

Examiners' Report Summer 2008

GCE

GCSE Business Studies & Economics (Nuffield-BP) (1171)

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**GCSE Business and Economics (Nuffield) - 1171
Examiners' Report**

General Comments

It is fair to say that the course once again proved to be challenging for some candidates, but equally that the quality of work from a majority of centres and students was gratifying and bore witness to some excellent preparatory work by teachers and students alike. Centres deserve credit for the way in which many candidates were prepared from some challenging, but hopefully interesting and thought-provoking, exam papers.

We feel it is worth highlighting once again the importance of topical awareness in a subject like Business and Economics. Plenty is happening in the world which relates directly to course content, for example the much discussed 'credit crunch' and the pressure placed on monetary policy by current cost plus inflation, road pricing and issues of congestion, and so on. Some candidates/centres were able to show awareness of such current issues. Some candidates could provide detailed analyses of the role of monetary policy, showing clear understanding of the current policy framework. The impression was that this content had been covered/consolidated by reference to what was happening in the real world. A similar thing could be said for the road pricing question. Centres are encouraged to use as their main source of stimulus material the real world. Interesting topical/ongoing stories revolve around environmental issues and, for example, the role of pressure groups in this area.

The course has generally examined certain 'staples', of which demand and supply is one example. The question on road pricing (2F/4H - Question 3) did prove to be difficult. Worrying was the quality of responses on the demand and supply diagram, with few candidates able to explain a shift in the demand line using the idea of excess demand/shortage. Centres are reminded that candidates should be able to explain a shift in the demand (not supply) line.

The nature of the subject, being topical and reflected in the day to day experience of us all, means that questions on each paper could certainly be 'attempted' by any Year 11 student, who would probably have ideas and opinions on the subject and be able to construct a response. Think about topic areas of road pricing, product innovation, methods to motivate people, and so on. The fact that the 'man in the street' could attempt these questions does not mean they would necessarily score high marks. We expect that the response from a student who has studied GCSE Business and Economics for two years would look and feel very different to that produced by a student of similar ability who had not studied the course. In too many cases this expertise was not apparent. We would urge centres to encourage their students to ensure that they use specific knowledge and terminology from the course.

On Paper 1F/3H the questions focussing on accounts and ratios were generally not well done. This is a concern. More surprisingly was the lack of technical understanding demonstrated on the cash flow question. Equally, macroeconomic issues - 2F/4H - continue to be a no go area for some candidates. As stated above, given the wealth of topical material available, this must be seen a wasted opportunity for centres.

The comments from the principal moderator (see page 28) are once again illuminating. The quality of coursework has continued to improve over the duration of the course, with many centres offering their students rich experiences and opportunities for independent study and investigation. However, too many centres still limit their candidates by not providing sufficient breadth in coursework opportunities, or by stifling the investigative nature of the course. This section needs to be read closely by all teachers responsible for coursework.

Advice for centres

- Build student proficiency in using key terminology and concepts. Regular key terms tests/exercises may be quite 'old fashioned', but are nonetheless effective in equipping students with the necessary background knowledge.
- Build in the consideration of topical business and economics stories. Candidates should be encouraged to show this awareness in their responses. Some centres require individual students to seek out newspaper/web articles which exemplify topics covered in class, on the basis that over the course of an academic year students will have been exposed to 40 such articles (assuming that one article is studied each week).
- For the 3 part perspectives question - 1i on paper 2F and 1f on 4H - access to the highest marks can only be achieved by using appropriate and accurate business and economics terminology. This can be easily practised by centres by providing candidates with exemplars which do and do not include such language. Peer assessment exercises could readily prepare candidates to be able to achieve 4 marks for each component.
- Attend the autumn INSET sessions for practical advice on how to prepare candidates for the 2009 examination.

Paper 1F (Foundation)

Question 1 (a) (common)

This question should have been relatively straightforward. However the command word "list" was not recognised by a significant minority of candidates. This resulted in candidates attempting to explain each point for no additional marks. This problem was particularly obvious on the higher paper, where candidates wrote at length and often did not state four different reasons why an individual would want to set up a business. Although there were a large number of candidates who scored well in this question, many candidates offered reasons which were essentially identical and could not be awarded marks for stating a separate point. E.g. *"to be your own boss"* and *"so they don't have to take orders from people"*.

Question 1 (b) (common)

The vast majority of candidates had an understanding of a business plan and that the bank would need to see it to ensure that the money borrowed would be repaid. However relatively few candidates were able to develop the notion of risk therefore limiting their ability to reach the top of the mark scheme. Some creative candidates on the higher paper considered the use of the business plan as a way for the bank to determine the interest rate on the loan and the level of collateral necessary. These candidates were awarded appropriately with full marks.

Question 1 (c) (common)

This question was answered well by the vast majority of candidates, with candidates demonstrating a clear understanding of the difference between primary and secondary research. Many candidates were able to offer several examples of each type of research and were able to offer crisp definitions that often extended into the advantages and disadvantages of each method of research. Candidates that offered accurate definitions with examples or a definition that was elaborated on with examples, were able to gain full marks.

Question 2 (a) (common)

This question was poorly answered, in general, with many candidates viewing a cash flow forecast to be another form of profit and loss account. Often candidates provided a definition of cash flow, and scored some marks, but then drifted off into a discussion as to how the cash flow forecast illustrated the level of profit the firm had made. A small minority of candidates offered some excellent answers which expressed an understanding of liquidity and working capital. These candidates attained marks at the top end of the mark scheme.

One such answer was as follows:

"Cash flow is the amount of money coming in and flowing out of a firm during a period of time (1 mark). It would help Marie by identifying periods of time when she will run short of cash (1 mark), allowing her time to organise a larger overdraft (1 mark) and improve her liquidity (1 mark). She could also ask her debtors to pay more quickly".

Question 2 (b) (common)

On the foundation paper this question proved to be a real disappointment with large numbers of students missing out the question entirely. On the higher paper, a depressingly large number of candidates could not calculate the rate of return on capital employed. Those that could, often made a small arithmetic slips by not noticing that the firm was making losses rather than profits and that the ROCE should have been a negative figure.

Questions that require the application of a mathematical formula should, in theory be an easy way to score marks, but it appeared that far too many candidates had not learnt the respective formulae and either left the question blank or made up their own incorrect formulae. Unfortunately there were very few candidates who scored full marks on this question, even on the higher paper, and it is recommended that centres design a key formulae sheet for their candidates to learn for future examinations.

Question 3 (a)

Very few candidates were able to provide any kind of clear difference between the profit and loss account and the balance sheet. Many candidates thought that the balance sheet was a more detailed version of the profit and loss account. Some candidates were able to hint that the profit and loss account was calculated over a time period, whereas the balance sheet was calculated at a point in time. Candidates did score up to two marks for recognising that the profit and loss account contained revenues and costs and the balance sheet assets and liabilities.

Question 3 (b)

Many candidates scored at the top end of level 1 on this question. They provided a judgement as to whether or not Marie would end up in receivership and offered a reasonable explanation as to why this would or would not happen. Candidates often hampered their ability to score in this question by not understanding that the figures in brackets in the profit and loss account were negative. Thus, many answers suggested that Marie would not end up in receivership since she was making a £35,000 profit. Although these candidates scored some marks for the judgement and the support, they could not progress beyond the bottom of level 1.

A number of candidates produced some good answers that clearly understood that a new business often makes losses in their first year of trading and that these losses were expected. Answers that made this kind of comment were raised to level 2.

Question 4 (a)

This was a well answered question, but many candidates could have scored better through recognising how marks for the development of an answer are awarded. For instance, many candidates stated two sources of finance, the most popular of which were share capital and loan capital. However there were two further development marks for each stated source that candidates failed to exploit in full.

One candidate wrote the following:

“Joseph could use a bank loan start his business (1 mark), however he will need a business plan (1 mark) and he will end up paying back more than he borrowed (1 mark) He could also sell shares (1 mark), this involves selling part of his business to others (1 mark) and giving them a share of the profits (1 mark)”.

Candidates need to be encouraged by centres to develop linked strands of development within their answers. This should allow candidates in the future to gain all the development marks in a question where the command word is to “describe” or “explain”.

Question 4 (b)

This question followed a similar structure to 4a in that candidates were required to identify two problems associated with a stated source of finance and then develop and explain each problem. The question was marked using the following rubric: 2x1 mark for each problem identified and 2x2 marks for the development of each problem.

Once again, as per the previous question, candidates limited their scoring ability by not considering how they could score the two development marks for each stated problem. This can be done using relatively few words and centres should encourage candidates to use a clear yet succinct style. For example:

“The problem with bank loans is the interest rate charged (1 mark for problem). This means that Joseph will have to pay back more than what he borrowed (1 mark), which will reduce his profits (1 mark). Another problem is security (1 mark for problem). Joseph’s business is new so there will be no guarantee of success (1 mark). This makes it much less likely that the bank will lend to Joseph (1 mark)”.

Question 5 (a) (common)

This question followed the same style as the previous two questions. Candidates hindered their ability to score more highly by over-developing their first problem and then, as a result, under-developing their second. Several candidates developed more than two problems and examiners were instructed to award marks for the two highest scoring developed problems. Many candidates demonstrated a good understanding of unlimited liability and loss of personal assets even if they did not use that specific terminology. On the foundation paper lack of help and the difficulty of being on your own tended to be the most common problem developed.

Question 5 (b) (common)

Insurance has been examined infrequently and large numbers of candidates on both tiers of the paper did not notice the specific wording of the question. The question required candidates to explain a problem Joseph might face if he **did not** possess insurance. The majority of candidates approached the question by explaining the benefits of having insurance, thus limiting their scoring potential to two marks.

The best answers were again written by students who had been clearly coached in developing their answers using terminology. For instance:

“If Joseph’s factory burnt down (1 mark for problem) he would lose a lot of stock (1 mark), without insurance he would receive no compensation (1 mark) which would increase his costs (1 mark) and decrease his profits”.

Question 6 (a)

This was answered well by the vast majority of candidates, with two clear reasons as to why demand had fallen being identified. The discriminator was, as with other explain and describe 6 mark questions, the quality of the explanation offered.

A small minority of candidates misread the question and explained two ways in which demand could be increased. These candidates scored no marks. Most answers focused around the fact that it was summer, whilst other suggested answers included recession, people going on holiday, more competitors in the market etc.

Question 6 (b)

Most candidates were able to write sensibly about how price and quality can lead to an increase in competitiveness, with virtually all candidates making some kind of judgement as to which was more important. The question required candidates to frame their answer around the two businesses in the stimulus material and this element of the question was ignored limiting the ability for candidates to reach the top end of the mark scheme.

This is another example of how the need to read the specifics of the question prevented candidates from score more highly. It was noticeable that some centres had encouraged their students to highlight key elements of the question with a paragraph or sentence structure that was built around the words highlighted. This appeared to be a useful way for foundation candidates to focus on all elements of the question and a number of these candidates scored at the top end of the mark scheme.

Question 7 (a)

This was a straightforward question with virtually every candidate identifying two ways which would allow Joseph to cope with the fall in demand for his products. Most candidates focused on advertising and lowering prices although many suggested selling air conditioners as a way to offset the seasonality of Joseph’s main product.

Question 7 (b)

This question required candidates to demonstrate evaluative skills and the structure of the question aimed to encourage candidates to make comparisons between the two suggestions made in answering question 7a. Most candidates made a judgement as to which method was best, but then focused primarily on that method without explaining why it was better than the other method. Therefore the vast majority of candidates scored between 4-5 marks on this question with only a small minority of candidates entering level 2 where reference to both methods was required.

Question 7 (c) (common, although 7b on higher paper)

Along with question 2b this was the worst answered question on the paper with candidates failing to recognise what was meant by “managing the loss”. Instead candidates wrote answers about how Marie could improve her profits next year by re-designing her bags or doing more advertising. Very few candidates realised that this question required an understanding of cash flow and sources of finance. Those that did only made a fleeting reference to “getting a larger loan” or “selling assets” and really failed to show any development in their answers. As a result the marks awarded for this question were very low, with many candidates scoring no marks.

Question 7 (d)

This question required an identification of a pricing strategy and an explanation as to how it might increase sales. Since the command word was “discuss” there was a need for an evaluative element to reach the top of level 2 on the mark scheme.

Candidates found this question testing in that they could not distinguish between a pricing strategy and a promotional strategy. Many candidates thought BOGOF was a pricing strategy and equally many candidates offered advertising and free gifts as a response. Unfortunately these candidates scored no marks. This may appear harsh but there were candidates who did explain how price can be used to increase sales with some candidates developing their answer around the use of cost-plus or competitive pricing. Very few candidates built in the evaluative element to their answers, although a small minority considered the effect on the profit margin through lowering prices.

Question 7 (e)

This question proved to be accessible within level 1 of the mark scheme since many candidates were able to state something sensible about how advertising could be used to increase sales. However the transition to level 2 proved difficult for many candidates since they failed to develop much evaluative comment and did not consider other factors that might also cause sales to rise other than via advertising. Some candidates mentioned that advertising was expensive and this was sufficient evaluative comment to creep into level 2, but few developed the fact that advertising is just one form of promotion and that other forms exist which may be more effective. Similarly candidates could have considered price, product and place in the evaluative part of their answers. The number of level 3 answers which contained an evaluative conclusion was therefore limited.

One excellent candidate who scored full marks on this question suggested in part of their conclusion "that advertising would have a limited effect on sales, since in Joseph's case it was the hot weather which had made sales fall. Therefore no amount of advertising would increase sales so Joseph should instead focus on new products such as air conditioning."

Centres should encourage candidates to use a clear structure of paragraphs for the higher tariff "assess" or "discuss" questions. This should help foundation tier candidates tease out the need for evaluative comment. Candidates also need to realise the importance of the conclusion, as a place to evaluate. Centres could perhaps suggest that the conclusion can be worth as much as half the available marks. This may encourage candidates to develop the habit of at least trying to be evaluative, enabling them to access the higher levels on the mark scheme.

Paper 2F (Foundation)

Question 1: Managing the economy

This was probably the least popular question on the paper. Once again macroeconomic content proved to be an unattractive option for candidates on both 2F and 4H. Whilst it is clear that such content poses certain conceptual difficulties for students on both tiers, it was hoped that the wealth of topical material in the area of the macroeconomy might have led candidates to be much more familiar with the operation of the economy.

Question 1 (a) (common)

Good responses referred to economic growth as relating the rise in output within the economy. Many made reference to the growth in GDP... Examples ranged from the simple:

Economic growth in the UK is now under 2% per year

Some were more detailed:

If total GDP in 2006 was £100 million, and in 2007 was £110 Million then economic growth would be 10%

In providing an example candidates do not need to provide lengthy explanations. Any example which clearly builds on their definition will be sufficient for 2 marks, although they do need to be more developed than, '*For example 2.5% a year*'.

Too many candidates defined economic growth as, '*the growth in the economy*', and were unrewarded for their efforts.

Question 1 (b)

A majority of candidates picked up some marks for this question, although the depth of understanding was often lacking. A common line was for candidates to explain the likely growth in job opportunities as businesses expanded due to the rise in (consumer) spending within the economy.

Question 1 (c)

Pleasing here was the number of candidates who could identify possible costs of economic growth. Responses which picked up marks were typically of two types. Firstly, and pleasingly, a significant number recognised that inflation can be a problem associated with economic growth. Secondly, a sizeable number raised the idea of environmental damage and pollution as side effects of growth.

Question 1 (d)

Most candidates gained either 1 or 2 marks on this question, with a majority picking up 1 mark for the recognition that inflation is, '*where prices rise*'. We reserved 2 marks for responses which made clear that it is an increase in the general price level.

Question 1 (ef)

This format of question has been used for a number of years now, and has been referred to explicitly in previous Examiners' Reports. These questions differ from the equivalent questions on 4H in that they are framed to encourage a direct comparison of two effects/factors/methods. In light of the guidance which has been provided in recent years, and of the predictability of this question type appearing, it is fair to say that we are a little disappointed with this year's responses. The key to getting into the higher levels is to guide students into the necessity of making a direct comparison - i.e. to explain why X is more important/significant than Y. This type of response can be practised in the classroom by providing similar questions and giving candidates some structure or lead in phrases to help them structure their answer to reach the higher levels. In summary, candidates should state which of their chosen methods is most important, explain why and then explain why this is more important than their other method.

Question 1 (g) (common - 1e on paper 4H)

This was generally well answered, with candidates on both Foundation and Higher tiers scoring marks. Whilst not every candidate could provide the definition suggested on the mark scheme - i.e. that it is the 'cost of borrowing' - most managed to demonstrate some knowledge. The question asked for an example, and these were often provided to good effect and enabled examiners to identify appropriate knowledge and understanding. One foundation candidate (typical of many) wrote:

'...if I took out a loan of £10,000 and the interest rate was 1% I would have to pay back £10,100'.

Question 1 (h)

The mark scheme indicated that what was expected for this question was the outline of some form of transmission mechanism, detailing how higher interest rates might help to reduce inflation. This did not need to be overly sophisticated, but needed to demonstrate understanding of the process. The stimulus material flagged up that higher interest rates affect the cost of borrowing for both consumers and businesses. In addition, and given the current economic situation where interest rates are rising in response to CPI rising above its 3% upper limit, we were hopeful of some competent offerings. Some candidates did very well, with some obviously having an awareness of topical economic circumstances. With this awareness this question proved to be straightforward. The number of lines provided should have given candidates a clue as to how much was expected to be written in order to achieve 6 marks.

Question 1 (i) (common - 1f on paper 4H)

The intention of trying to move back to the style of perspectives question that was envisaged when the Nuffield course was first developed is reflected in this question. It is a 12 mark question broken down into three 4 mark sections. The three questions ask candidates to recognise the different perspectives of stakeholder groups in the context given. Again, this is likely to be a feature of future examinations and so it will be of benefit to students to be exposed to this type of questioning and approach during the two years of the course.

It was possible to differentiate between candidates by looking at the quality of the business and economics knowledge demonstrated as opposed to just a layperson's general view of the issue. This, again, is something to be impressed upon students as they prepare for exams. Another approach to achieve full marks is by considering the extent to which an individual might be affected. 'It depends' is a useful mantra for this question.

- (i) Most candidates recognised that higher interest rates would be a 'bad thing' for a mortgage-holder, and were able to explain why. Better answers used appropriate terminology/concepts to explain the viewpoint. For example:

A mortgage is a loan from a bank so as interest rates rise they will have to pay more each month. This will make them unhappy as they will have less disposable income each month, so will be able to take part in less recreational activities and therefore their quality of life will suffer.

- (ii) As for (i), this was generally well-answered with 4 mark responses being characterised by the use of appropriate terminology.
- (iii) Best answered of the three, mainly because many candidates picked up on the potential 'double whammy' of higher interest rates meaning higher fixed costs, alongside the potential for less demand as customers will face higher mortgage payments and will therefore cut back on 'luxuries' such as eating out.

Question 1 (j)

The Assessment Objective of Evaluation is targeted by this type of question, which has appeared for some years now and which has been covered explicitly in previous Examiners' reports, as well as at the autumn INSET sessions. Having noted some improvement in the type of response over recent years, this year seems to have taken a dip. Too many candidates did not act upon the command word 'assess'. This was a pity as we felt this would be an accessible question for foundation candidates. To access the highest marks needed a brief consideration of how cutting costs might help a business during an economic downturn, but then consideration of the extent to which this may be successful. The 'it depends' rule can be deployed to ruthless effect in this type of question, but too few of our candidates appeared to be armed with this analytical weapon. Centres are once again advised to build into their planning and delivery exposure to this type of question. It is a relatively easy task to provide AFL and peer assessment opportunities in this type of question.

Question 2 - Big or Small?

This was the most commonly answered question on the paper. It is apparent the field of human resources is a topic area that students enjoy and with which, in many cases, they are comfortable and confident. The main issue was once again not so much with content but with the ability - or not - to act upon command words.

Question 2 (a) (common)

This was a relatively straightforward introduction to the question, with a majority of candidates on both tiers scoring marks. Examples were often clearly expressed and revealed good understanding.

Question 2 (b)

Most candidates were able to pick up marks here, often by simple reference to tasks being completed more quickly or to a higher standard. Some candidates could develop this by use of appropriate business and economics concepts and terminology. Pleasingly, many foundation candidates were able to accurately explain the idea of productivity.

Question 2 (c)

This proved trickier than 'benefits' for a majority of candidates. We wanted some recognition that specialisation might be costly in terms of hiring/training workers, or through the impact on flexibility on the business. The mark scheme offers further ideas for how this response might have been developed.

Question 2 (de)

This format of question has been used for a number of years now, and has been referred to explicitly in previous Examiners' Reports. These questions differ from the equivalent questions on 4H in that they are framed to encourage a direct comparison of two effects/factors/methods. In light of the guidance which has been provided in recent years, and of the predictability of this question type appearing, it is fair to say that we are a little disappointed with this year's responses. The key to getting into the higher levels is to guide students into the necessity of making a direct comparison. This type of response can be practiced in the classroom by providing similar questions and giving candidates some structure or lead in phrases to help them structure their answer to reach the higher levels. In summary, candidates should state which of their chosen methods is most important, explain why and then explain why this is more important than their other method.

The question referred to, 'a small business', and good responses often focussed on the implications of chosen methods on productivity of such a business. For example, some felt that large cash incentives would not be appropriate, given the size of the business.

Question 2 (f)

This proved straightforward with most candidates picking up 3-4 marks. The command word 'describe' should have led candidates to provide (slightly) more than a list.

Question 2 (g)

Questions on leadership styles have not appeared with regularity in recent years, but as a specification requirement a question was perhaps overdue. On balance candidates coped quite well with this question, although, predictably, only a small number could use terms and concepts surrounding the topic area. Some centres had obviously covered the content thoroughly, with some candidates able to discuss 'democratic' leadership and its relevance in a small business like Hill Farm Furniture. Good stuff, but the exception. This type of language was not required to score highly. One candidate scored 4 marks for the following response which was quite common in its structure and content:

A leadership style to use would be close friendship strategy, instead of a authoritative (sic). I believe this as Hill Farm Furniture is a small business and work better as a team with a close relationship.

This is a simple response but it reached Level 2 due to its recognition of the small business context.

Question 2 (h)

A difficult question and concept for many Foundation candidates and one worth centres revisiting.

Question 2 (i) (common - 2f on paper 4H)

See comments on Question 1i above

- (i) Most candidates recognised that the Liberian government welcomed the investment, and were able to develop responses by using terminology such as GDP and infrastructure.
- (ii) Generally well answered but with a smaller number achieving full marks due to the lack terminology and/or originality.
- (iii) This was well-answered as candidates were able to use ideas around profit, labour costs and dividends.

Question 2 (j)

The Assessment Objective of Evaluation is targeted by this type of question, which has appeared for some years now and which has been covered explicitly in previous Examiners' reports, as well as at the autumn INSET sessions. Having noted some improvement in the type of response over recent years, this year seems to have taken a dip. Too many candidates did not act upon the command word 'assess'. This was a pity as we felt this would be an accessible question for foundation candidates.

The stimulus material highlighted a number of advantages and disadvantages associated with the role of multi-national business. Too many candidates used this information without developing any of their own ideas to arrive at a conclusion. Simply repeating evidence into a 'pros and cons' couple of paragraphs can only achieve Level 1. Centres should encourage candidates to use the stimulus material to build ideas, rather than to simply repeat straight from the source.

Question 3 - Congestion and Externalities

This question was quite popular, perhaps reflecting the appeal of cars and motoring to many young people, and their general knowledge/individual experience of congestion. In fact the question required knowledge and understanding of some technical elements of the course, such as demand and supply and externalities, and so for some candidates did not appear the right choice of question.

Question 3 (a) (common)

This type of question has appeared regularly over recent years. Most candidates picked up some marks by recognising a relationship between buyers and sellers.

Question 3 (b)

Responses were very mixed for this question. Many candidates could explain this term in simple language, but could earn 2 marks:

Market clearing price is the price a customer wants to pay for a product is exactly the same price at which a producer wants to sell a product.

Question 3 (c)

In light of the regularity of demand and supply analysis questions appearing on either paper 1F/3H or 2F/4H, we were disappointed by the standard of response on the Foundation tier. Centres are reminded that candidates are expected to be able to show a shift in the demand line, and to explain the processes at work which will cause price and quantity to change. Whilst understanding of excess demand and excess supply can prove tricky - even for Higher candidates - we feel that understanding a shift in demand should be within the gift of most 16 year old students having studied the course for two years.

In this question, were a candidate to do no more than show a shift on the diagram and label the new equilibrium, they would achieve 3 marks. A simple explanation could push this 4. However, too many candidates performed very poorly with many not attempting to manipulate the diagram at all.

Centres are reminded that this is an important element of the course and will continue to be examined.

Question 3 (d)

Pleasingly many candidates could identify externalities as the side effects of business activity, although relatively few had a technical grasp of the notion of external costs. Examples often confirmed some understanding and enabled plenty of candidates to pick up marks on what was expected to be a difficult question. That said it was clear some centres had not covered this concept in sufficient detail to enable students to access the marks available.

This area will continue to be a common exam question given the wealth of topical examples which exist (e.g. externalities associated with car and air travel, smoking, drinking, etc.)

Question 3 (e)

This was reasonably well answered, with most candidates able to identify a cost and offer development. Once again full development marks were reserved for those offering appropriate terminology and business and economics ideas.

Question 3 (fg)

This format of question has been used for a number of years now, and has been referred to explicitly in previous Examiners' Reports. These questions differ from the equivalent questions on 4H in that they are framed to encourage a direct comparison of two effects/factors/methods. The key to getting into the higher levels is to guide students into the necessity of making a direct comparison. This type of response can be practised in the classroom by providing similar questions and giving candidates some structure or lead in phrases to help them structure their answer to reach the higher levels. In summary, candidates should state which of their chosen methods is most important, explain why and then explain why this is more important than their other method.

Question 3 (i)

See comments on Question 1i above.

Many candidates scored well on this question, although it is worth noting that relatively few picked up 4 marks on each component. The reason for this was this that too many offering explanations which were too general and not couched in a business and economics framework. Another issue was the tendency for some to simply repeat information from the stimulus material, without providing any original thinking about what this may mean for the identified group. Centres are encouraged to develop the skills of their candidates in this type of question, which will continue to be a feature of the 2F/4H paper.

- (i) This was generally well answered although 3 marks was more common than 4.
- (ii) Again this was quite well answered, although too many relied on the stimulus material. As an environmental pressure group, Friends of the Earth would be pleased with strategies designed to reduce road use, whilst at the same time being mindful of the cost this might impose on families.
- (iii) This was well answered, with many candidates picking up on the fact that there might be costs and benefits for the business community.

Question 3 (j)

The Assessment Objective of Evaluation is targeted by this type of question, which has appeared for some years now and which has been covered explicitly in previous Examiners' reports, as well as at the autumn INSET sessions. Having noted some improvement in the type of response over recent years, this year seems to have taken a dip. Too many candidates did not act upon the command word 'assess'. This was a pity as we felt this would be an accessible question for foundation candidates.

Paper 3H (Higher)

Question 3

Many candidates struggled with this question, and clearly had little knowledge of a profit and loss account and what it illustrates. Many candidates did not recognise what the use of brackets meant and therefore concluded that the firm was doing fantastically well because it was making huge profits. Other candidates demonstrated their confusion by making comments like *“they must be doing badly because their overheads are larger than their profit”*. Responses such as these were pegged in level 1. Other candidates talked their way through the profit and loss account, essentially re-writing evidence C and putting it into a format using sentences. Again these candidates were pegged at the lower end of the mark scheme. Candidates who tried to make some kind of judgement as to how Stupid Bags were doing, moved into level 2 through comments like *“the overheads are the main problem”*, *“revenue is low because it is only the first year”* and *“the overheads will fall next year since they won’t need to buy any more machinery”*. On a more positive note there were some centres that appeared to have practised similar questions with some excellent answers hitting the top of level 3 through comments like *“Stupid Bags expected to make a loss in its first year since it lacks economies of scale. The deal with Morrisons should allow the cost per bag to fall enabling gross profit to rise”* and *“the firm expected to make a loss and it was planned because the firm needed to make the stock before it could sell it. This is why revenue is so low in the first year”*.

Candidate’s performance in this question together with that in question 2b was one of the main reasons behind the fall in the average mark this year, with lots of candidates who scored well in other questions getting very few of the 20 marks that were allocated in total to these two questions.

Question 4

This question was well answered by the large numbers of candidates. Candidates clearly understood the advantages and disadvantages of both loan and share capital and were able to write fluent answers that contained appropriate terminology. Most answers gained marks in level 2 and in level 3. The best answers in level 3 had an overall conclusion that made a recommendation as to which source of finance was best for starting up a new business, with many suggesting a blend of the two sources.

A minority of candidates had difficulty understanding what share capital was, and believed that it was essentially the profit made through buying and then selling shares. This in turn released money for the company to start up.

Question 6 (a)

This should have been a straightforward question and most candidates scored 2-3 marks, missing out on the ability to attain higher marks through poor technique. The question required an understanding of innovation, a link to the evidence and an explanation as to how the firm could grow. Few candidates had all of these elements within their answer, with most not understanding innovation or providing a clear link to the evidence. A worryingly large number of candidates thought that selling the product in Morrisons was innovation, although these candidates rescued some marks by how they then subsequently developed their answer. One candidate that scored full marks wrote:

“Innovation is bringing into the market a new or improved product (1 mark). For instance, Marie has made a wine bag which is also a greetings card (1 mark). This should increase demand for the product (1 mark) allowing more profits which can be used to buy more machinery (1 mark)”.

Question 6 (b)

This was generally well answered with almost all candidates explaining that price was not the only factor in making the firm competitive. Some candidates limited their scoring potential by not explaining how price can make a firm more competitive, instead choosing to examine how other factors resulted in enhanced competitiveness. The best answers explained how changing the price could lead to competitiveness together with one other factor, integrating their answer to include one or both of the firms in the case-study. The use of the evidence was key in allowing candidates to reach the top of the mark scheme.

Question 7 (a)

The key word in this question was “discuss” and to reach level 2, candidates had to provide some form of evaluative comment in their answers. This could be done by stating which of the two solutions was best or perhaps by considering the drawbacks of the solutions suggested. Unfortunately many candidates failed to do this and wrote some convincing answers about how to increase sales that were totally devoid of any evaluation whatsoever. These candidates found themselves pegged at the top of level 1 on the mark scheme.

Clearly the need to always write a conclusion for an “assess” or “discuss” question is obvious, since if candidates had done this they could have easily propelled their responses further up the mark scheme.

Question 7 (c)

This question was similar in nature to question 7d on paper 1F. Unfortunately candidates made the same mistakes and often stated a promotional strategy rather than a pricing strategy. However a large number of candidates did have a clear understanding of pricing strategies, with many strategies being highlighted that are not on the specification. Penetration pricing, skimming, cost-plus pricing, psychological pricing, competitive pricing and predatory pricing were examples used by candidates. However those candidates that wrote excellent answers about their chosen pricing strategy often limited their ability to reach the top of the mark scheme by not making any link to the growth of Marie's business and by failing to develop an evaluative slant.

Question 7 (d)

Alongside question 3, this question was hugely problematic for large numbers of candidates. The main problems tended to centre around a misunderstanding as to what the question required candidates to do. Many candidates thought "lack of competitiveness" meant lack of competition and then proceeded to write a competent essay on monopoly power. Other groups of candidates saw the term "small business" and then wrote an essay about how small businesses cannot compete with large businesses like Tesco. Worryingly, few candidates actually answered the set question and those that did, tended to explain why competitiveness was so important to a small business, without necessarily being evaluative. Only a tiny proportion of candidates wrote about how lack of competitiveness was only one reason for the failure of a small firm, and that factors such as poor cash flow, lack of capital and poor management can be just as important.

The performance on this question again contributed to the decline in the average grade on this paper.

Paper 4H (Higher)

Question 1 - Managing the economy

Question 1 (b)

This proved to be a relatively straightforward question for candidates, with a large majority able to identify a cost and benefit of economic growth and offer an explanation of each. We were pleased by the level of understanding which was demonstrated and by the proficient use of economics language by some candidates:

*One benefit of economic growth is less unemployment [1 mark].
As businesses have greater demand [1 mark] for their products,
they would supply more and to do this they need more workers,
therefore employing more people [further development using
terms]*

Question 1 (c)

As with 1b this proved to be quite a straightforward question for many Higher tier candidates. Examples often related to the current rate of inflation. We were impressed with the level of knowledge of the current situation with regard to the 2% CPI target.

Question 1 (d)

This question worked well in terms of its twin demands. Firstly, candidates needed to show knowledge of the term 'upturn' (in the business cycle), and secondly apply this knowledge to a real business context, namely how this might affect a major electrical retailer. Most responses were in Level 2, with many achieving full marks. One such response is as follows, and centres may choose to reproduce this as an example when feeding back following mock exams later this year:

An upturn in the business cycle might affect Dixons because if there is a period of growth people will have more money to spend on luxury items. Many Dixons products could be considered as luxury or non-essential items. People are likely to buy more of them if they have more money to spend. If the business cycle were in a slump or recession Dixons would be negatively affected as customers might refrain from buying electrical products and making do with their old ones. An upturn would lead to more sales and, as a result, more profit.

Question 1 (g)

As has been reported in recent Examiners' Reports, the format of the higher tariff question on 4H remains the same and it is clear that most centres are preparing their candidates effectively for this demanding final question. Structure is crucial; candidates need to frame an argument which offers balance and different perspectives.

This question was generally well done by those candidates who opted for this macroeconomics question. Pleasing was the evidence from many responses that centres had covered the recent developments in monetary policy and the possible problems involved in using interest rates as the sole weapon to tackle (cost push) inflation. Topical references are always welcome and it seems that the current economic climate has provided rich opportunities for centres to cover key elements of the course. As has been stated earlier, centres are encouraged to prioritise the topical ahead of the theoretical.

Whilst the general quality of responses to this type of question have improved, it is worth noting that some candidates still rely on the formulaic approach of plucking arguments 'for' from the evidence and placing in one paragraph, before inserting the 'against' arguments from the evidence in the next paragraph. Conclusions then simply repeat the content from one of the paragraphs:

To conclude I believe that interest rates are the best way to control inflation as many people feel they have done a good job in keeping inflation low.

This type of response is to be discouraged, picking up at best low Level 2 marks. Candidates must try to show original thinking in marshalling their arguments.

Question 2 - Big or small?

Question 2 (b)

This was well answered, with most candidates demonstrating an understanding of productivity and in doing so picking up 3 or 4 marks.

Question 2 (c)

As with 2b, this question was well answered, reflecting the fact that this seems to be a popular topic area. One mark was awarded for each cost identified, with up to two marks for the development of each cost

Question 2 (d)

Candidates were asked to 'assess' the value of bonuses and staff outings. The evaluation of each was the key to achieving more than 5 marks. The context of Hill Farm Furniture - a small business - was intended to offer candidates the opportunity to frame their response. Whilst this was reasonably well answered, too many offered the formulaic response along the lines of:

...bonuses will motivate workers as they like money. However they will cost a lot of money and might not work anyway.

There was plenty of stimulus material to equip candidates to do better than this. The fact that the business places great emphasis on quality was one possible line of enquiry. Equally, some candidates felt that staff outings were not particularly useful for such a small firm: the workers already know each other and so the idea that a staff outing might aid team-building was unrealistic. Whether this is true or not is not the case; this was rewarded as it revealed original thought based on the actual context provided.

Question 2 (e)

Responses were split into two camps for this question - candidates who knew what was meant by diseconomies of scale and those who did not. Some began their response by defining the term, which will always be rewarded. This was not necessary to achieve full marks, however, although some reference to the impact on unit costs was desirable.

Question 2 (g)

See comments for 1g above for a general overview of this type of question.

This type of question appeared on last year's paper 3H, and many candidates were able to use this experience to good effect. As has been stated on numerous occasions through this report, a key to achieving high marks is the use of original thinking and not simply repeating the evidence. Many candidates were able to do this: we saw lots of examples of 11 and 12 mark responses.

Question 3 - Congestion and Externalities

Question 3 (b)

This proved to be an extremely challenging question. There were some heroic attempts to build an explanation, often focussing on the fact that as there is currently no price for road use at the present time, setting a price would be difficult due to the fluctuations in demand. Candidates who provided a definition of market clearing price were rewarded.

Question 3 (c)

As noted in the comments on paper 2F (question 3c), we were rather disappointed with the general quality of response on this demand and supply question. Whilst most candidates were able to pick up some marks, relatively few gained full marks, which required an understanding a role of the shortage (excess demand) in pushing up price and quantity. More worrying still was the number who could not accurately draw a demand and supply diagram. There were many combinations of wrongly labelled diagrams. Our feeling this year is that this is an area where responses have deteriorated.

Centres are reminded that this is an important element of the course and will continue to be examined. A business and economics course should expect to examine such core content.

Question 3 (e)

This was well answered with a majority of candidates able to identify an externality and offer accurate development. Full marks were again reserved for the use of appropriate terminology. Below is an example of a 4 mark response:

Congestion causes pollution, as more fuel is needed for more time on the roads. Pollution needs to be cleaned up (it is environmentally damaging), which costs taxpayers money, even though they may not be adding to its effects. This is a negative externality.

Question 3 (g)

See comments for 1g above for a general overview of this type of question.

The main issue with this question was the number of candidates who misinterpreted the reference to 'road pricing', preferring instead to discuss high fuel duties or road taxes. Those who could see through this were able to provide well-balanced, original responses. We felt that there was plenty of topical information to give students an insight into this type of question. As stated above, and given the nature of the course, questions concerning the environment and sustainability will continue to be examined. Travel remains a major business/economic - as well as political - issue. The recent rise in fuel prices has brought this into sharp focus, as has the growing evidence of the role of road - and air - transport in contributing to global warming. This will continue to be a common area for exam focus in coming years.

Many candidates were able to use their topical awareness to provide excellent responses. Again we witnessed lots of 11 and 12 mark answers.

Unit 5 - Portfolio

Once again it is very pleasing to report that the whole range of performance was viewed during the standardization process. What was impressive this year was the standard of the reports produced, the range of Business and Economic terminology used and the range of Business and Economic concepts and theories used that were beyond the syllabus requirements but were developments of the syllabus. Naturally enough, it tended to be the top end students who explored these possibilities, but it is quite apparent that the coursework is a prime vehicle for the talented and gifted to exhibit their potential.

It was evident, yet again, that students had conducted some very "in depth" research. Some students, however, could make more use of their primary research. It never ceases to amaze the standardization team of the wide range of resources used by students and the excellent research skills used by many able students.

Many centres showed good practise by outlining their key findings on a front sheet of their investigation. This, of course, sets the scene and focuses the attention. Leading on from this was the fact that the better candidates adopted an analytical approach and not a descriptive one. There seemed this year to have been a greater development of investigations following an Economic theme i.e. Mergers, The Credit Crunch and Externalities.

There are, nevertheless, certain points that need to be addressed. The first of these is the fact that it should be clear what the student is investigating and, further to that, what Unit the assignment is addressing, bearing in mind that the students must produce one investigation from Units 1-3, and one from Units 4-6. Several centres produced the barest minimum with regard to range of student investigations. Sometimes the two investigations were the same for all students. This is not to be encouraged and goes completely against the grain of the Nuffield ethos. We as teachers must ensure that students have ownership of their learning.

Certain areas were more popular than others. The Business Plan type investigation is a case in point. Many students produced work, which was the culmination of running a school based enterprise i.e., tuck shop or school disco. These are excellent vehicles to apply basic Business skills but the outcomes tended to lack the breadth of analysis and evaluation of those students investigating Business opportunities outside the school environment. Externalities was a very popular topic but too often the investigations were too broad and unspecific and not based on Business and Economic analysis. The better portfolio pieces on this subject looked at all stakeholder group e.g. British multinationals or the impact on the local community. Some students conducted investigations into a worker or on jobs. These tended to have no real question or hypothesis and resulted in being descriptive, disjointed and lacking focus. Lastly, an investigation on "What are the causes of unemployment?" could be adjusted quite easily to "What is the main cause of unemployment in my town?" and have far greater opportunity in accessing the higher levels of AO3 and AO4.

It is evident that some centres would benefit from either Edexcel Inset or specific advice with regard to comments on existing or projected investigations. The respective subject officer for the 1171 syllabus will be able to facilitate any enquiry. In addition the Nuffield website (www.necb.org/go/screen/gcse/news/index.htm) could prove to be a useful source of guidance.

As far as the assignments are concerned, there was an interesting and varied array of titles. It might be beneficial for students, especially the more able, to select their own focus and this would allow good work to become even better. Level 4 of AO2 Application and level 4 of AO4 Evaluation demands creativity and by adhering to the above advice access to these levels is facilitated. Titles must be in the form of a question or hypothesis and this needs to be clearly stated on the students' work. The best investigations have a tight and specific focus. Too often there is a lack of focus and this leads to investigations that are too descriptive and ones that it is hard to determine the aim of the investigation. Although primary research is to be commended, its usefulness will depend on the nature of the subject matter and it is not, therefore, necessary for all pieces. Far too often the investigation titles are far too prescriptive and students are allowed little opportunity for individuality. Obviously, some students need a tight structure, but the vast majority would benefit from much broader parameters. Where centres are prescriptive, the information provided by the students tends to be very similar and in most cases identical. Accordingly, this makes differentiation difficult and leads to a "bunching" of marks. Centres are to be applauded on arranging school visits, but we need to ensure that the outcome of these visits is not coursework that follows the same trend using the same resources often supplied by the firm being visited. One or two centres' students produced investigations that were not much more than a set of theory notes based on the unit enquiries. Candidates need to select a title and produce an investigation. In laymen's terms they need to get their hands dirty! "How could?" and "How will?" type of titles tend to lead to descriptive responses. Such titles need to be amended slightly to allow candidates the focus and opportunity to access the higher levels of AO4. With regard to evaluation there were some cases where candidates showed no appreciation of the necessity of balance to effectively evaluate. A last point to make on assignment titles is that through the passage of time some titles become redundant i.e. "Should Terminal 5 at Heathrow be built?" We need to be at the cutting edge of what is happening in our locality and as is proven year after year there is ample opportunity to investigate contemporary Business and Economic phenomena.

Many of the comments to be made with regard to assessment objectives are a reinforcement of points made earlier but need to be taken on board as a whole so that improvement in outcomes occurs. It is vital that titles in the form of a question or hypothesis are insisted upon, as this will allow students to access the full range of assessment objectives. This factor allowed the team of moderators to witness some excellent examples of evaluative writing in a clear and well-written analytical framework. Once again, it was good to see students summarizing their key findings on the front sheets of their investigations. The nature of the titles had a big impact as to whether the candidate was able to access the higher levels of AO3 and AO4. Descriptive titles did not! A slight "tweak" of the existing title would overcome this problem. We need to encourage students to make more use of their primary research. Too often the analysis of their questionnaire results is, to say the least, limited. Further to this, candidates are given credit for evaluating how their research went and what they would do to improve things if they were to do it again. The candidates must be assessed on the evaluation of the product of their research NOT the process.

There was a distinct lack of bibliographies/webographies. It is vital that these are included because this really does facilitate the standardization process especially with regard to AO3 Analysis. The Internet has proved to be both a wonderful resource and the bane of the teacher. There is increasing evidence of students not

only lifting material from the textbook but also from the web. If this evidence is validated, there is no problem, but, where it is projected as the student's own work, there is a problem because it cannot be merited to the student. It behoves us as teachers to be rigorous and vigilant with regard to sources used in order for the student to produce their own work. After all, we do sign the ICRS sheet verifying this.

Generally speaking the marking of centres was consistent and accurate. There was good evidence of internal standardisation and many centres produced detailed comments relating to the allocation of the marks. These proved to be very useful to the moderators, because it gives the team an insight into understanding how the marks were arrived at. Without annotation either on the candidates' investigations or on front cover sheets, it is more difficult to follow the logic of the marking. Some centres annotate coursework to show where, for example AO3 and AO4 have been accessed, and this proves to be very helpful to the standardization process and obviously to all stakeholders. If the word limit is exceeded, then students cannot access level 4 of AO3 Analysis. Sensible use of appendices overcomes this problem invariably. Where group work is conducted, and this is to be commended, individual ownership of the total outcome must be highlighted. Lastly, but no less importantly, centres are far too generous with regard to marks for QWC. Please refer to the E9 report where this is the case.

The administration of the coursework often causes problems both for the individual centre and the individual moderator. Generally, work was presented excellently making the task of standardization much easier. Where there were problems, these were resolved effectively and efficiently and the team's thanks go out to all concerned. The following points, however, need to be taken on board.

- There is no need for all appendices. Teachers should indicate that the use of appendices supports the candidates' work in the marking process.
- Evidence is needed of internal moderation where more than one teacher is involved in the learning programme.
- Please use the ICRS forms on page 56 of the 1171 specification.
- Please do not use polypockets. See guidelines in specification, page 25.
- Indicate the highest and lowest scores on the OPTEMS.
- Centres should send the work of the lowest scoring candidate. This is often only one investigation, so it is necessary to send the work of the lowest scoring candidate who has submitted two pieces of work.
- Where there is more than one assessor, the teacher's initials must be written next to the respective student's name on the OPTEMS.
- Half marks need to be rounded up.
- Please ensure the ICRS forms are filled in correctly and that the marks are accurately transferred from the ICRS forms to the OPTEMS.

1171 - Statistics

Option 1 - Foundation tier papers (1F & 2F) and portfolio (05)

Grade	Max Mark	C	D	E	F	G
Grade Boundaries	100	45	38	32	26	20

Option 2 - Higher tier paper (3H & 4H) and portfolio (05)

Grade	Max Mark	A*	A	B	C	D	E
Grade Boundaries	100	69	61	53	45	37	33

