Examiners' Report Summer 2009

GCSE Economics and Business (1171)

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1171 1F Examiners' Report

Question 1

a) This question was well answered and the vast majority of candidates were able to offer a definition and example to score marks. Some candidates hindered their scoring ability by defining the term competition using the word 'competition', but large numbers of candidates were able to explain the term either from the perspective of a market or from the perspective of an individual product or service. Candidates could have improved their answers by improving what they wrote for the example. In 4 mark 'explain what is meant by the term....' questions, 2 marks are allocated to the definition and 2 marks to the example. Many candidates wrote 'Eg Airbus and Boeing' for the example, which only gave them access to 1 of the 2 marks available. It is advisable that candidates should always elaborate examples to be sure of gaining full marks for the example.

b) Virtually all candidates were able to identify two ways in which the Airbus A380 had a competitive advantage over the Boeing 747. Many candidates, however, relied on copying out the evidence or gave a list of more than two ways, rather than describing two ways as the question was requesting. There were opportunities in this question for candidates to develop concepts such as economies of scale, but these opportunities were missed. The best candidates made sure that there were at least two links of development for each way identified. One candidate wrote:

> "The Airbus A380 will give airlines economies of scale (1 mark), this is because it is bigger so more people can fit on (1 mark) this means fuel costs per passenger are lower (1 mark)".

An answer such as this gains three marks since the 'way' identified has been fully explained/described. It is recommended to centres that for describe/explain questions they encourage candidates to practise writing links within their answers.

Question 2

a) This was a well answered question with the vast majority of candidates scoring 3 out of the 4 marks. There were few problems with highlighting examples, and the barrier to full marks came through candidates not highlighting that variable costs change when output changes.

b) This question was similar to 1(b) insofar as candidates were able to identify benefits to airlines from buying the Airbus A380, but in many cases struggled to articulate the subsequent explanation.

Question 3

a) Most candidates were able to score 3 marks on this question. A reference to output was required to gain all of the marks for the definition. Most candidates simply stated that the break even point is where 'total revenue equals total costs'. Without the reference to the level of output, answers such as this were rewarded with only 1 of the 2 marks for the definition. Examples were generally well articulated and many candidates choose to use their own simple numeric example. It is recommended that candidates learn key terms.

b) This was the first time candidates had been asked to draw a break-even diagram, and this question proved to be a good discriminator amongst candidates. The marks awarded tended to be either 4 marks or 1 mark. Most candidates were able to drop a vertical line down to 420 units on the horizontal axis, but in many cases candidates did not know where to place the total cost line. It appeared that many candidates had confused break-even with demand and supply and drew a negatively sloped total costs line to cross at 420 units. This was in contrast with candidates who scored full marks by replicating what they had been taught in class.

c) This was a challenging question and although many candidates were able to identify two reasons why Airbus found it difficult to break even, they had difficulties with both the articulation of these ideas and the assessment necessary to attain numbers of marks. It was pleasing to see that some centres had followed previous advice and had coached their students to use a concluding paragraph which contained a judgement as to which reason was most important. Although these conclusions were generally of a low quality, marks for the evaluative skill were awarded helping these students to a C grade pass.

Question 4

a) This proved to be a straightforward question for most candidates. Virtually every candidate could explain the difference and provide examples. Most candidates restricted their answers to 4 marks because the extent of the explanation centred on 'one comes from inside the business and one comes from outside the business' and the two examples. One candidate wrote:

> "Internal sources of finance come from inside the business (1 mark) such as retained profit (1 mark). These sources of finance are the cheapest and have the lowest opportunity costs since no interest has to be paid (1 mark). They are however too small to be able to fund large projects. External sources come from outside the firm (1 mark) like bank loans (1 mark), they provide access to more finance but are much more expensive (1 mark)".

An answer such as this was worth full marks and it is recommended that centres encourage candidates to consider whether the depth and length of what they have written is sufficient to score the marks on offer. Within some centres there also appeared to be some confusion as to whether share capital was an internal or external source of finance.

b) Most candidates were able to identify an appropriate source of finance to fund the project, usually a bank loan or the issuing of new share capital. However the explanation behind the choice tended to be poor. This was because candidates did not use another source of finance to contrast with their chosen method of financing the project. Some candidates struggled to score any marks on this question because they stated internal or external sources as a method of financing the project rather than a specific type of finance, for example a bank loan.

Question 5

a) In this question most candidates could identify a likely reason behind the growth in air travel, for example more people going on holiday, but did not fully develop three subsequent links of development. As a result most candidates scored 1 or 2 marks for this question. One candidate did write:

> "Due to higher incomes (1 mark) people are going on more holidays (1 mark). They now go on holidays in sunny places like Spain and it would take too long to drive (1 mark) so they have to use the plane which they did not need to when they went to Scarborough (1 mark).

This candidate scored 4 marks because he/she had demonstrated logical development from their initial idea. Developing these links in answers is the key to scoring highly on describe/explain questions.

b) Virtually all candidates scored full marks in this question and few candidates had problems identifying two stakeholder groups. There were few errors where candidates identified stakeholder groups that were too close, and thus could only score 1 mark, for example pilots and co-pilots.

c) This question provided candidates with the opportunity to make a judgement and then support it. To gain high levels of marks it is important that candidates compare both groups of stakeholders identified in the linked question 5(b). Many candidates use these questions to explain the effects on one group of stakeholders only. Without reference to the second group of stakeholders candidates will limit their answers to 3 marks out of the six available.

Question 6

a) Most candidates had understanding of what a pressure group was, but found it difficult to score both of the 2 marks allocated to the definition. Equally candidates rarely scored both of the marks available for the example since their example tended to be a simple statement, for example Greenpeace.

b) As per previous describe/explain questions, candidates were good at identifying two methods a pressure group could use, such as boycott, petitions and demonstrations, but were less successful at developing logically how these methods would allow the pressure group to achieve their objectives. Most candidates scored 4 marks because they were able to identify two methods and generate some development of each method.

Question 7

a) Most candidates were able to score 1 or 2 marks for identifying a strategy and giving some basic development of it. Candidates scored less well here if they did not develop the strategy using terminology or they did not develop the strategy in sufficient detail. This question also required candidates to assess the two strategies identified. Relatively few candidates were able to access these marks, although some did consider factors like whether or not Airbus were able to cut costs or whether demand would increase if prices were reduced.

b) This was generally well answered, with candidates able to identify two methods Airbus could use to improve its competitiveness. Most candidates considered advertising and price cuts. Many candidates confused Airbus with an airline such as British Airways, although the examining team were instructed to ignore this confusion. Most candidates were able to develop a level 2 response, although accessing level 3 proved difficult for candidates who did not discuss the two strategies. A conclusion at the end of an answer might provide candidates with the formal structure to pick up some of the marks allocated to the evaluative skill.

c) This question proved to be a good discriminator. Many candidates had some understanding of what ethical responsibility is and could provide an example. A sizable minority thought it had something to do with racial discrimination and they appeared to confuse 'ethical' and 'ethnic', thus there were many answers which defined 'ethnic responsibility'.

d) There were several errors common to this question. Many candidates took the word 'demonstrate' to mean methods of informing the market about the firm's ethical responsibility. Thus candidates suggested leaflets, TV advertising, newspaper articles etc.

e) Candidates impeded themselves here by only considering one of the two factors identified in the linked question (7(d) on the foundation paper).

1171 2F Examiners' Report

Question 1: The Nintendo Wii

This was the most popular question on the paper with the topic area of marketing again proving most accessible and popular for candidates.

(a) A majority of candidates were able to demonstrate decent knowledge of total revenue, although this sometimes lacked technical terminology, preferring instead some reference to, 'the money a business makes'. Examples were often provided, but sometimes relied on quoting a figure - £36 million – from the evidence. Candidates need to provide an example which reveals clear understanding. An example of a response worth full marks is:

> Total revenue is the money received from sales and is found by P x Q sold. So, 1 Wii priced £180 x sales of 200,000 means Nintendo had a revenue of £36 million in the first month.

(b) Most candidates were able to pick up 2+ marks on this question by recognising that costs impact upon profits. Numerical examples were often provided to illustrate how profit might be affected by cost changes, and this approach is to be encouraged.

(c) This was generally well-answered with most candidates gaining some marks. 3-4 marks were reserved for responses which showed clear understanding of the fact that a market segment is a group of potential customers with similar characteristics and by illustrating this with an example. The question asked for 'examples', and so for full marks we wanted to see more than one example of different types of market segment. The following earned two marks for the examples:

> …for example you could split up people by how much income they have or by gender.

(d) and (e) For part (d) a vast majority of candidates gained 2 marks by correctly identifying two elements of the marketing mix. Whilst most then went on to gain more marks in part (e), only a small number offered any direct comparison as to which was the most important for Nintendo. Most candidates scored 2-3 marks in this section. There was plenty of evidence of centres whose candidates had been prepared effectively for this type of question, but many candidates seemed unaware of how to approach it.

(f) Demand and supply once again proved to be a challenging topic area for candidates. Only a small number chose to add to the diagram by showing a shift in the demand line. Whilst this was not necessary for full marks, a relatively small number of candidates were able to explain in technical terms why price was forced up as a result of the increase in demand.

(g) 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. Candidates should ensure that in their response they make clear reference to the perspective/mood/opinion of the particular person/group.

(i) Most candidates recognised that young people had a generally positive view of the Wii, although had some concerns regarding the difficulty of acquiring one. Better answers used appropriate terminology/concepts to explain the viewpoint. For example, some referred explicitly to the **opportunity cost** for Marwan of having to queue for two days and the consequent loss in pay he had to suffer.

(ii) This was generally well-answered with 3-4 mark responses being quite common and being characterised by the use of appropriate terminology.

(iii) This was well answered when candidates were talking about 'employees'. A number misread the question and chose to discuss the impact on employers. Those that didn't misread the question were often able to identify the advantages of the increased demand being translated into higher wages and job security, whilst others developed this further by considering the extent of the impact, with the possibility that it may result in longer hours and more stress.

(h) This was generally well-answered with many candidates scoring 2+ marks. The main problem seemed to be in repetition of suggestions, or in providing just one factor and offering overly-full development.

(i) We were encouraged by the ability of candidates to identify an advantage and a disadvantage of celebrity endorsement, although fewer were able to act upon the 'assess' in the question. This required candidates to consider the extent of the advantage or disadvantage. For example, by suggesting that celebrity endorsement may attract a wider market, the candidate to consider the cost of this type of advertising and the extent to which this may outweigh any possible sales benefits. This type of approach was generally lacking. Centres should seek to ensure that candidates understand that they need to do something other than provide a descriptive response which demonstrates their knowledge when they are faced with the command word 'assess'.

Question 2 – International Trade

This was the least popular question on the paper, although not dramatically so. It appeared that questions (a) and (b) encouraged candidates to choose this question, despite the fact that the later parts drawn from some of the historically more challenging topic areas of the specification.

(a) As expected, 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 some good understanding.

(b) Following on from part (a), most candidates were able to gain marks here. There was plenty of evidence of understanding of a range of 'costs' for the UK of high levels of unemployment, from those imposed on the government in terms of higher benefit payments, the 'opportunity cost' of this spending, lost tax revenue and higher crime. Many candidates were able to accurately identify a cost and offer some effective development.

(c) The positioning of the evidence (on the exchange rate) proved to be an unanticipated distraction for some candidates, who went on to provide a definition exchange rates rather than international trade. Otherwise this proved to be a fairly straightforward question, with a majority of candidates recognising that this involves countries trading with one another. Many referred explicitly to imports and exports, which again was encouraging. For the example, we were looking for confirmation of understanding, such as this statement (awarded 2 marks after earning 2 marks for the definition):

> For example, in my country we buy cars from Germany and sell them in my country. Its international trade.

(d) On paper, and with previous series in mind, this was likely to prove a difficult question and so it did. Interestingly, we found that candidates were scoring either very highly – 6 marks was fairly common – or very poorly (0 or 1). Whilst we appreciate that exchange rates can be a challenging topic area for Foundation candidates, it was apparent that if they did understand the basics, then this was a straightforward 6 marks. By recognising that a rising value of the pound will make UK goods less attractive for US customers, then candidates were well on their way to 5-6 marks.

One suggestion for centres in teaching this concept is the 'SPICED' mnemonic – **S**trong **P**ound **I**mports **C**heaper **E**xports **D**earer. This can help students to understand the processes.

(e) and (f) For part (e) most candidates were able to identify two reasons for business relocation decisions. Many were then able to identify and justify which reason was most likely to influence business decisions. However, as noted above, relatively few were able to then go on and suggest why reason X was more important than reason Y.

(g)

(i)   Most candidates recognised that the impact on the government would be negative, and were then able to develop this effectively with appropriate terminology. For example, many candidates brought in GDP to their explanation. Others referred to the possibility for rising unemployment and the associated costs this can cause.

(ii)   Generally less well answered, with a tendency to provide non-technical responses, often drawn from the evidence. For example, a response which states, 'Unhappy because they do not have local knowledge', cannot except to receive more than a single mark. Candidates should be encouraged to use business and economics terms and ideas in their responses.

(iii)   This was well-answered as candidates were able to use ideas around profit, labour costs and dividends.

(h) This proved to be a difficult question for many candidates on this paper, with a lack of knowledge often the culprit. As this was a Foundation paper question we did reward responses which revealed knowledge but did not have the technical language. For example, for the following was awarded 1 mark for the implied reference to quotas:

> Not allowing people from outside the European Union to sell goods in the EU...

International trade is an important element of the specification and will continue to be examined. Centres should ensure that students are equipped with the knowledge and skills to tackle questions in this area.

(i) The Assessment Objective of Evaluation is targeted by this type of question. Many candidates did not act upon the command word 'assess'.

Many candidates were able to identify marketing strategies to address competition from international rivals. These were often simplistic, but were rewarded. For example, lots referred to '*more advertising*', and this was fine. What was often lacking was an attempt to evaluate these suggestions. Even for simple evaluation marks could be earned. One candidate, who scored 8 marks on this question, gave their first strategy as one involving improved quality. After explaining briefly how this might help the business in the light of international competition, they then went on to evaluate as follows:

> ...However, many people would still prefer international goods as they are cheaper and this is what matters most.

The point here is that we are not after massively technical arguments, but simply evidence of an argument being constructed and thought through.

Question 3 – Takeovers: England Kit Maker in Takeover Deal

This question required knowledge and understanding of some technical elements of the course, such as economies of scale and competition policy, and so was potentially difficult. For some candidates that chose it, this did not appear the right choice of question.

(a) This was reasonably well-answered, with most candidates picking up some marks by recognising takeover as that occurring when one business buys enough shares of another to gain control. To earn 2 marks for the example candidates needed to do more than simply state, 'In 2007 Nike took over Umbro'. This earned 1 mark. One candidate wrote the following to earn 2 marks for their example:

> For example Nike buying 60% of Umbro shares so that it is now in control of decisions.

(b) Reponses were very mixed for this question. Many candidates could provide one advantage. This commonly involved the advantage of Nike now having access to Umbro's existing customer base. However, the more technical advantages, in particular 'economies of scale', were not really identified on a large scale.

(c) Whilst candidates often lacked technical language, most were able to gain at least one mark for this question.

(d) Responses here were often not related sufficiently well to the idea of branding. Candidates suggesting that higher sales and profit are the key reasons were rewarded, but for 4-6 marks we were looking for clear evidence of the understanding of how branding (specifically) might create advantages for businesses such as Nike. For example, reference to added value or customer loyalty is more clearly linked to the reasons behind branding and as such were rewarded.

(e) and (f) Part (e) was generally well-answered, with most candidates picking up 1-2 marks for their suggestions as to the benefits of sponsoring sports stars. As with 1(d)(e) and 2(e)(f), responses to the second part of the question were less good due to the inability to explain why one reason was more important than the other.

(g)

    (i)   This was generally well answered with most candidates recognising the fact that, for Nike, the takeover was a good thing. Most candidates were able to gain 3-4 marks on this question.

    (ii)   Again this was quite well answered, although too many relied on the stimulus material and did provide enough of their own ideas or business and economics ideas. Beyond suggesting that for Umbro shareholders, the takeover was a, 'good thing', little satisfactory development was often provided.

    (iii)   This was typically answered in a non-technical manner, ie without much business and economics terminology. Some candidates saw two parts to the views of England supporters. Firstly, with Umbro being taken over by Nike, England kit could potentially be more trendy. However, this brought with it the potential for higher prices, and so may be bad thing.

(h) This was not well answered, with candidates often doing little more than repeating information from the Evidence. It appeared that the specific role of the Competition Commission had not been covered by many centres. We would recommend that this is covered as it does feature explicitly on the specification.

(i) This proved to be quite a difficult question for candidates. Many did not attempt this at all. The role of the /competition /commission is an important part of the specification and does need to be covered by centres. What appeared to happen in Question 3 was that candidates chose to tackle this question due to the accessible early parts, but could not do later questions. This reinforces the importance for candidates of reading the whole question/paper before deciding which two to tackle.

1171 3H Examiners' Report

Question 1

a) This question was well answered and the vast majority of candidates were able to offer a definition and example to score marks. Some candidates hindered their scoring ability by defining the term competition using the word 'competition', but large numbers of candidates were able to explain the term either from the perspective of a market or from the perspective of an individual product or service. Candidates could have improved their answers by improving what they wrote for the example. In 4 mark 'explain what is meant by the term....' questions, 2 marks are allocated to the definition and 2 marks to the example. Many candidates wrote 'Eg Airbus and Boeing' for the example, which only gave them access to 1 of the 2 marks available. It is advisable that candidates should always elaborate examples to be sure of gaining full marks for the example.

b) Virtually all candidates were able to identify two ways in which the Airbus A380 had a competitive advantage over the Boeing 747. Many candidates, however, relied on copying out the evidence or gave a list of more than two ways, rather than describing two ways as the question was requesting. There were opportunities in this question for candidates to develop concepts such as economies of scale, but these opportunities were missed. The best candidates made sure that there were at least two links of development for each way identified. One candidate wrote:

> "The Airbus A380 will give airlines economies of scale (1 mark), this is because it is bigger so more people can fit on (1 mark) this means fuel costs per passenger are lower (1 mark)".

An answer such as this gains three marks since the 'way' identified has been fully explained/described. It is recommended to centres that for describe/explain questions they encourage candidates to practise writing links within their answers.

Question 2

a) This question acted as a real discriminator and there were some excellent answers to be contrasted with some less accomplished ones. The best answers referred to productivity and more intensive use of resources and links were made to falling average total costs (ATC). One candidate wrote:

> "Training workers (1 mark) will improve efficiency because it will give them better skills (1 mark). This means they can work faster and produce more in an hour (1 mark). This causes productivity to go up and unit costs to fall (1 mark)".

This was an excellent answer with the candidate demonstrating clearly identifiable, logical links whilst using terminology. It scored full marks.

b) This question proved to be challenging. Many candidates misread the question and explained two benefits of taking advantage of economies of scale, for example larger profits, ability to lower prices etc rather than two ways in which an airline could take advantage of economies of scale. Very few answers scored above 6 marks on this question.

Question 3

a) Most candidates were able to score 3 marks on this question. A reference to output was required to gain all of the marks for the definition. Most candidates simply stated that the break even point is where 'total revenue equals total costs'. Without the reference to the level of output, answers such as this were rewarded with only 1 of the 2 marks for the definition. Examples were generally well articulated and many candidates choose to use their own simple numeric example. It is recommended that candidates learn key terms.

b) This was the first time candidates had been asked to draw a break-even diagram, and this question proved to be a good discriminator amongst candidates. The marks awarded tended to be either 4 marks or 1 mark. Most candidates were able to drop a vertical line down to 420 units on the horizontal axis, but in many cases candidates did not know where to place the total cost line. It appeared that many candidates had confused break-even with demand and supply and drew a negatively sloped total costs line to cross at 420 units. This was in contrast with candidates who scored full marks by replicating what they had been taught in class.

Question 4

a) This proved to be a straightforward question for most candidates. Virtually every candidate could explain the difference and provide examples. Most candidates restricted their answers to 4 marks because the extent of the explanation centred on 'one comes from inside the business and one comes from outside the business' and the two examples. One candidate wrote:

> "Internal sources of finance come from inside the business (1 mark) such as retained profit (1 mark). These sources of finance are the cheapest and have the lowest opportunity costs since no interest has to be paid (1 mark). They are however too small to be able to fund large projects. External sources come from outside the firm (1 mark) like bank loans (1 mark), they provide access to more finance but are much more expensive (1 mark)".

An answer such as this was worth full marks and it is recommended that centres encourage candidates to consider whether the depth and length of what they have written is sufficient to score the marks on offer. Within some centres there also appeared to be some confusion as to whether share capital was an internal or external source of finance.

b) Most candidates were able to identify an appropriate source of finance to fund the project, usually a bank loan or the issuing of new share capital. However the explanation behind the choice tended to be poor. This was because candidates did not use another source of finance to contrast with their chosen method of financing the project. Some candidates struggled to score any marks on this question because they stated internal or external sources as a method of financing the project rather than a specific type of finance, for example a bank loan.

Question 5

This question was generally well answered with candidates being able to explain two effects on aeroplane manufacturers from pressure group activity. Some candidates were able to demonstrate impressive evaluative skills, considering advanced factors such as 'the extent of the effects depended on the public support the pressure group receives'. Other candidates accessed the evaluative skill by contrasting the two effects that the pressure groups had on the aeroplane manufacturers explaining which one was more serious.

Question 6

a) Many candidates appeared to have never come across the term 'negative externality' before. Candidates seemed to think that it related to anything bad which could happen to a business. For instance floods, recession and theft were all offered as examples to exemplify the definition. The definition itself was not well expressed with no reference to third party effects and no reference to these effects not being considered by the business responsible.

b) As a result of 6(a) being poorly answered, candidates found 6(b) even more difficult. From those that understood the term, many candidates could identify that both atmospheric and noise pollution were negative externalities but could not explain why they were negative externalities. Instead, candidates tended to explain what could be done to reduce negative externalities. Some able candidates gained fewer marks in this question because they did not fashion an answer which focused on the set question. Again it was common for candidates to confuse aeroplane manufacturers with an airline and the examining team did not penalise for this error.

Question 7

a) Most responses managed to reach level 2 on the mark scheme. Candidates understood that lowering the price meant that the break-even point would be increased and that demand must rise by enough. Some candidates applied themselves in an impressive way and considered the scale of the market and the likelihood of demand increasing by enough for the firm to reach the new break even point in a recession.

One candidate wrote:

> "By reducing price of the plane, the contribution per unit will fall. This means that it will take longer to pay off the fixed costs so the break even point will rise. However with a lower price, demand should increase, but whether the new break-even point can be reached depends on how much demand will increase by. If Boeing were to also lower their prices it is likely that demand will stay the same and Airbus will have a higher break-even point and no way of reaching it. Therefore the strategy it high risk and should not be used."

This answer was an example of the capabilities of some candidates and thus scored at the top of level 3.

b) There were several errors common to this question. Many candidates took the word 'demonstrate' to mean methods of informing the market about the firm's ethical responsibility. Thus candidates suggested leaflets, TV advertising, newspaper articles etc.

c) Candidates impeded themselves by only considering one of the two factors identified in the linked question (7(b) on the higher paper). Here there were some potentially excellent answers but because only one factor had been referred to in the response it was impossible to award more than 3 marks.

d) Some candidates did not offer a response to this question due to lack of time management across the range of questions on the paper. Those that did offer a response clearly understood the concept of new product development and were able to offer reasons as to why it was important together with some drawbacks. Thus, most answers reached level 2. However, access to level 3 was prevented because candidates did not consider whether or not it was the best way for Airbus to succeed in its markets by comparing it to factors such as lowering prices or increasing promotion.

1171 4H Examiners' Report

Question 1 – The Nintendo Wii

(a) A majority of candidates were able to demonstrate decent knowledge of total revenue, although this sometimes lacked technical terminology, preferring instead some reference to, 'the money a business makes'. Examples were often provided, but sometimes relied on quoting a figure - £36 million – from the evidence. Candidates need to provide an example which reveals clear understanding. An example of a response worth full marks is:

> Total revenue is the money received from sales and is found by P x Q sold. So, 1 Wii priced £180 x sales of 200,000 means Nintendo had a revenue of £36 million in the first month.

(b) The question asked for the formula and workings to be shown clearly, and a number did not attempt to do this. For those students who did understand mark up, this was a quick and simple 4 marks.

(c) This was generally well-answered with most candidates gaining some marks. 3-4 marks were reserved for responses which showed clear understanding of the fact that a market segment is a group of potential customers with similar characteristics and by illustrating this with an example. The question asked for 'examples', and so for full marks more than one example of different types of market segment was expected. These did not need to be explained, and so the following earned two marks for the examples:

> …for example you could split up people by how much income they have or by gender.

(d) Here a majority of candidates were able to score good marks by outlining one benefit of targeting a wider market. Responses were often a little generic in dealing with a rise in sales, but this approach was rewarded as being clearly linked to the targeting of a wider market.

(e) Demand and supply once again proved difficult for some candidates. For those that had been prepared thoroughly for the demand and supply question, this proved to be a straightforward 5-6 marks. However, many candidates showed a lack of understanding. Many diagrams were incorrectly labelled, with 'demand ' and 'supply' frequently appearing on axes. Centres are reminded of the following:

- Centres need to ensure candidates can draw accurate diagrams.
- Candidates need to understand the causes of a shift in the demand line only. Questions will not ask for factors influencing the shift in supply.
- Following a shift in the demand line, candidates need to show the new equilibrium position, in addition to the original equilibrium.

(iv) Most candidates recognised that young people had a generally positive view of the Wii, although had some concerns regarding the difficulty of acquiring one. Better answers used appropriate terminology/concepts to explain the viewpoint. For example, some referred explicitly to the **opportunity cost** for Marwan of having to queue for two days and the consequent loss in pay he had to suffer.

(v) This was generally well-answered with 3-4 mark responses being quite common and being characterised by the use of appropriate terminology.

(vi) This was well answered when candidates were talking about 'employees'. A number misread the question and chose to discuss the impact on employers. Those that didn't misread the question were often able to identify the advantages of the increased demand being translated into higher wages and job security, whilst others developed this further by considering the extent of the impact, with the possibility that it may result in longer hours and more stress.

(f) It was possible to differentiate between candidates by looking at the quality of the business and economic knowledge demonstrated as opposed to a layperson's 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. Candidates should ensure that in their response they make clear reference to the perspective/mood/opinion of the particular person/group.

(g) This question was generally well answered. Most candidates were able to gain 4 marks by identifying two reasons for using celebrities and offering some development. Note that for this type of question the type of development required is not extensive. Consider the following response:

> *It would also draw attention to company* [1 mark] *and increase the brand awareness* [1 mark for development].

The candidate earned 2 marks here but did not need to write extensively for this. The use of relevant terminology was more important than actual word count.

A smaller number of candidates only provided one reason and offered more extensive development, but lost marks as the question asks for two likely reasons.

(h) The evidence from this question suggests that centres are preparing candidates effectively for this type of question. Whilst it can be tackled in a fairly formulaic way, the best responses were those where original thinking was present, making use of the Evidence and relevant business and economics theory. The introduction is an important part of the candidate response, and there they can frame their argument. Consider this example:

> I think that using celebrities is a part of the success of the Nintendo Wii because using celebrities is a very good way to promote the product and to let consumers know about and make them aware of it.

By suggesting early on that use of celebrities is 'part' of the success, the candidate suggests that there are counter arguments to follow. Indeed there were; this candidate scored 12 marks for their full response. Good responses considered the fact that other factors were also important, such as the product itself, the attractive price that the Wii was sold for, and so on.

Once again there was some evidence of conclusions sometimes doing little more than repeating what has already been said, however candidates must try to show original thinking in creating their arguments in their conclusions.

Question 2 – Big or small?

(a) As expected, this was a relatively straightforward introduction to the question, with a majority of candidates scoring marks. Examples were often clearly expressed and revealed some good understanding.

(b) Following on from part (a), most candidates were able to pick up good marks here. There was plenty of evidence of understanding of a range of 'costs' for the UK of high levels of unemployment, from those imposed on the government in terms of higher benefit payments, the 'opportunity cost' of this spending, lost tax revenue and higher crime.

(c) The positioning of the evidence (on the exchange rate) proved to be an unanticipated distraction for some candidates, who went on to provide a definition exchange rates rather than international trade. Otherwise this proved to be a fairly straightforward question, with a majority of candidates identifying one benefit of international trade and offering some development of this point.

(d) Centres are encouraged to ensure that candidates are aware of changes in exchange rates when dealing with the international trade element. One suggestion for centres in teaching this concept is the 'SPICED' mnemonic – **S**trong **P**ound **I**mports **C**heaper **E**xports **D**earer. This can help students to understand the processes.

(e) This question proved to be accessible for candidates, with a majority able to identify at least one reason for relocation decision by business such as Dyson and HSBC.

(f)

    (iv)   Most candidates recognised that the impact on the government would be negative, and were then able to develop this effectively with appropriate terminology. For example, many candidates brought in GDP to their explanation. Others referred to the possibility for rising unemployment and the associated costs this can cause.

    (v)   Generally less well answered, with a tendency to provide non-technical responses, often drawn from the evidence. For example, a response which states, 'Unhappy because they do not have local knowledge', cannot except to receive more than a single mark. Candidates must be encouraged to use business and economics terms and ideas in their responses.

    (vi)   This was well-answered as candidates were able to use ideas around profit, labour costs and dividends.

(g) This question proved to be quite challenging, requiring as it did, knowledge of the European Union and 'protectionism'. There were some excellent responses which provided sophisticated arguments were presented. Some centres clearly devote plenty of time and attention in covering issues surrounding the European Union and their students were able to provide strong arguments on both sides. Candidates were encouraged to think about the benefits to be had from international trade, such as the availability of a wide range of goods and services, but then to weigh these advantages against the possible disadvantages. The evidence provided information about the low rates of pay in countries such as China and India. One argument was clearly that regarding the fairness of EU businesses competing with those with such low cost structures. The argument that EU businesses should be protected from such (unfair) competition was used by a good number of candidates.

Question 3 – Takeovers: England Kit Maker in Takeover Deal

This question required knowledge and understanding of some technical elements of the course, such as economies of scale and competition policy, and so was potentially tricky. For some candidates that chose it, this did not appear the right choice of question.

(a) This was reasonably well-answered, with most candidates picking up some marks by recognising takeover as that occurring when one business buys enough shares of another to gain control. To earn 2 marks for the example candidates needed to do more than simply state, 'In 2007 Nike took over Umbro'. This is simply stating facts from the evidence (and earned 1 mark). One candidate wrote the following to earn 2 marks for their example:

> For example Nike buying 60% of Umbro shares so that it is now in control of decisions.

(b) Reponses were very mixed for this question. Many candidates could provide one advantage, which commonly involved the advantage of Nike now having access to Umbro's existing customer base. However, the more technical advantages, in particular 'economies of scale', were not identified on a large scale.

(c) Most candidates were able to gain marks in this question, although relatively few managed to gain all 4 marks. The reason for this was either in their definitions, which were sometimes lacking technical language, or in their examples. A brand gives a business an identity and helps customers form an association with a business/product. Responses which suggested that a brand is a name of a business were not rewarded. Brands are not only associated with expensive, high-profile products.

(d) This was well answered with a majority of candidates able to assess the value of brand recognition. The command word 'assess' was a trigger for many, who were able to argue on the one hand that brand recognition is important to businesses such as Nike, but then to balance this by suggesting that other factors are also important. Here the marketing mix was frequently deployed in argument.

(e)

(iv)   This was generally well answered with most candidates recognising the fact that the takeover was a positive thing for Nike. Most candidates were able to pick up 3-4 marks on this question.

(v)   Again this was quite well answered, although too many relied on the stimulus material and did provide enough of their own ideas or business and economics ideas. Beyond suggesting that for Umbro shareholders, the takeover was a, 'good thing', little satisfactory development was often provided.

(vi)   This was typically answered in a non-technical manner, ie without much business and economics terminology. Some candidates saw two parts to the views of England supporters. Firstly, with Umbro being taken over by Nike, England kit could potentially be more trendy. However, this brought with it the potential for higher prices, and so may be negative.

(f) Candidates had a tendency to rely on the Evidence. It appeared that the specific role of the Competition Commission had not been covered by many centres. We would recommend that this is covered as it does feature explicitly on the specification.

This proved an accessible and straightforward question for those candidates who recognised what was required by the 'assess' command word. Some candidates did not act on this word and chose instead to write at length about the benefits of strong brand recognition. Such single-focus responses were unable to achieve Level 3, and candidates were this penalised by adopting this approach. Arguments that 'product' was equally (or more) important, or that price had be right, were seen regularly and were duly rewarded.

(g) This proved to be quite a difficult question, with the topic area of regulation clearly a challenging topic area. What appeared to happen was that candidates chose to tackle this question due to the accessible early parts, but found the later parts – (g) in particular - challenging. This reinforces the importance for candidates of reading the whole question/paper before deciding which two to tackle.

(h) Candidates had a tendency to rely on the Evidence. It appeared that the specific role of the Competition Commission had not been covered by many centres.

Statistics

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

Grade	Max Mark	C	D	E	F	G
Grade Boundaries	100	46	39	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	38	34