out about a person, how effective the skills of the interviewer are and also how the interviewee responds. It could be that a very good potential recruit fouls up the interview in which case it is not a very good means of recruiting the right person.

Level 2

A clear understanding of the role of an interview and a well constructed argument about at least one strength and one limitation of interviews. At the top end there will be a clear judgment made and supported. At the lower end, the judgment will be simple and there will be less development of the point/s made. An answer could get 4 if it only looks at strengths (or limitations) but is well developed, uses appropriate terms and/or has some evaluative comment.

4 - 6 marks

Level 1

Some understanding shown of the role of an interview but the answer might be merely a description of the process or a one sided explanation of how an interview selects an employee with no appreciation of the need to give a strength and/or a weakness. At the lower end a list of points might be offered or some very limited development of one point.

1 - 3 marks

(f) *Explain the views of the following people on the job market in Northampton.*

Common

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

(i) Stuart Abrahart.

(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 is 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 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)

(g) Assess the strength of the case for the government reducing the level of taxation to help reduce the level of unemployment. (12)

The question suggests that lowering taxation could help reduce unemployment and is assessing the candidates understanding of the link between spending, economic growth and employment. Many candidates in previous exams have been able to quote the multiplier effect in simple terms and it is this that is being sought. In the time available there will be no real time for detailed analysis but at the top level candidates should make it clear that they understand the link.

The assessment will come in the form of candidates offering the opposing viewpoint - that lowering taxation will not reduce the level of unemployment or using the evidence to suggest other more effective methods. Good evaluation will recognise that it depends how much taxation is reduced by, how much of any additional disposable income people decide to spend and how much spare capacity there is in the economy. Candidates who do use the 'it depends' rule are likely to be at the top of level 2 at least and very likely to get into level 3. A clear recognition of the different perspectives on this is expected.

Level 3

A clear argument which is balanced and uses appropriate business and economics terminology, concepts and methods. At the very top end a conclusion will be offered that draws on the previous information and is well supported. There will be clear evidence of the understanding between the change in taxation and the effect on unemployment and the 'it depends' rule will be used effectively.

The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of evaluation in the answer.

9 - 12 marks

Level 2

A reasoned response that is balanced but not as developed as that at level 3. At the top end of this level, the balance will be there but there might be a limited conclusion or no conclusion at all. Some recognition will be present of the link between tax rates and unemployment but the articulation of the link will be more confused and/or less clear. At the lower end of this level the answer might be unbalanced with more being written on the role of reducing taxes on unemployment with little appreciation of any other perspective.

The quality of written communication will be of a good standard with some errors in spelling, punctuation and grammar and some use of business and economics terminology, concepts and methods but not as assured as that in level 3.

5 - 8 marks

Level 1

A limited response that is either unbalanced or which demonstrates a poor grasp of the different perspectives. Any argument will be simplistic as will any conclusion if provided. There will be a poor level of understanding of the links between tax rates and unemployment and there is likely to be evidence of confusion about the nature of the cause and effect. Candidates in this level might also provide just a paragraph worth of response demonstrating poor time management skills.

The quality of written communication will be poor with little use of business and economics terminology, concepts and methods. There will be frequent errors in spelling, punctuation and grammar.

1 - 4 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) Explain one benefit to a business of using the Internet to advertise its products.

(4)

The Internet is a global phenomenon and so there is the potential to reach billions of customers throughout the world. The Internet also allows businesses to use different types of media to demonstrate their products including video, animation, sound and text. Potential customers can be tracked through simple registration procedures and payments can be processed immediately preventing the possibility of people not paying for goods that might be delivered as a result of the advert. More information can be given to customers than might be the case with a TV advert and so would be particularly suitable for businesses where technical information might be an important part of the sales process.

Any one benefit will get 1 mark and the remaining 3 marks are available for the quality of the supporting explanation offered. A clear understanding of how the use of the Internet can help a business advertise its product is necessary to get full marks and there is likely to be evidence of the use of appropriate business and economic terminology.

More limited development might just focus on the fact that '*more people can see the businesses' product*' for example, with little else offered.

(c) Describe two likely market segments for ringtones and explain how a business such as Jamster might target these markets. (8)

The evidence suggests that the over 32s and the under 16s might be the main target markets but candidates offering others with some justification can be rewarded appropriately. Some reward will be given for describing these market segments but the bulk of the marks will be for the explanation of how Jamster might target them.

It might use TV and radio advertising of course, but it is the type of advertising that should be the focus of candidates who really grasp this. The use of the animation has captured the imagination of the public and the use of a catchy tune that people know (Axel F) has also been successful in targeting not only the young but also the 32+ age group who remember this song originally.

They will have needed therefore to find an appropriate hook to help identify the needs of these groups and providing such individual ringtones has been a real success story!

There will be 1 mark for identifying an appropriate market segment and up to 3 further marks each for development. Good development will make the link between the market segment and the business clear and will use appropriate terminology.

(d) 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.

(e) How important is risk-taking to the success of a business?

(6)

This is a question directly aimed at eliciting some evaluation. The candidate will be expected to recognise the importance of risk to success but also recognise that other factors might be important - the product, getting the right price, cash flow and so on. For 6 marks we will not expect more than one other factor although some weaker candidates may just give a list of factors with no real development or attempt to evaluate. Others might just refer to risk only and will not recognise other factors. Candidates may take the perspective of an individual entrepreneur - this is acceptable.

Level 2

Candidate is able to offer an explanation of the role of risk in the success of a business and is also able to recognise other factors. At least one other factor contributing to business success is explained and at the top end of the level, a sound conclusion will be drawn and a judgment made. At the bottom end of this level, candidates will be able to explain more than one factor but will not have a rounded conclusion.

4 - 6 marks

Level 1

A response that recognises the role of risk in business success but there is no balance to the answer or the development of other factors is very weak. At the top end of the level, there will be a reasoned discussion of the role of risk.

1 - 3 marks

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

Common

(i) Young people aged between 14 and 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 actually 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)

(g) Using the evidence and your knowledge of business and economics assess the strength of the case for ASA regulation of companies such as Jamster. (12)

The main thrust of this question is attempting to get students to recognise the necessity for regulation but equally the emphasis on people making informed choices of their own. The different perspectives should come from a view that adverts such as those featuring the Crazy Frog can affect children and influence their decision making. It is considered important, therefore, to set a time when such adverts are broadcast and when they should not. The other perspective is that people should be able to make their own choices and not be protected by the 'nanny state' (don't expect that term to be used!) We would hope to see examples of the evidence being used to support the views made - possibly the example of Mrs Peacock who despite working in IT seemed to misunderstand the whole thing. In addition, some other evidence suggests that the main groups buying this product is over 32 so it might be argued that they are old enough to make up their own minds.

We will expect both viewpoints to be expressed and the existence of the perspective should be clearly indicated in the margin with a 'P'.

Level 3

A clear argument which is balanced and uses appropriate business and economics terminology, concepts and methods. At the very top end a conclusion will be offered that draws on the previous information and is well supported. There will be clear evidence of the understanding of the role of the ASA in making such judgments which is reflected in one or both of the perspectives offered.

The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of evaluation in the answer.

9 - 12 marks

Level 2

A reasoned response that is balanced but not as developed as that at level 3. At the top end of this level, the balance will be there but there might be a limited conclusion or no conclusion at all. There will be an acknowledgment of both perspectives at the top end of the level but at the bottom end more emphasis might be placed on one over the other or the answer will be single focus but developed.

The quality of written communication will be of a good standard with some errors in spelling, punctuation and grammar and some use of business and economics terminology, concepts and methods but not as assured as that in level 3.

5 - 8 marks

Level 1

A limited response that is either unbalanced or which demonstrates a poor grasp of the different perspectives. Any argument will be simplistic as will any conclusion if provided. There will be a poor level of understanding of the role of the ASA and the reason for the ruling. Candidates in this level might also provide just a paragraph worth of response demonstrating poor time management skills.

The quality of written communication will be poor with little use of business and economics terminology, concepts and methods. There will be frequent errors in spelling, punctuation and grammar.

1 - 4 marks