

# Mark Scheme Summer 2009

GCSE

## GCSE Business and Economics (1171)

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

## 1171\_1F Mark Scheme

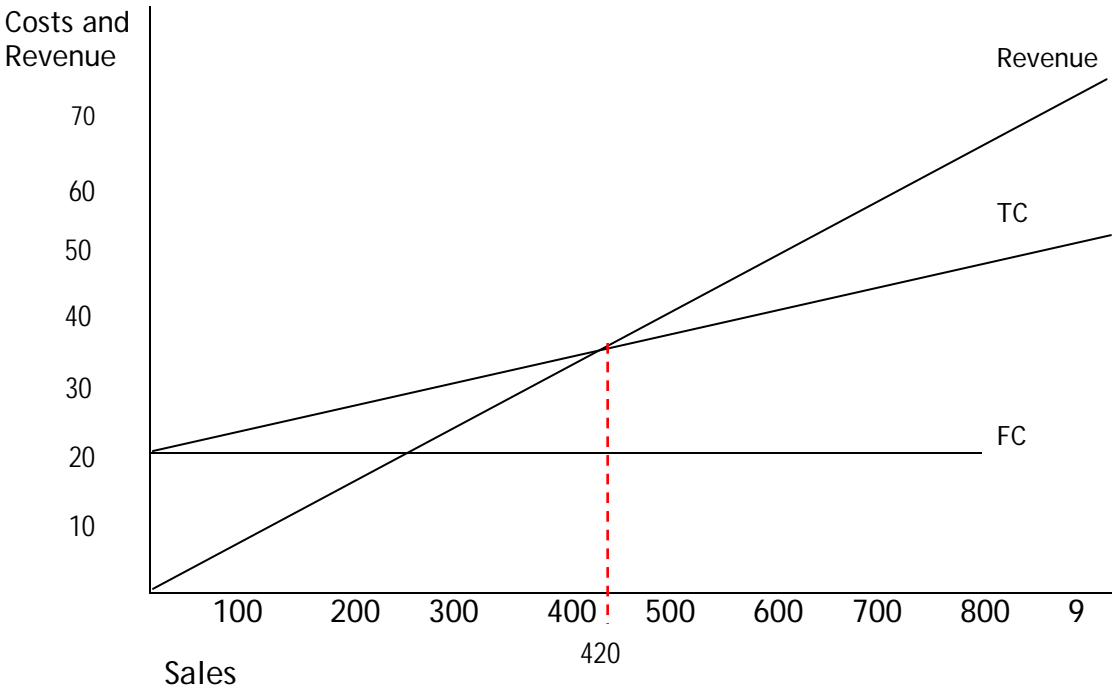
Question Number	Indicative content	Mark
1 (a)	<p>Competition refers to a situation where a firm is in a market where it faces rival firms and thus where consumers are able to exercise choice in the products and services they buy. Competition could also be examined from the perspective of a rival product or service.</p> <p>Examples could include any aspect where two or more firms are offering goods or services of similar quality, but we might expect the evidence to be used.</p> <p>Award up to 2 marks for the definition and up to 2 marks for the example.</p>	(4)

Question Number	Indicative content	Mark
1(b)	<p>Several routes to competitive advantage could be taken by the candidate.</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>• running costs/efficiency - cheaper running costs are likely to be important to airlines, especially given the high price of fuel</li> <li>• size - the A380 can seat over 800 passengers against the 747's 500 more passengers could mean more revenue/profit per flight or it could mean lower unit costs</li> <li>• latest design/technology - the A380 is a state of the art product which offers passengers high levels of comfort</li> <li>• environmentally friendly / ethical responsibility.</li> </ul> <p>Award 1 mark for each 'way' identified (up to a maximum of 2) plus up to 2 marks for development. To gain 3 marks each 'way' must be described using logical links containing appropriate terminology.</p> <p>Candidates who confuse airlines with aircraft manufacturers are limited to 2 marks for each 'way' and subsequent description.</p> <p>Avoid doubly awarding candidates who repeat themselves, for example it is bigger so it holds more passengers.</p>	(6)

Question Number	Indicative content	Mark
2(a)	<p>Variable costs are those costs of production which rise with the level of output. Examples include raw materials and other inputs needed to make the actual product (examples do not have to be taken from an airline context).</p> <p>2 marks for an accurate definition. Award 1 mark only if the link to output is not made explicit. For example, '<i>Costs which change...</i>' would be awarded 1 mark.</p> <p>Up to 2 marks for examples. Accept raw materials, fuel, food, wages, landing charges, electricity.</p> <p>Do not reward: rent, salaries, advertisement / promotion, cost of planes, interest on loans.</p>	(4)

Question Number	Indicative content	Mark
2(b)	<p>A major selling point of the A380 (and, indeed, all large airliners) is the ability to carry large numbers. This can be beneficial for airlines such as BA as it can enable them to reduce average costs. One explanation for this is the proportionately lower fuel cost per passenger. The question allows candidates to introduce the idea of economies of scale, but this term may not be made explicitly. Additionally, candidates may argue that larger planes mean airlines don't have to buy as many planes. Large planes are also more likely to be able to fly long haul, which is also an advantage. Candidates may also state that larger planes allow more revenue and profit to be made.</p> <p>Award 1 mark for each valid benefit identified (up to a maximum of 2) with 2 marks for the development of each benefit identified.</p> <p>Alternatively for candidates who have identified 1 benefit, award up to 5 marks for the explanation. This must be a detailed answer and contain clear logical inter-linkages between concepts expressed using terminology such as economies of scale.</p>	(6)

Question Number	Indicative content	Mark
3(a)	<p>The break-even point is the level of output where a firm's total costs are equal to total revenue.</p> <p>1 mark for reference to <math>TR = TC</math> or that no loss or profit is made. 1 mark for the reference to 'output'.</p> <p>Up to 2 marks for example, perhaps drawn from the evidence.</p> <p><i>'Airbus needs to sell 420 planes to cover its costs...'</i> This would be enough for 2 marks. Equally so would a basic numerical example, for example <math>TR = £100</math> and <math>TC = £100</math>.</p> <p>Be wary of candidates who confuse break-even with cash flow. These candidates should not be rewarded.</p>	(4)

Question Number	Indicative content	Mark
3(b)	<p>1 mark for TC line starting at correct point (at \$20 Bn and zero sales).</p> <p>2 marks for correct TC line.</p> <p>1 mark for dropping a vertical line down to show the break-even level of output or identifying the break-even level of output on the horizontal axis.</p> 	(4)

Question Number	Indicative content	Mark
3(c)	<p>Examples include:</p> <ul style="list-style-type: none"> <li>• insufficient demand (recession)</li> <li>• competition</li> <li>• high costs</li> <li>• price too high</li> <li>• environmental concerns</li> <li>• falling demand for airline travel</li> <li>• poor marketing.</li> </ul> <p>Marks are awarded as 2 x 3, with 1 mark for identifying a reason and up to 2 marks for the development of the reason identified.</p> <p>An additional mark can be awarded for each reason identified if the candidate is evaluative within their explanation, for example demand will fall due to a recession but this depends on the depth of the recession and whether Airbus are selling planes to luxury or budget airlines.</p> <p>Alternatively, candidates might write a conclusion that considers which of the two reasons is the most important or significant, for example the recession is the most important reason since worries about the environment are not going to prevent people going on holiday. A candidate who takes this approach is to be awarded up to 2 marks for the quality of the evaluative comment.</p>	(8)



Question Number	Indicative content	Mark
4(a)	<p>Internal sources of finance are those which come from inside the business. Examples include retained profit, sales of assets, cutting the dividend and making debtors pay earlier.</p> <p>External sources of finance come from outside the business, such as loans, share capital, venture capital etc.</p> <p>1 mark for the identification of 'inside'. 1 mark for identifying 'outside'. Award 1 mark for each example (up to a maximum of 2). The remaining 2 marks are for candidates who develop the example to explain the difference.</p>	(6)

Question Number	Indicative content	Mark
4(b)	<p>Building on part (a), this question requires students to once again apply knowledge to a particular scenario. The question gives detail of the scale of the project, and the evidence makes clear that these are expensive investment projects. As such, candidates should be looking for suggestions like share issues, long-term loans, government funding, retained profit etc.</p> <p>1 mark for judgement (do not reward internal / external). 1 additional mark where the suggestion is appropriate. Up to 4 development marks can be awarded. If candidate suggests that, X is better than Y because...', and provides some explanation/justification, then this should be rewarded with 3 - 4 development marks.</p> <p>Maximum of 3 marks are to be awarded if the suggestion is inappropriate, but where development is provided, for example overdraft.</p> <p>A maximum of 4 marks are to be awarded if the suggestion is appropriate, but there is no reference to another source of finance.</p>	(6)

Question Number	Indicative content	Mark
5(a)	<p>The chart makes clear the dramatic increase in air travel. Reasons for this include:</p> <ul style="list-style-type: none"> <li>• rising demand</li> <li>• growth of low cost airlines</li> <li>• rising incomes/ wealth</li> <li>• motorway congestion</li> <li>• unreliable trains</li> <li>• increased economic growth</li> <li>• globalisation etc.</li> </ul> <p>Award 1 marks for a valid suggestion plus up to 3 marks for development. 1 development mark could come from the use of the data in the graph.</p>	(4)

Question Number	Indicative content	Mark
5(b)	<p>Accept any 2 valid suggestions. Examples include shareholders in airline companies such as BA, workers in the airline industry, workers, managers, local community, travel agents, government (rise in tax revenue). Also accept Airbus and BA as a whole, but do not award a second mark to candidates who identify 2 aircraft manufacturers or 2 airlines etc.</p> <p>Do not reward 'environment' or stakeholders that are too similar to one already identified, for example pilots and ground crew.</p> <p>1 mark for each correct stakeholder identified.</p>	(5)

Question Number		Indicative content
5(c)		<p><b>QWC</b></p> <p>Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. <b>L3</b></p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. <b>L2</b></p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. <b>L1</b></p>
Level	Mark	Descriptor
Level 1	1-2	Simple judgement made with little development and little or no use of business/economic terms.
Level 2	3-4	Candidate makes a judgement and offers some valid development. For 4 marks candidate compares both, but response lacks business/economics. For 3 marks no comparison but otherwise well developed.
Level 3	5-6	Candidate makes a judgement and identifies which group is most affected. Development states explicitly why group X is affected more than group Y. Some use of business and economic concepts needed for this band, for example reference to revenue, profit etc.

Question Number	Indicative content	Mark
6(a)	<p>Pressure groups are organisations which seek to influence the decisions of the public, government and businesses. The evidence makes clear that Greenpeace is a pressure group.</p> <p>Award up to 2 marks for the definition. 1 mark for the notion of 'influence' or change and 1 mark for the group they are trying to influence, for example government or business.</p> <p>Award 2 marks for the example. 1 mark for identifying a pressure group, for example Greenpeace and 1 mark for some kind of valid elaboration.</p>	(4)

Question Number	Indicative content	Mark
6(b)	<p>Pressure groups can use a range of strategies, including protests, demonstrations, strikes and other direct action, publicity campaigns, lobbying MPs, boycotts etc.</p> <p>Award 2 x 3 marks - 1 for the method plus 2 for development. The second development mark should make reference to how the pressure group will achieve its objectives, for example damage brand etc.</p>	(6)

Question Number	Indicative content	Mark
7(a)	<p>Airbus could aim to increase its revenue by increasing the price of each aircraft. Alternatively it could aim to cut its costs (fixed or variable).</p> <p>Award 2 x 3 marks for the identification of a strategy and its development. In development could be awarded 4 marks where candidate offers some evaluation of the suggestion built into their answer. For example:</p> <p>‘Airbus could increase the price of each aircraft from the current \$300 million, to \$350 million [1 mark]. This would mean that revenue from each plane would be higher [dev - 1 mark], meaning that it could sell fewer planes and still break-even [dev - 1 mark]. The problem with this strategy is [eval - 1 mark] that Airbus operates in a competitive market and any increase in price could result in customers buying from a rival company, such as Boeing so demand falls by a lot’.</p> <p>Alternatively, candidates might write a conclusion which considers which of the two strategies is best to lower the break even point. This again is a route to the 2 evaluation marks.</p>	(8)

Question Number	Indicative content	
7(b)	<p>To reach Level 3 candidates must recognise more than one strategy a business can use to improve its competitiveness. Accept any reasonable suggestions, which may include:</p> <ul style="list-style-type: none"> <li>• reducing price</li> <li>• increased promotional activity</li> <li>• developing new products (R&amp;D, fuel efficiency etc).</li> </ul> <p>For 7 or 8 marks candidate must offer some evaluation of their suggested strategies. For example, where the suggestion is to reduce price, evaluation may reflect on the need to cover the costs of production, or on the likely reaction of competitors or on the extent to which demand changes. Top level students might even comment on the size of the resulting change in demand. The development here may not be extensive, but look for candidates attempting to evaluate.</p> <p><b>QWC</b></p> <p>Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. L3</p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. L2</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. L1</p>	
Level	Mark	Descriptor
Level 1	1-2	Simplistic response with limited development. One suggestion only with no specific business terms will be in this level or two suggestions presented as a list with no development worthy of any credit.
Level 2	3-5	At the top of the level candidate recognises 2 (or more) strategies, but lacks use of terminology and/or precision in the development of the response. A candidate who offers one strategy only, but develops this accurately without evaluating, will gain 4 marks. Evaluation will move this to 5 marks. Two suggestions with simplistic development should be pegged at 3 marks.
Level 3	6-8	Recognises more than one strategy and explains how each will enable a business to improve its competitiveness. For 7 or 8 marks candidate must act on 'discuss' as the command word. This might take the form of why one strategy is likely to be more effective than the other or considering problems associated with strategy, such as cost/time. This will be articulated using business and economic language.

Question Number	Indicative content	Mark
7(c)	<p>Ethical responsibility is a sense of moral duty towards stakeholder groups. Firms can demonstrate this by a wide range of means, including demonstration of environmental concern, sponsorship of local groups, schools, improved pay conditions for employees etc.</p> <p>2 marks for definition (1 mark for the notion of morals or 'right' and 1 mark for identifying some kind effect on a stakeholder)</p> <p>2 marks for the example. The example does not have to come from the evidence.</p>	(4)

Question Number	Indicative content	Mark
7(d)	<p>Airbus could demonstrate this by:</p> <ul style="list-style-type: none"> <li>• Fairtrade - paying suppliers more</li> <li>• protecting workers' rights - pay, conditions, etc</li> <li>• minimising its environmental impact - more fuel efficiency, noise reduction, decreasing pollution</li> <li>• ethical code / audit</li> <li>• recycle materials / waste</li> <li>• charitable giving, sponsorship of community projects.</li> </ul> <p>Reward any valid suggestion which reveals understanding of the term. Note that the response does not need to be related to the airline industry.</p>	(2)

Question Number		Indicative content
7(e)		<p><b>QWC</b></p> <p>Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. <b>L3</b></p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. <b>L2</b></p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. <b>L1</b></p>
Level	Mark	Descriptor
Level 1	1-2	Simple judgement made with little development and little or no use of business/economic terms.
Level 2	3-5	Candidate makes a judgement and offers some valid development. For 4 marks candidate compares both, but response lacks business/economic terminology. For 3 marks no comparison but otherwise well-developed.
Level 3	6-8	Candidate makes a judgement and identifies which is the most appropriate method. Development states explicitly why method X is more effective than method Y. Some use of business and economic concepts needed for this band, for example demand, marketing, negative externalities, stakeholders and their power, changing consumer perceptions.



1171\_2F Mark Scheme

Question Number	Indicative content	Mark
1(a)	<p>We are looking for those who can identify that revenue is the combination of both the price and the quantity sold in their answer. 2 marks for an accurate definition and two for the relevant example. An accurate formula is sufficient to earn 2 marks for the definition element of the question. Candidates who give a definition along the lines of 'the total amount of money received' should gain 1 mark - distinguish 1 and 2 mark answers by the accuracy of the definition.</p> <p>Where the example simply states an amount or quotes directly from the evidence, then award 1 mark. For example, '<i>Nintendo receives revenue from selling the Wii</i>'. This is worth 1 mark.</p> <p>An example of a 2 mark definition: '<i>...if you sell 10 Wiis at £180.00 each the total revenue should be £1800.00</i>'</p> <p>Although many students will refer to Nintendo, please note that the question does <u>not</u> require specific reference to Nintendo.</p>	(4)

Question Number	Indicative content	
1(b)	<p>We are looking for candidates to be able to recognise the effect that changing costs have on the profit equation (total revenue - total costs). We would expect to see candidates making the link that a rise in costs (revenue remaining constant) would reduce profit. At the higher level those who comment on the extent to which costs rise will achieve the top mark.</p> <p>Reward responses which indicate that lower costs of production may lead to poorer quality and potentially lower sales.</p>	
Level	Mark	Descriptor
Level 1	1-2	Candidates show some knowledge but there will be evidence of some confusion or the inability to articulate the answer fully. Candidates may just comment about 'cost' without giving examples, confuse cost with price or simply provide a list of points in this level of answer.
Level 2	3-4	Candidates recognise the effect of costs in the profit equation and are able to explain the effect. This may be in simple terms. The link to be made is along the lines of: high cost of materials = higher total costs = less profit. <b>3 marks</b> . <b>4 marks</b> will be reserved for those who are able to identify that the overall impact on profit depends on what happens to revenue in addition to the impact on costs.

Question Number	Indicative content	Mark
1(c)	<p>Market segmentation is the division of markets according to different types of customer in order to develop products to meet different people's needs. Please note that the question asks for examples (plural).</p> <p>2 marks for an accurate definition which refers to types of customer (rather than type of product, market etc). 1 mark for each example. Although candidates might be expected to give examples using the games market, reward any relevant examples of types of market segment - age, gender, lifestyle etc. Note that mention of different segments is enough to earn 1 mark each - no explanation is needed.</p>	(4)

Question Number	Indicative content	Mark
1(d)	Award 1 mark for each segment identified ( x 2 ). Price, Product, Promotion and Place are the four elements.	(2)

Question Number	Indicative content	
1(e)	The purpose of the two questions is to encourage some analysis and evaluation. The identification of the two factors in 1(d) is part of the analysis and this question gives the student the opportunity to be able to make some evaluative comment. To get into the higher level, there must be clear evidence that the candidate has made a cross referenced comparison. This will put the answer into level 2; the decision is then based upon the quality of the evaluation given. Signs to look for are the terminology used and the convincing evidence that the candidate shows some understanding.	
Level	Mark	Descriptor
Level 1	1-4	<p>Answers in this level will only focus upon the one factor with no reference to the other factor identified in 1(d) above.</p> <p>A well developed point - for example, where appropriate terms are used - will be sufficient to get to the top of level 1.</p> <p>Where a single focus answer is provided, but there is evidence of evaluation within the perspective - '<i>this is very important because...</i>' - this is likely to earn 4 marks.</p> <p>At the bottom of the level responses are simple statements regarding the merits of the chosen strategy. A judgement will not be made.</p>
Level 2	5-6	Clear evidence of the cross comparison is given. The upper part of this level should be for candidates showing evidence of a good understanding and appropriate use of terminology. The question is targeting the higher order skills so the evidence of analysis and evaluation is the thing to look out for.

Question Number		Indicative content
1(f)		<p>This is an attempt to give foundation candidates a little structure to hang their answer on and to encourage them to use a diagram. We are looking for them to draw a new demand curve to the right of the one given and to be able to show that the price will rise and the amount bought and sold also increase.</p> <p>1 mark for showing the correct shift of the demand curve, 1 mark each for showing the rise in price and quantity and showing it on the graph. Up to 3 further marks for the quality of the explanation.</p>
Level	Mark	Descriptor
Level 1	1-3	Recognises that the Nintendo Wii is popular so demand will be high (with explanation 2 marks), limited statements such as price will increase will score 1 mark.
Level 2	4-6	<p>Candidates need to express either explicitly or implicitly that demand outstrips supply with developed explanation.</p> <p><i>Candidates that do not use the diagram, but nonetheless provide a fully developed explanation with clear reference to an increase in both price and quantity sold due to the excess demand for the Wii can still score full marks.</i></p>

Question Number	Indicative content	Mark
1(g)(i)	<p><b>Young people such as Marwan Elgamal</b></p> <p>For young people the Wii represents an improvement in product innovation within the games consoles market, and will therefore welcome its creation and launch. However, they might be frustrated that they are experiencing problems in being able to purchase one in time for Christmas and might have to resort to paying higher prices on internet auction sites.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which young people are affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p> <p>Alternatively, candidates may provide a <b>counter</b> perspective. For example, '<i>Marwan was delighted.... However, he was disappointed to have lost income for two days to queue to get his console</i>'. This is fine but the marks should be awarded for the quality of the explanation overall and the use of terminology.</p> <p><u>Where a candidate explains why each group believes the Wii is so popular, award 1 mark.</u></p>	(4)
1(g)(ii)	<p><b>Video Games Retailers</b></p> <p>Retailers are likely to be pleased that the Wii has been launched as it is likely to lead to increased sales in their stores. It might possibly led to sales of complementary goods such as the games and other accessories. However, expect some candidates to mention that there might be some concern that they are losing potential sales and profits to internet auction sites as Nintendo is unable to supply the Wii to the stores in sufficient quantities. Reward responses which provide a <b>counter</b> argument. For example, '<i>Retailers were pleased due to higher sales and greater profits.... However, they might be frustrated at not being able to buy enough stock to meet the demand for the Wii</i>'.</p> <p>Award <b>1 mark</b> for recognition of the effect.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which Video Game Retailers are affected. This is fine but the marks should be awarded for the quality of the explanation overall and the use of terminology.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p> <p><u>Where a candidate explains why each group believes the Wii is so popular, award 1 mark.</u></p>	(4)

1(g)(iii)	<p><b>Employees of Mitsumi Electric</b>  These individuals are likely to be pleased with the increasing numbers of young people opting to play on games consoles as it will increase their job security. It may also see an increase in their wages through overtime and bonuses in an attempt to deal with the unexpected increase in demand for the Wii. Reward responses which provide a <b>counter</b> argument. For example, '<i>Employees were pleased due to higher sales and greater job security.... However, they might be pressured into long hours/overtime when they do not really want to</i>'.</p> <p><b>Award 1 mark</b> for recognition of the effect.</p> <p><b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which workers of Mitsumi Electrics are affected. This is fine but the marks should be awarded for the quality of the explanation overall.</p> <p><b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.  Where a candidate explains why each group believes the Wii is so popular, award <b>1 mark</b>.</p>	(4)
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Question Number	Indicative content	Mark
1(h)	<p>Answers could include the availability of the celebrity, who the person is, what type of image (s)he has and whether this suits the product or service, the cost of using that person, the longevity of the celebrity, how much the firm thinks the celebrity might help them in selling the Wii and so on.</p> <p><b>Award 1 mark</b> for identifying the factor and one for the development of the factor ( x 2 ). For example:</p> <p><i>' The cost of the celebrity will be important as a small business could not afford Peter Crouch'.</i></p>	(4)

Question Number	Indicative content
1(i)	<p>This question is aiming to get candidates to consider and assess how consumers are affected by companies using celebrity endorsements. Some candidates will break up the answer into two parts to provide their own structure. In such cases 1 mark for a correct identification of a relevant advantage to customers, and up to 3 additional marks for development; likewise, award 1 mark for an appropriate disadvantage to consumers with an additional 3 marks for development. Better responses will present more of a discussion using terminology and relevant concepts. If only one perspective is considered - max of 4 marks.</p> <p><b>Customers - advantages of celebrity endorsement</b>  This group of people can enjoy a new product with the knowledge that this product is used and endorsed by their favourite celebrity - perhaps giving it a greater degree of credibility; it satisfies a need in the market.</p> <p><b>Customers - disadvantages of celebrity endorsement</b>  On the other hand, some parents might think that they are being pressurised into buying a Wii from their children who are captured by their thirst for the latest craze fuelled by the media. Some consumers might think that the cost of celebrities to endorse their products simply leads to higher prices for the consoles.</p> <p>Expect to see candidates make the point that consumers would not take celebrity endorsements into account when choosing whether or not to purchase a product.</p> <p>The question asks candidates to 'assess' each advantage and disadvantage. Reserve the fourth mark for each for appropriate evaluation. This may involve considering the <u>extent</u> of the impact.</p> <p><b><u>Important</u></b>  If a candidate answers this question from the perspective of the business rather than customers, a maximum of 4 marks can be awarded.</p>

Level	Mark	Descriptor
Level 1	1-2	<p>Provides only a minimalist answer with little development or neglects to focus the answer on business and economics concepts. Answers here may be general knowledge rather than what one might expect from a student of the subject.</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate.</p>
Level 2	3-5	<p>Offers two distinct perspectives but fails to develop the point in a convincing manner. Use of terminology and or concepts will be limited in this band.</p> <p>Fair to good quality of written communication. Candidates will present information in a form that is reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and in a fair style and structure of writing.</p>
Level 3	6-8	<p>Treat this as a 4 + 4 response - candidates in this level will make at least two points - one for each perspective and be able to show the ability to develop the point they have made. Answers will be well developed and make use of appropriate terminology referring to business and economics concepts.</p> <p>Very good to excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for a purpose. It will feature almost faultless spelling, punctuation and grammar and in an excellent style and structure of writing.</p>

Question Number	Indicative content	Mark
2(a)	<p>We are looking for those who can recognise that unemployment is a term used to identify those people who are actively seeking work and are in receipt of Job Seekers Allowance.</p> <p>Award 2 marks for an accurate definition. 2 marks for an example which is in some way developed to help explain what unemployment is.</p> <p>Examples may refer to the stimulus and the 39,000 manufacturing jobs lost from September 2006 - September 2007, although other relevant examples may be used. Alternatively, examples may refer to the causes of unemployment.</p> <p>Candidates who give a definition along the lines of 'the number of people out of work' should gain 1 mark. Distinguish 1 and 2 mark answers by the accuracy of the definition. It is hoped that candidates will use the stimulus as the basis of their example, although this is not necessary for full marks.</p>	(4)

Question Number	Indicative content	Mark
2(b)	<p>There are a variety of responses that might be identified and should be rewarded accordingly. Examples might include:</p> <ul style="list-style-type: none"> <li>• a reduction in economic growth</li> <li>• a loss of international competitiveness</li> <li>• an increased burden upon the government budget</li> <li>• reduction in spending impacting on businesses in the economy</li> <li>• consequences for economic growth/GDP</li> <li>• increased crime rates.</li> </ul> <p>Any valid problem should be rewarded 1 mark, with the remaining 3 marks for the quality of explanation. For instance the better examples might suggest that rising unemployment would be expected to see the Government facing a reduction in income tax receipts whilst simultaneously having to finance increased JSA payments. Others might simply state that rising unemployment might lead to skill shortages developing that might have long term consequences for the UK. This is a common question so we are likely to see a number of sophisticated responses. Examples will be provided at standardisation.</p>	(4)



Question Number	Indicative content	Mark
2(c)	<p>The term international trade refers to the exchange of either factors of production or of final products across international borders. Candidates might make reference to the import and exporting of goods across international borders and this is equally valid.</p> <p>Award 2 for the definition and up to a further 2 marks for the example. Suitable examples are likely to refer to the type of goods that the UK imports AND of the goods we export.</p>	(4)

Question Number	Indicative content	
2(d)	<p>A rise in the exchange rate would mean that you would get more of the foreign currency to the pound. This would mean that those individuals buying from the UK would have to give up more of their own currency in order to purchase the same quantity of pounds and therefore it would create the impression that UK goods have risen in price.</p> <p>Candidates that recognise that a change in the exchange rate will make it more 'difficult' to sell abroad but who fails to provide sufficient links will reach the top of level 1 and may get into level 2 if the answer appears to imply understanding.</p>	
Level	Mark	Descriptor
Level 1	1-3	<p>Candidates show some understanding but the explanation is brief or fails to recognise the effect upon the price competitiveness of UK exports.</p> <p><i>If candidates get the effect the wrong way around (ie suggest that UK exports might rise then), but demonstrates good analysis of how they came to this conclusion then award a maximum of two marks.</i></p>
Level 2	4-6	<p>Candidates demonstrate a clear understanding of how a rise in the exchange rate creates the impression that UK goods are now more expensive and therefore reduces UK price competitiveness, thereby making it more difficult for UK firms to sell goods abroad. To get into this level candidates must make reference to the change in relative prices following the rise in the exchange rate - they are more likely to refer to the fact that UK goods are now more expensive; this is equally acceptable, given that this is a foundation question.</p>

Question Number	Indicative content	Mark
2(e)	<p><b>Award 1 mark for each reason ( x 2 ).</b> Possible responses will include:  lower labour costs; lower costs of raw materials; responsibility to shareholders (profits); lower levels of regulation and 'red-tape'.  Reward any plausible factor.</p>	(2)

Question Number		Indicative content
2(f)		The purpose of the two questions is to encourage some analysis and evaluation. The identification of the two factors in 2(e) is part of the analysis and this question gives the student the opportunity to be able to make some evaluative comment. To get into the higher level, there must be clear evidence that the candidate has made a cross-referenced comparison. This will put the answer into level 2; the decision is then based upon the quality of the evaluation given. Signs to look for are the terminology used and the convincing evidence that the candidate shows some understanding.
Level	Mark	Descriptor
Level 1	1-4	Answers in this level will only focus upon the one factor with no reference to the other factor identified in 1(d) above. A well developed point will be sufficient to get to the top of level 1.
Level 2	5-6	Clear evidence of the cross-comparison is given. The upper part of this level should be for candidates showing evidence of good understanding and appropriate use of terminology. The question is targeting the higher order skills so the evidence of analysis and evaluation is the thing to look out for.

Question Number	Indicative content	Mark
2(g)(i)	<p><b>The Government</b>            Individuals are likely to be concerned by the growing trend as it may lead to increased unemployment and a reduction in economic growth within the UK. Other concerns might include an increased loss of UK skills and a fall in the international competitiveness within the UK. Some candidates might suggest that it will force UK firms to perhaps look for ways in which to enter different markets, which might affect future government tax receipts and employment levels etc.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which the government is affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
2(g)(ii)	<p><b>Customers of companies with their call centres located abroad</b>            Customers may be pleased with the decision as the reduction in production costs places less pressure upon the firms to increase their prices in the shops. However, expect candidates to pick up on the fact that some customers are unhappy with the decision as they have experienced difficulties with call-centres.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which customers are affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
2(g)(iii)	<p><b>Shareholders of companies like Dyson</b>            Shareholders are likely to welcome the decision as the reduction in costs without any reduction in price is likely to lead to a rise in the profitability of the organisation and would feed through to them (shareholders) via the form of increased dividends. Some candidates might refer to a potential longer term problem if the customer concerns lead to them opting to boycott the company.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which shareholders are affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)

Question Number	Indicative content	Mark
2(h)	<p>1 mark for identifying the course of action and up to three marks for some development of the point.</p> <p>The actions might include reference to the EU's attempt to protect businesses operating in the member countries. These include:</p> <ul style="list-style-type: none"> <li>• taxes (accept even if not explicitly 'tariffs')</li> <li>• custom duties on goods imported into the EU</li> <li>• tariffs</li> <li>• quotas</li> <li>• 'stop imports' (implies 'quotas').</li> </ul> <p>Reward use of technical terminology such as tariffs and quotas. Good development will be characterised by use of a relevant action and clear understanding of how this will serve to protect EU firms. Examples of weak, average and good development will be given at standardisation.</p>	(4)

Question Number	Indicative content	
2(i)	<p>This is a question that allows the foundation candidate to draw upon a whole host of factors. Expect to see answers that focus upon various aspects of the marketing mix, although price is less likely to be used given the nature of the question. Firms might focus upon the uniqueness or quality of the product by targeting these products at niche markets, for example designer clothing. The idea here is to persuade the consumer that by purchasing this good gives them an appearance of being more sophisticated. Others firms will highlight the reliability and service that comes with the product and that this should be considered by potential customers as well as price factors when deciding whether or not the good represents value for money.</p> <p>To achieve a level 3 mark, candidates must assess the relative importance of the factors noted.</p>	
Level	Mark	Descriptor
Level 1	1-2	Considers only one strategy and makes simple statements regarding advantages. For example: "Charging a low price (1) will make the product sell more (1)". Lack of international context in Level 1 responses.
Level 2	3-5	Identifies two valid strategies and offers explanation of each, ie why they would give the business an advantage. At the top of the level the candidate shows some assessment the factors but concentrates more on explaining the factors. The candidate is likely to implicitly understand the concept of marketing strategies, but fails to demonstrate this fully. Lack of international context in Level 2 responses (3-4 marks).
Level 3	6-8	At the top of the level the candidate assesses both factors thoroughly and offers suggestions as to the relative importance of each. The candidate will have a thorough understanding of marketing strategies within an international context. For 6 marks expect simple assessment, for example by pointing out the weaknesses of one/both strategies.

Question Number	Indicative content	
3(a)	<p>We are looking for those who can recognise that a takeover occurs when one firm buys enough shares in another firm to ensure control over its decisions.</p> <p>2 marks for an accurate definition and two for the relevant example. Candidates who give a definition along the lines of 'when one firm takes control over another' should gain 1 mark - distinguish 1 and 2 mark answers by the accuracy of the definition.</p> <p>It is hoped that candidates will use the stimulus as the basis of their example, although this is not necessary for full marks. Award 1 mark for the example candidate simply states, 'Nike taking over Umbro' or similar. For 2 marks the example needs to be developed to show understanding.</p>	(4)

Question Number	Indicative content	Mark
3(b)	<p>The question sets out to invite candidates to explore the possibility of economies of scale without a prerequisite requirement for them to use the term. Award highly those candidates that explicitly refer to the term, economies of scale within an explanation. Candidates might make reference to the advantages from 'pooling' resources, the sharing of expertise from one another, cost savings from both purchasing in bulk, and from other areas such as advertising.</p> <p>Treat this as a 3 + 3 response. Award 1 mark for the identification of the advantage, with a further two marks for the development. ( x 2 )</p> <p>Examples of good development might make reference to the fact that the 'bigger' organisation is able to purchase raw materials in greater quantities and therefore benefit from additional discounts than the two firms prior to the takeover could. Reward candidates who adopt a creative perspective, ie improve communications and feedback - for example, the use of ICT to improve communication, the use of teamwork and meetings to improve coordination.</p> <p>The better candidates will make reference that the growth of the company due to reasons above would lead to a reduction in average/unit costs and the subsequent consequences for future Nike profits.</p>	(6)

Question Number	Indicative content	Mark
3(c)	<p>A brand creates an identity for a product and highlights the ways in which it is different from competing products.</p> <p>In order to gain both marks candidates must make reference to the creation of an identity, perhaps with an example. Those candidates that imply some degree of identity are likely to score one mark, as are those who simply provide an example such as Nike, Virgin, Coca Cola etc.</p>	(2)

Question Number		Indicative content
3(d)		This question is a variation on one that has been asked in the past. Branding is important to a firm like Nike as it allows the business to create an image that people want to be associated with. By creating a name which portrays an image, it is possible to add value because people are willing to pay extra to be seen wearing such products. If the takeover goes through, then Nike will market the products in a way that the customer will believe that the product is worth more to them than other sporting merchandise.
Level	Mark	Descriptor
Level 1	1-2	Little explanation or a simple list of points. For example: <i>'Branding is important as people like brands'</i> .
Level 2	3-4	Candidates move towards an understanding, but the explanation is more limited. Candidates are likely to recognise the fact that consumers are more likely to buy branded products, but fail to make the link to the actual benefits to the firm, for example lacks reference to impact upon sales/profit/market share.
Level 3	5-6	A clear understanding of how brands add value with use of examples. The candidate must include the point regarding how consumers believe Nike products are worth more to them than other similar products and therefore are more inclined to like these branded products. To get to this level candidates must make reference to how successful branding is likely to result in benefits to Nike such as increased sales/profit/market share for example. Although candidates are likely to refer to Nike, they may refer to branding with another organisation and can gain full marks accordingly.

Question Number	Indicative content	Mark
3(e)	Award 1 mark for each factor identified ( x 2 ). Possible responses will include: increased market share, improve Nike's public profile, increased promotion opportunities at sporting tournaments, and improve Nike's profitability.	(2)

Question Number		Indicative content
3(f)		The purpose of the two questions is to encourage some analysis and evaluation. The identification of the two factors in 3(e) is part of the analysis and this question gives the student the opportunity to be able to make some evaluative comment. To get into the higher level, there must be clear evidence that the candidate has made a cross-referenced comparison. This will put the answer into level 2; the decision is then based upon the quality of the evaluation given. Signs to look for are the terminology used and the convincing evidence that the candidate shows some understanding.
Level	Mark	Descriptor
Level 1	1-4	Answers in this level will only focus upon the one factor with no reference to the other factor identified in 3(e) above. A well developed point will be sufficient to get to the top of level 1.
Level 2	5-6	Clear evidence of the cross-comparison is given. The upper part of this level should be for candidates showing evidence of a good understanding and appropriate use of terminology. The question is targeting the higher order skills so the evidence of analysis and evaluation is the thing to look out for.

Question Number	Indicative content	Mark
3(g)	<p><b>Nike</b>            For Nike, the proposed takeover of Umbro would represent an excellent opportunity for them to increase both their profits and market share. By associating their brand with the England football team - a global brand recognised across the world, would serve to present Nike with the opportunity to gain increased exposure in all markets. Being associated with England helps to promote their brand.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which Nike is affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
3(g)(ii)	<p><b>Umbro shareholders like Mike Ashley</b>            The deal represents an opportunity for shareholders to make a capital gains profit on their shares in Umbro (assuming the current market share price is above the rate that the shares were bought for!) Some candidates might consider the views of the shareholders of Nike and state that whilst they expect the value of Nike shares to rise, there might be a short-term concern as the capital outlay might lead to a fall in share prices.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which shareholders are affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
3(g)(iii)	<p><b>Supporters of the England football team</b>            For supporters of the England football team the takeover might mean greater revenue deals from kit sponsorship etc, which might result in reduced ticket prices. In such a scenario, it would be safe to assume that they would be in favour of such a takeover. On the other hand, expect to see some candidates mention the threat of rising shirt prices which would be a concern to supporters of the England football team.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which supporters are affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)



Question Number	Indicative content	Mark
3(h)	<p>We are looking for those who can identify that the Competition Commission exists to investigate all cases in which firms are suspected of trying to use monopoly power to raise prices or reduce customer choice. 2 marks for an accurate definition and two for the relevant example. Candidates who give a definition along the lines of 'it is an organisation that investigates businesses' should gain 1 mark - distinguish 1 and 2 mark answers by the accuracy of the definition. Examples may refer to the stimulus, but this is not necessary to achieve 2 marks for the example. For instance, candidates might make reference to the example that the Competition Commission might investigate whether or not the proposed takeover of Umbro by Nike might not be 'in the public's interest'. This would be worth two marks, whilst simple reference to investigating Nike's intentions would only be worth one mark. This distinction of acting 'in the public interest' is crucial as it is the yardstick used by the Commission when deciding whether the actions (proposed) should be allowed to continue.</p>	(4)

Question Number		Indicative content
3(i)		<p>Candidates are expected to be able to provide a balanced answer that addresses some of the issues surrounding mergers. On the one hand, the Commission will need to consider any potential benefits of a merger: economies of scale which might reduce overhead costs and make the business more efficient, whether diversification of products will shelter the 'new' business from market downturns, thereby maintaining jobs, whether the complementary strengths could be harnessed into producing a wider product range and so on.</p> <p>Concerns might include the possibility that the benefits of economies of scale may not be passed onto the consumer in the form of lower prices. Moreover, there might be a reduction of consumer choice, higher prices, and an increase in the level of unemployment. When marking this, note the number of points made, the development and where there is evidence of assessment.</p>
Level	Mark	Descriptor
Level 1	1-2	<p>An answer that lacks development is incomplete or limited in understanding. Other responses in this level are likely to be brief and make take the form of either two unexplained statements or a simply list of possible factors.</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar.</p>
Level 2	3-5	<p>Offers two relevant factors, but fails to develop them convincingly and merely explains their importance. Use of terminology and or concepts will be limited in this band.</p> <p>Fair to good quality of written communication. Candidates will present information in a form that is reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and in a fair style and structure of writing.</p>
Level 3	6-8	<p>Treat this as a 4 + 4 response - candidates in this level must refer to two points, and demonstrate the ability to assess the factors that they have noted. Answers will be well developed and make use of appropriate terminology referring to business and economics concepts.</p> <p>Very good to excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar and in an excellent style and structure of writing.</p>

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Question Number	Indicative content	Mark
1 (a)	<p>Competition refers to a situation where a firm is in a market where it faces rival firms and thus where consumers are able to exercise choice in the products and services they buy. Competition could also be examined from the perspective of a rival product or service.</p> <p>Examples could include any aspect where two or more firms are offering goods or services of similar quantity, but we might expect the evidence to be used.</p> <p>Award up to 2 marks for the definition and up to 2 marks for the example.</p>	(4)

Question Number	Indicative content	Mark
1(b)	<p>Several routes to competitive advantage could be taken by the candidate.</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>• running costs/efficiency - cheaper running costs are likely to be important to airlines, especially given the high price of fuel.</li> <li>• size - the A380 can seat over 800 passengers against the 747's 500.</li> <li>• more passengers could mean more revenue/profit per flight or it could mean lower unit costs.</li> <li>• latest design/technology - the A380 is a state of the art product which offers passengers high levels of comfort.</li> <li>• environmentally friendly/ ethical responsibility.</li> </ul> <p>Award 1 mark for each 'way' identified (up to a maximum of 2) plus up to 2 marks for development. To gain 3 marks each 'way' must be described using logical links containing appropriate terminology.</p> <p>Candidates who confuse airlines with aircraft manufacturers are limited to 2 marks for each 'way' and subsequent description.</p> <p>Avoid doubly awarding candidates who repeat themselves, for example it is bigger so it holds more passengers.</p>	(6)

Question Number	Indicative content	Mark
2(a)	<p>1 mark for the example and up to 3 marks for explaining how efficiency might be improved. This could involve a development of the example.</p> <p>For example, the Airbus A380 is more efficient because it uses less fuel per passenger. This reduces ATC. Efficiency could be increased further by increasing the number of seats, so the fuel bill is divided up even further.</p> <p>Other answers might make reference to productivity improvements, staff training, motivation, new machinery. The example does not have to be in the context of the airline industry.</p>	(4)

Question Number	Indicative content	
2(b)	<p>The evidence points to the size of the A380 as the factor which will provide economies of scale. By carrying more passengers on each flight, BA (and other airlines) should see their average costs per passenger fall. Be prepared for candidates who provide responses which are not focussed on the 'airline operator' mentioned in the question. So, mention of financial economies, bulk-buying economies, marketing economies of scale, fixed cost spreading, division of labour / specialisation etc. The question is intended to encourage candidates to apply their knowledge to a particular industry.</p>	
Level	Mark	Descriptor
Level 1	1-2	Candidate provides only one type of economy of scale and offers limited development or simply lists two ways and offers no development.
Level 2	3-5	Candidate shows some understanding of economies of scale, and provides more than one illustration of why an airline such as BA enjoy economies of scale, but these are more general, 'textbook' examples. At the top of the level there is some good reference to the evidence. Candidates who describe two types of economies of scale but refer to falling costs rather than falling unit (ATC) costs are likely to be placed at the middle of this level. Where a candidate provides only one example, but provides good development, this type of answer can achieve a maximum of 4 marks.
Level 3	6-8	Candidate offers at least two examples of how BA may benefit from economies of scale drawing on the evidence. In this level expect to see a good use of terminology to support the explanation of two economies of scale, for example falling unit / average costs (ATC). Application to an 'airline operator' is also necessary to reach this level.

Question Number	Indicative content	Mark
3(a)	<p>The break-even point is the level of output where a firm's total costs are equal to total revenue.</p> <p>1 mark for reference to <math>TR = TC</math> or that no loss or profit is made. 1 mark for the reference to 'output'.</p> <p>Up to 2 marks for example, perhaps drawn from the evidence.</p> <p>'Airbus needs to sell 420 planes to cover its costs...' This would be enough for 2 marks. Equally so would a basic numerical example such as <math>TR = \text{£}100</math> and <math>TC = \text{£}100</math>.</p> <p>Be wary of candidates who confuse break-even with cash flow. These candidates should not be rewarded.</p>	(4)

Question Number	Indicative content	Mark
3(b)	<p>1 mark for TC line starting at correct point (at \$20 Bn and zero sales).  2 marks for correct TC line.  1 mark for dropping a vertical line down to show the break-even level of output or identifying the break-even level of output on the horizontal axis.</p> <p>Costs and Revenue</p> <p>70 60 50 40 30 20 10</p> <p>Revenue TC FC</p> <p>100 200 300 400 500 600 700 800</p> <p>9 Sales</p> <p>420</p>	(4)

Question Number	Indicative content	Mark
3(c)	<p>Examples include:</p> <ul style="list-style-type: none"> <li>• insufficient demand (recession)</li> <li>• competition</li> <li>• high costs</li> <li>• price too high</li> <li>• environmental concerns</li> <li>• falling demand for airline travel</li> <li>• poor marketing.</li> </ul> <p>Marks are awarded as 2 x 3, with 1 mark for identifying a reason and up to 2 marks for the development of the reason identified.</p> <p>An additional mark can be awarded for each reason identified if the candidate is evaluative within their explanation, such as demand will fall due to a recession but this depends on the depth of the recession and whether Airbus are selling planes to luxury or budget airlines.</p> <p>Alternatively, candidates might write a conclusion that considers which of the two reasons is the most important or significant, for example the recession is the most important reason since worries about the environment are not going to prevent people going on holiday. A candidate who takes this approach is to be awarded up to 2 marks for the quality of the evaluative comment.</p>	(8)

Question Number	Indicative content	Mark
4(a)	<p>Internal sources of finance are those which come from inside the business. Examples include retained profit, sales of assets, cutting the dividend and making debtors pay earlier.</p> <p>External sources of finance come from outside the business, such as loans, share capital, venture capital etc.</p> <p>1 mark for referring to 'inside'. 1 mark for referring to 'outside'. Award 1 mark for each example (up to a maximum of 2). The remaining 2 marks are to be awarded to candidates who develop the examples to explain the difference between the two categories of finance.</p>	(6)

Question Number	Indicative content	Mark
4(b)	<p>Building on part (a), this question requires students to once again apply knowledge to a particular scenario. The question gives detail of the scale of the project, and the evidence makes clear that these are expensive investment projects. As such, candidates should be looking for suggestions like share issues, long-term loans, government funding, retained profit etc.</p> <p>1 mark for judgement (do not reward internal / external). 1 additional mark where the suggestion is appropriate. Up to 4 development marks can be awarded. If candidate suggests that, X is better than Y because...', and provides some explanation / justification, then this should be rewarded with 3 - 4 development marks.</p> <p>Maximum of 3 marks are to be awarded if the suggestion is inappropriate, but where development is provided, such as overdraft.</p> <p>A maximum of 4 marks are to be awarded if the suggestion is appropriate, but there is no reference to another source of finance.</p>	(6)

Question Number	Indicative content
5	<p>The question is designed to enable candidates to construct an argument based on their knowledge and the available evidence. The command word 'discuss' should trigger candidates to provide more than just a negative analysis.</p> <p>Pressure groups can encourage companies to take into account their ethical responsibility. Airbus and Boeing are keen to publicise the fact that their aircraft are more fuel efficient and less damaging for the environment.</p> <p>Alternatively, companies need to be run to ensure a return for their shareholders. Whilst businesses may want to demonstrate their ethical credentials, and show how 'good' they are, the bottom line for all businesses is survival, and this requires profit. So, whilst pressure groups may well be able to influence some business decisions, this may be limited. With the limits determined by the amount of power that some pressure groups possess.</p> <p>Reward candidates who can produce arguments which incorporate business and economics knowledge, using concepts such as:</p> <ul style="list-style-type: none"> <li>• sales / demand</li> <li>• profit</li> <li>• costs</li> <li>• marketing mix / more environmentally friendly products.</li> </ul> <p><b>QWC</b></p> <p>Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. L3</p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. L2</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. L1</p>



Level	Mark	Descriptor
Level 1	1-3	Poorly developed response which is one-sided and limited in its use of business and economics concepts. Answers in this level may identify effects but there will be poor / no development.
Level 2	4-7	At the top of the level the candidate considers both effects in detail and offers a contrast as to which effect is bigger or examines the extent of an effect. However, the response may lack detailed explanation using business and economic concepts. At the bottom of the level, two effects might be identified and explained in simple terms, with no evaluation. Responses which are fully developed and contain some evaluation, but only focus on one effect are to be awarded no more than 5 marks.
Level 3	8-10	A well-constructed argument that demonstrates evaluation and makes explicit use of appropriate business and economics concepts. Candidate clearly identifies two effects and evaluates both, perhaps by considering which of the effects is biggest. The candidate might even consider factors that may alter the magnitude of the effect.

Question Number	Indicative content	Mark
6(a)	1 mark for idea of idea of 'damaging activity on a third party' or 'external costs' and 1 mark for idea that these effects are not considered by the business responsible. Since this question is a 'define' question, examples cannot raise the quality of the answer.	(2)

Question Number	Indicative content	
6(b)	<p>This question encourages candidates to apply their knowledge of externalities and provides an opportunity to analyse how they arise. This is a difficult concept for GCSE students, so be prepared to reward responses which are not as technically precise as might be expected at AS level.</p> <p>Airbus, like other major manufacturers, are likely to cause many negative externalities. These include:</p> <ul style="list-style-type: none"> <li>• pollution - impact on local environment</li> <li>• emissions of greenhouse gases / global warming arising from the production process</li> <li>• noise pollution from factories</li> <li>• local congestion from suppliers / workers etc</li> <li>• use of non-renewable resources such as aluminium.</li> </ul> <p>Where candidates make reference to aeroplanes contributing to climate change, reward this line of argument, even though it is the airlines which are the source of these externalities, rather than the aircraft producers.</p> <p><b>QWC</b> Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. L3</p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. L2</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. L1</p>	
Level	Mark	Descriptor
Level 1	1-2	Limited understanding of the term is demonstrated. Responses may refer to 'costs being imposed', but have no recognition that these are not included in the firm's costs. Lists of examples with no development will be in this level.
Level 2	3-5	Candidate shows some understanding of the term and provides 2 valid examples, and offers development which shows understanding. A response which deals with just one externality, but which is accurately developed should achieve 4 marks.
Level 3	6-8	Candidate recognises 2 distinct negative externalities and explains how they arise from the actions of a business like Airbus. Analysis is accurate and makes use of appropriate terminology.

Question Number		Indicative content
7(a)		<p>This question is designed to enable candidates to show their understanding of break-even analysis by considering the impact of a change in price on the break-even level of output. It is based on the specification requirement that candidates should be able to use simple linear graphical analysis.</p> <p>By reducing price Airbus should sell more of the A380. This would cause the TR line to pivot downwards and would therefore increase the number of planes it needs to sell to break-even. Evidence C states that the company currently needs to sell 420 of the A380 to break-even, so this figure would increase. Reward candidates who use the Evidence in this way when tackling the question.</p> <p>The key to this question is the command word 'analyse'. We are looking for candidates to provide a detailed explanation of the scenario by making use of the theory.</p> <p><b>QWC</b> Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. L1</p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. L2</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. L1</p>
Level	Mark	Descriptor
Level 1	1-3	Responses will show limited understanding of break-even. At the top of this level will be some weak understanding of the effect on sales although the expression will be poor.
Level 2	4-7	Recognition that cutting price will cause the break-even level of output to rise will be in this level. Candidates are likely to show an understanding that sales will need to rise, but demand might not. This argument may not be expressed clearly however. Where the candidate says little else, award 4 marks. Development of this point will push the response up this level.
Level 3	8-10	Candidate recognises the impact on the break-even level of output and offers an analysis of the effects of reducing price on the break-even level of output. This may involve a consideration of the likely response of competitors, the importance of covering costs or the likely size of the effect on demand by changing prices. It is possible that candidates in this level might draw sketch graphs showing the TR line pivoting to reinforce their understanding.

Question Number	Indicative content	Mark
7(b)	<p>Airbus could demonstrate this by:</p> <ul style="list-style-type: none"> <li>• Fairtrade – paying suppliers more</li> <li>• protecting workers’ rights – pay, conditions etc</li> <li>• minimising its environmental impact – more fuel efficiency, noise reduction, decreasing pollution</li> <li>• ethical code / audit</li> <li>• recycle materials / waste</li> <li>• charitable giving, sponsorship of community projects.</li> </ul> <p>Reward any valid suggestion which reveals understanding of the term. Note that the response does not need to be related to the airline industry.</p>	(2)

Question Number	Indicative content	
7(c)	<p><b>QWC</b></p> <p>Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. L3</p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. L2</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. L1</p>	
Level	Mark	Descriptor
Level 1	1-2	Simple judgement made with little development and little or no use of business / economic terms.
Level 2	3-5	Candidate makes a judgement and offers some valid development. For 4 marks candidate compares both, but response lacks business / economics. For 3 marks no comparison but otherwise well-developed.
Level 3	6-8	Candidate makes a judgement and identifies is the most appropriate method. Development states explicitly why method X is more effective than method Y. Some use of business and economic concepts needed for this band for example demand, marketing, negative externalities, stakeholders and their power, changing consumer perceptions.

Question Number	Indicative content	
7(d)	<p>The key to this question is the recognition that product development is just one strategy that Airbus may use to succeed in its current market. Developing new efficient aircraft should certainly help, especially as people grow more environmentally aware and grow ever more suspicious of the damage that air travel can cause. The A380 is one example of such product development.</p> <p>However, the strategy needs to involve more than new products. Candidates could introduce the marketing mix and apply this concept to the scenario. For example, a suggestion that Airbus needs to increase advertising to 'inform' the public of its products and how environmentally friendly they are.</p> <p><b>QWC</b> Excellent written communication. Candidates will present relevant information legibly and in a form that is completely suitable for purpose. It will feature almost faultless spelling, punctuation and grammar, and an excellent structure of writing. L3</p> <p>Fair to good written communication. Candidates will present information in a form reasonably suitable for purpose. It will include occasional errors in spelling, punctuation and grammar and a fair style and structure. L2</p> <p>A poor quality of written communication. Candidates present information indifferently with a number of errors in spelling, punctuation and grammar. The style of writing will not be entirely appropriate. L1</p>	
Level	Mark	Descriptor
Level 1	1-3	A poorly developed response which is one-sided and limited in its use of business and economics concepts. This will include a limited / non-existent understanding of what NPD is.
Level 2	4-7	Shows understanding of how new product development might help Airbus. Make use of relevant terms and concepts. At the top of the band there is a simple recognition that other factors may also be important, or there is a basic judgement about the significance of NPD. Where a candidate provides a one-sided argument, but with good development, award a maximum of 5 marks. Any recognition of two or more points of view will be in Level 2 such as it is expensive, time consuming or other factors are also important.
Level 3	8-10	A well-structured response which provides clear evaluation, by considering other factors which may be important for Airbus' success, or considering the weakness of relying solely on product development, for example the costs and time involved. Some candidates might consider state that the importance of NPD depends on the level of competition in the market and might consider the likelihood of raising finance or the impact of the recession.



1171\_4H Mark Scheme

Question Number	Indicative content	Mark
1(a)	<p>We are looking for those who can identify that revenue is the combination of both the price and the quantity sold in their answer. 2 marks for an accurate definition and two for the relevant example. An accurate formula is sufficient to earn 2 marks for the definition element of the question. Candidates who give a definition along the lines of 'the total amount of money received' should gain 1 mark - distinguish 1 and 2 mark answers by the accuracy of the definition.</p> <p>Where the example simply states an amount or quotes directly from the evidence, then award 1 mark. For example, '<i>Nintendo receives revenue from selling the Wii</i>'. This is worth 1 mark.</p> <p>An example of a 2 mark definition: '<i>...if you sell 10 Wiis at £180.00 each the total revenue should be £1800.00</i>'.</p> <p>Although many students will refer to Nintendo, please note that the question does <u>not</u> require specific reference to Nintendo.</p>	(4)

Question Number	Indicative content	Mark
1(b)	<p><b>Mark Up = (Profit/Cost) * 100</b>  <b>(£60/£120) * 100 = 50%</b></p> <p>Look carefully at all aspects of the question to ensure that candidate is awarded marks appropriately - some candidates may get the formula right but transpose the figures incorrectly or may not be able to do the calculation. Do not just look blithely at the final answer and give 0 or 4! To find the correct figures to substitute into the formula, candidates must do some simple arithmetic first to identify the profit level.</p> <p><b>1 mark</b> for the correct formula.  <b>1 mark</b> for the correct substitution of the figures.  <b>2 marks</b> for the correct answer.</p> <p>Award <b>1 mark</b> where candidate has a simple subtraction of cost from price - £180 - £120 to get £60.</p> <p>If the candidate has not specifically written out the formula but has correctly substituted the figures implying knowledge of the formula and gets the right answer award a maximum <b>3 marks</b>. The question clearly asks for the formula to be given.</p> <p><b>2 marks</b> where candidate provides the correct answer with no formula or some incorrect workings.</p>	(4)

Question Number	Indicative content	Mark
1(c)	<p>Market segmentation is the division of markets according to different types of customer in order to develop products to meet different people's needs. Please note that the question asks for examples (plural).</p> <p>2 marks for an accurate definition which refers to types of customer (rather than type of product, market etc). 1 mark for each example. Although candidates might be expected to give examples using the games market, reward any relevant examples of types of market segment - age, gender, lifestyle etc. Note that mention of different segments is enough to earn 1 mark each - no explanation is needed.</p>	(4)

Question Number	Indicative content	
1(d)	<p>There are a number of approaches to this question and should be rewarded appropriately. Candidates are expected to appreciate that by targeting different market segments Nintendo is more likely to achieve benefits of:</p> <ul style="list-style-type: none"> <li>• higher sales</li> <li>• increased profits</li> <li>• increased market share/more potential buyers</li> <li>• ability to develop new products.</li> </ul> <p>The better answers might make reference to the fact that it provides the opportunity to produce and sell a greater variety of games for the differing age groups and contribute to overall profits.</p> <p>The explanation of the benefit rather than the identification of it is the key distinction between Level 2 and Level 1 responses.</p>	
Level	Mark	Descriptor
Level 1	1-2	These candidates will simply make reference to the idea that this larger market will now enable them to increase sales and not make the link to a potential rise in profits or any other benefit. Simple references to, ' <i>make more money</i> ' will be in this level.
Level 2	3-4	<p>Answers within this level will make the link between targeting a wider market and the benefit to Nintendo. There must be a clear explanation of the benefit rather than by simply identifying the benefit. For example, where a candidate states:</p> <p><i>'By targeting a wider market they can get higher turnover so this means that profits will increase. Nintendo can use this profit to develop new products'.</i></p> <p>This is awarded 4 marks as the benefit to Nintendo is clearly identified. The quality of the explanation will be the distinction between 3 and 4 marks. Examples will be provided at standardisation.</p>



Question Number	Indicative content	
1(e)	<p>We are looking for candidates to be able to recognise that a shift of the demand curve to the right will create a shortage (excess demand) which would force the price up. The explanation of the process is vitally important here and a diagram is not necessary to get full marks (although we would expect most candidates to draw one). Award marks as follows:</p> <p><b>1 mark</b> - correct axes.  <b>1 mark</b> - original supply/demand lines and the initial equilibrium (P and Q).  <b>1 mark</b> - correct direction of shift.  <b>1 mark</b> - new equilibrium, ie shows new higher price/quantity.</p> <p>Be mindful of the response where candidate does not provide a diagram but simply refers to a 'rise in price', as this is referred to in the question. If a diagram is flawed (for example price and quantity labelled on the incorrect axes, supply and demand curves mixed up) then 1 mark can still be awarded for the diagram itself so long as the equilibrium is identified and labelled correctly.</p> <p>Up to 4 marks for a good diagram indicating an increase in demand and an increase in price.</p> <p><b>The candidate can still score full marks even if the diagram is flawed via the explanation (although this is unlikely) as the diagram is not a requirement of the question.</b></p>	
Level	Mark	Descriptor
Level 1	1-2	Shows a basic understanding of supply and demand in this case. Diagrams, if offered, will be poorly presented with little by way of labelling and identification. There is likely to be evidence of simple, undeveloped statements, for example prices will increase.
Level 2	3-4	In Level 2 candidates show the ability to show a shift of the demand curve or to explain that the demand for Nintendo Wiis has increased and caused a shortage/excess demand thus causing price to rise.  The response lacks specific reference to the shortage of/excess demand for/insufficient supply of Wiis as being the <u>cause</u> of the rise in price.
Level 3	5-6	As for Level 2 but candidates clearly show an understanding of the application of the concept to the market for Nintendo Wiis. The diagram, if offered, will be clear and well labelled. A diagram is not necessary for the candidate to gain full marks. Candidates can still obtain full marks if the quality of their explanation shows a sound understanding of the theory.  To get into Level 3 explicit reference must be made to the shortage of/excess demand for/insufficient supply of Wiis as being the <u>cause</u> of the rise in price.

Question Number	Indicative content	Mark
1(f)(i)	<p><b>Young people such as Marwan Elgamal</b>            For young people, the Wii represents an improvement in product innovation within the games consoles market, and they will therefore welcome its creation and launch. However, they might be frustrated that they are experiencing problems in being able to purchase one in time for Christmas and might have to resort to paying higher prices on internet auction sites.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which young people are affected.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p> <p>Alternatively, candidates may provide a <b>counter</b> perspective. For example, '<i>Marwan was delighted.... However, he was disappointed to have lost income for two days to queue to get his console</i>'. This is fine but the marks should be awarded for the quality of the explanation overall and the use of terminology.</p> <p><u>Where a candidate explains why each group believes the Wii is so popular, award 1 mark.</u></p>	(4)
1(f)(ii)	<p><b>(ii) Video Games Retailers</b></p> <p>Retailers are likely to be pleased that the Wii has been launched as it is likely to lead to increased sales in their stores. It might possibly lead to sales of complementary goods such as the games and other accessories. However, expect some candidates to mention that there might be some concern that they are losing potential sales and profits to internet auction sites as Nintendo is unable to supply the Wii to the stores in sufficient quantities. Reward responses which provide a <b>counter</b> argument. For example, '<i>Retailers were pleased due to higher sales and greater profits.... However, they might be frustrated at not being able to buy enough stock to meet the demand for the Wii</i>'.</p> <p>Award <b>1 mark</b> for recognition of the effect.  <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which Video Game Retailers are affected. This is fine but the marks should be awarded for the quality of the explanation overall and the use of terminology.  <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p> <p><u>Where a candidate explains why each group believes the Wii is so popular, award 1 mark.</u></p>	(4)

1(f)(iii)	<p><b>Employees of Mitsumi Electric</b></p> <p>These individuals are likely to be pleased with the increasing numbers of young people opting to play on games consoles as it will increase their job security. It may also see an increase in their wages through overtime and bonuses in an attempt to deal with the unexpected increase in demand for the Wii. Reward responses which provide a <b>counter</b> argument. For example, '<i>Employees were pleased due to higher sales and greater job security.... However, they might be pressured into working long hours /overtime when they do not really want to</i>'.</p> <p><b>Award 1 mark</b> for recognition of the effect.</p> <p><b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which workers of Mitsumi Electrics are affected. This is fine but the marks should be awarded for the quality of the explanation overall.</p> <p><b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p> <p>Where a candidate explains why each group believes the Wii is so popular, award 1 mark.</p>	(4)
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Question Number	Indicative content	Mark
1(g)	<p>A number of reasons might be offered here - the question asks for reasons (plural) so we need to expect more than one reason. The command word states, 'explain' so candidates providing a list of reasons can score a maximum of 2 marks. Expect to see candidates identifying reasons such as:</p> <ul style="list-style-type: none"> <li>• ability of Nintendo to charge higher prices</li> <li>• increased publicity</li> <li>• increase sales</li> <li>• promote the brand image</li> <li>• increased market share.</li> </ul> <p>The key to rewarding the explanatory point is to ensure that the candidate recognises the benefit to Nintendo from this decision and explain this reason. For example, 'Enabling companies such as Nintendo to charge higher prices for the consoles than without celebrity 'support' because people want to be associated with the image that is projected by the celebrity as well as the actual product itself'.</p> <p>1 mark for identifying the reason. 1 mark for development of this point.</p>	(4)

Question Number	Indicative content	Mark
1(h)	<p>The use of advertising and celebrities to endorse products by companies such as Nintendo would be expected to have a positive impact upon the sales, and therefore the profits of the Wii. We should expect some candidates to consider the importance of the choice of celebrity and that the impact upon profits might depend upon the nature of the celebrity, AND the cost of recruiting them. Better candidates might go on to state that if the cost of endorsement was greater than the sales of the product, then the success of the Wii might be diminished.</p> <p>Some candidates might judge success as being increased market share following increased media attention of the celebrities and this should equally be rewarded. To achieve a greater degree of balance, some students might consider the importance of other aspects of the marketing mix - the product's features being of greater importance to consumers than celebrities for example. This approach is necessary in order for a candidate to achieve a level 3 response. At lower levels, it is to be expected that candidates will automatically assume that celebrity endorsement is the key factor.</p>	(12)

Level	Mark	Descriptor
Level 1	1-4	<p>In Level 1, responses show some knowledge of the value of celebrity endorsement but will be single-focussed (ie only considers one perspective). Development is incomplete or limited in understanding. The use of the evidence will be limited or non-existent and knowledge of the issue will be poor. Any evaluation will be simplistic in nature and add little to the argument. A list of points will be in this level. Where a number of valid points are made then the answer will be at the top of the level.</p> <p>Quality of written communication will be poor with errors in spelling, punctuation and grammar, little or no use or awareness of the business and economic issues, and the writing will not be appropriate to the type of answer required.</p>
Level 2	5-8	<p>The argument may well have some balance but it is not likely to be supported or developed well. Evaluation will be simplistic in approach and the evidence will not have been used to great effect. For example, candidate may point out that whilst celebrity endorsement may be effective, '<i>it will increase costs</i>'. At the lower end the answer may well be unbalanced or at best with only the vaguest appreciation of the different perspectives.</p> <p>For 7-8 marks responses are more fully developed using appropriate terminology and/or evidence.</p> <p>At the bottom of the level candidates may recognise some simple balance, but responses lack development.</p> <p>Quality of written communication will be less developed with some errors in spelling, punctuation and grammar, and less evidence of the use of business and economic technology.</p>
Level 3	9-12	<p>A well balanced argument with both perspectives clear in the answer. Some evaluation of the points will be clear in the answer and at the highest level a well rounded conclusion will summarise the argument. The evidence will have been used effectively to help assess the case.</p> <p>Answers in this level will demonstrate high quality written communication; spelling, punctuation and grammar will be almost faultless, there will be developed use of business and economics terminology, and the quality of writing will be appropriate for the task.</p>

Question Number	Indicative content	Mark
2(a)	<p>We are looking for those who can recognise that unemployment is a term used to identify those people who are actively seeking work and are in receipt of Job Seekers Allowance.</p> <p>Award <b>2 marks</b> for an accurate definition.  <b>2 marks</b> for an example which is in some way developed to help explain what unemployment is.</p> <p>Examples may refer to the stimulus and the 39,000 manufacturing jobs lost from September 2006 - September 2007, although other relevant examples may be used. Alternatively, examples may refer to the causes of unemployment.</p> <p>Candidates who give a definition along the lines of 'the number of people out of work' should gain 1 mark. Distinguish 1 and 2 mark answers by the accuracy of the definition. It is hoped that candidates will use the stimulus as the basis of their example, although this is not necessary for full marks.</p>	(4)

Question Number	Indicative content	Mark
2(b)	<p>There are a variety of responses that might be identified and should be rewarded accordingly. Examples might include:</p> <ul style="list-style-type: none"> <li>• a reduction in economic growth</li> <li>• a loss of international competitiveness</li> <li>• an increased burden upon the government budget</li> <li>• reduction in spending impacting on businesses in the economy</li> <li>• consequences for economic growth/GDP</li> <li>• increased crime rates.</li> </ul> <p>Any valid problem should be rewarded 1 mark, with the remaining 3 marks for the quality of explanation. For instance the better examples might suggest that rising unemployment would be expected to see the Government facing a reduction in income tax receipts whilst simultaneously having to finance increased JSA payments. Others might simply state that rising unemployment might lead to skill shortages developing that might have long term consequences for the UK. This is a common question so we are likely to see a number of sophisticated responses.</p>	(4)

Question Number	Indicative content	Mark
2(c)	<p>Benefits include:</p> <ul style="list-style-type: none"> <li>• larger market within which UK businesses can operate</li> <li>• to access a wider range of goods and services that would otherwise be difficult to access</li> <li>• increased consumer choice</li> <li>• international trade can often force the UK into embracing new technology and therefore become more efficient</li> <li>• lower costs for businesses</li> <li>• increased job opportunities.</li> </ul> <p>Allow 1 mark for the identification and a further 3 for the quality of the elaboration. Examples of good elaboration will focus upon how trade leads to the benefits, for example a wider market within which to sell might lead to increased sales and profits for the firm, whilst more basic responses are likely to simply refer to the opportunity to sell more goods without any development of this.</p>	(4)

Question Number		Indicative content
2(d)		<p>A rise in the exchange rate would mean that UK businesses/consumers receive more of the foreign currency for each pound. This will give the impression that foreign goods are now cheaper. The consequence of this is that UK firms importing raw materials will <b>benefit</b> from reduced costs of production. This will enable them to reduce the selling price of the products which might in turn lead to an increase in demand for their product.</p> <p>The best responses might make reference to the fact that the reduction in the costs of production could be used to offset the impact a rising pound would have upon perceived export prices. Likewise, expect some candidates to make reference to the fact that the ability to reduce their prices will assist UK firms in tackling the problems of cheap foreign imports.</p>
Level	Mark	Descriptor
Level 1	1-4	<p>Candidates show some understanding but the explanation is brief or fails to provide coverage of both imports and exports. Better responses within the level are likely to recognise the fact that the falling costs of production might enable the UK firm to reduce its prices in an attempt to improve its price competitiveness. Weaker responses might recognise the improvement in competitiveness, but fail to explain why, in the context of exchange rate movements.</p> <p>Responses which clearly provide an incorrect explanation of the effect, for example by stating that a higher exchange rate will lead to <b>higher</b> import costs, then a <b>maximum of 2 marks</b> can be awarded under the OFR. For example, by explaining that higher import costs lead to higher costs/ lower profits.</p>
Level 2	5-6	<p>There are two types of approach that candidates may take to achieve a Level 2 response. Firstly, candidates show a clear understanding of how a rise in the exchange rate leads to lower costs for imports and therefore lower overall costs.</p> <p>Alternatively, recognition that the rising exchange rate affects BOTH the domestic and overseas markets for UK firms, whereby the lower import costs created by the higher exchange rate are offset by the higher prices that foreign consumers will face.</p>



Question Number	Indicative content	Mark
2(e)	<p>The stimulus notes two key reasons why these firms are looking to relocate abroad - cheaper costs of production and a responsibility to their shareholders (maintaining profitability), although there are other possible reasons that might be mentioned. These include:</p> <ul style="list-style-type: none"> <li>• lower transport costs (for example for raw materials)</li> <li>• to be closer to foreign markets</li> <li>• cheaper raw materials</li> <li>• lower training costs</li> <li>• lower rent/property prices.</li> </ul> <p>Approach this question as a 4 + 4 response. Award 1 mark for the identification and a further 3 marks for the quality of the explanation.</p> <p>Example will be provided at standardisation of responses worth 1, 2 3 and 4 marks.</p> <p><b>Award 2 marks</b> where candidate provides a list of possible reasons.</p> <p>The best responses are likely to clearly explain why the relocation is expected to benefit firms like Dyson (reduced costs of production, resulting in higher profits etc.) as opposed to the weaker responses which are unlikely to make the link between reduced costs and profits.</p>	(8)

Question Number	Indicative content	Mark
2(f)(i)	<p><b>The Government.</b> Individuals are likely to be concerned by the growing trend as it may lead to increased unemployment and a reduction in economic growth within the UK. Other concerns might include an increased loss of UK skills and a fall in the international competitiveness within the UK. Some candidates might suggest that it will force UK firms to perhaps look for ways in which to enter different markets, which might affect future government tax receipts and employment levels etc.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'. <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which the government is affected. <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
2(f)(ii)	<p><b>(ii) Customers of companies with their call centres located abroad.</b> Customers may be pleased with the decision as the reduction in production costs places less pressure upon the firms to increase their prices in the shops. However, expect candidates to pick up on the fact that some customers are unhappy with the decision as they have experienced difficulties with call-centres.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'. <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which customers are affected. <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
2(f)(iii)	<p><b>Shareholders of companies like Dyson</b> Shareholders are likely to welcome the decision as the reduction in costs without any reduction in price is likely to lead to a rise in the profitability of the organisation and would feed through to them (shareholders) via the form of increased dividends. Some candidates might refer to a potential longer term problem if the customer concerns lead to them opting to boycott the company.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'. <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which shareholders are affected. <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)

Question Number	Indicative content	Mark
2(g)	<p>The aim here is to get candidates to discuss the issues surrounding protectionism, but within the context of the EU. We are looking for a balanced discussion of the case with some evaluative judgement. Arguments to provide such protection are centred around the view that an influx of goods into the EU at lower cost (and therefore price) than what 'domestic' producers can match are likely to lead to a fall in demand for EU produced goods which has implications for international competitiveness. Others may refer to the impact upon domestic unemployment and the subsequent problems that this might bring, whilst some firms might relocate to these so-called 'low-cost' countries.</p> <p>Arguments against the case might make reference to the view that opening up new markets should increase choice, lower prices and improve the quality of the goods and services traded. The view is based upon the idea that this competition will force firms to strive to improve efficiency, seek to reinforce the USP of its organisation, or even encourage them to identify new products which could be produced and brought to the market.</p> <p>To put a response into level 3 we are looking for a consideration of both perspectives with an overall conclusion - evidence of balance is therefore a pre-requisite.</p>	(12)

Level	Mark	Descriptor
Level 1	1-4	<p>Responses in Level will be single focused and offer simplistic development. At the top of the level, responses may explain the advantages or disadvantages of cheap foreign imports.</p> <p>Responses in Level 1 will not address the role of the EU in protecting domestic businesses.</p> <p>Quality of written communication will be poor with errors in spelling, punctuation and grammar, little or no use or awareness of the business and economic issues, and the writing will not be appropriate to the type of answer required.</p>
Level 2	5-8	<p>Responses in this level may well have some balance but at a simple level. Evaluation will be simplistic in approach and the evidence will not have been used to great effect. For example, candidates may recognise that the EU should protect domestic producers, consumers may have less choice.</p> <p>For <b>7-8 marks</b> responses are more fully developed using appropriate terminology and/or evidence.</p> <p>At the bottom of the level, responses are likely to be single focused with simple development, although simplistic balance may be in evidence for <b>5-6 marks</b>.</p> <p>Quality of written communication will be less developed with some errors in spelling, punctuation and grammar, and less evidence of the use of business and economic technology.</p>
Level 3	9-12	<p>A well balanced argument with both perspectives clear in the answer. Some evaluation of the points will be clear in the answer and at the highest level a well rounded conclusion will summarise the argument. The evidence will have been used effectively to help assess the case.</p> <p>Answers in this level will demonstrate high quality written communication; spelling punctuation and grammar will be almost faultless, there will be developed use of business and economics terminology, and the quality of writing will be appropriate for the task.</p>

Question Number	Indicative content	Mark
3(a)	<p>We are looking for those who can recognise that a takeover occurs when one firm buys enough shares in another firm to ensure control over its decisions.</p> <p>2 marks for an accurate definition and two for the relevant example. Candidates who give a definition along the lines of 'when one firm takes control over another' should gain 1 mark - distinguish 1 and 2 mark answers by the accuracy of the definition.</p> <p>It is hoped that candidates will use the stimulus as the basis of their example, although this is not necessary for full marks. Award 1 mark for the example candidate simply states, 'Nike taking over Umbro' or similar. For 2 marks the example needs to be developed to show understanding.</p>	(4)

Question Number	Indicative content	Mark
3(b)	<p>Advantages include:</p> <ul style="list-style-type: none"> <li>• ability to 'pool' resources</li> <li>• the sharing of expertise from one another</li> <li>• cost savings from both purchasing in bulk, and from other areas such as advertising</li> <li>• increased market power</li> <li>• access to larger customer base, for example Umbro's customers.</li> </ul> <p>The question sets out to invite candidates to explore the possibility of economies of scale without a prerequisite requirement for them to use the term. Award highly those candidates that explicitly refer to the term, economies of scale within an explanation.</p> <p>Treat this as a 3 + 3 response. Award 1 mark for the identification of the advantage, with a further two marks for the development ( x 2 ).</p> <p>Examples of good development might make reference to the fact that the 'bigger' organisation is able to purchase raw materials in greater quantities and therefore benefit from additional discounts than the two firms prior to the takeover could. Reward candidates who adopt a creative perspective, ie improve communications and feedback - for example, the use of ICT to improve communication, the use of teamwork and meetings to improve coordination.</p> <p>The better candidates will make reference that the growth of the company due to reasons above would lead to a reduction in average/unit costs and the subsequent consequences for future Nike profits.</p>	(6)

Question Number	Indicative content	Mark
3(c)	<p>A brand gives an identify to a product and serves to differentiate it from other products in the same market. Branding can be of the type associated with high profile products, but might also be on products that are not highly priced or exclusive. The recognition of the identity or an association is essential to gain the full 2 marks available for the definition. 'Making a product different' will earn 1 mark.</p> <p>References that just 'name' the company or 'make' will not be rewarded.</p> <p>Expect to see the names given in the stimulus as the examples of the two brands. The question asks for examples in the plural so we should expect at least two - 1 mark for each example given.</p>	(4)

Question Number	Indicative content	
3(d)	<p>Brand recognition is important for a number of reasons:</p> <ul style="list-style-type: none"> <li>• ability to charge higher prices</li> <li>• added value</li> <li>• customer loyalty</li> <li>• increased sales.</li> </ul> <p>We are looking here for candidates to be able to recognise that there are other factors relevant to the success of a business - price, product, promotion, place, people, packaging, process, cash flows, budgets etc. The marks are to be awarded for those who are able to demonstrate the evaluation skills required.</p>	
Level	Mark	Descriptor
Level 1	1-2	Candidates show an understanding of brands and explain their importance. However, there is likely to be a lack of balance in the answer - especially at the lower end of the level - with limited use of terminology.
Level 2	3-5	Level 2 responses are single focus, ie do not recognise that other factors are important. Candidates explain the importance of a brand to success but fail to assess its relevance in comparison to other factors. The answer will generally be expressed clearly with reference to appropriate business and economics terminology.
Level 3	6-8	A clear understanding of how brands add value with use of examples. To get into this level we are looking to see consideration of other factors that are important to the success of a business like Nike. This represents the assessment. The candidate must include the point regarding how consumers believe Nike products are worth more to them than other similar products and therefore are more inclined to buy these branded products. Candidates must make reference to how successful branding is likely to result in benefits to Nike such as increased sales/profit/market share for example. Although candidates are likely to refer to Nike, they may refer to branding with another organisation and can gain full marks accordingly.

Question Number	Indicative content	Mark
3(e)(i)	<p><b>Nike.</b> For Nike, the proposed takeover of Umbro would represent an excellent opportunity for them to increase both their profits and market share. By associating their brand with the England football team - a global brand recognised across the world, would serve to present Nike with the opportunity to gain increased exposure in all markets. Being associated with England helps to promote their brand.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'. <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which Nike is affected. <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
3(e)(ii)	<p><b>(ii) Umbro shareholders like Mike Ashley.</b> The deal represents an opportunity for shareholders to make a capital gains profit on their shares in Umbro (assuming the current market share price is above the rate that the shares were bought for!) Some candidates might consider the views of the shareholders of Nike and state that whilst they expect the value of Nike shares to rise, there might be a short-term concern as the capital outlay might lead to a fall in share prices.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'. <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which shareholders are affected. <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)
3(e)(iii)	<p><b>(iii) Supporters of the England football team.</b> For supporters of the England football team the takeover might mean greater revenue deals from kit sponsorship etc, which might result in reduced ticket prices. In such a scenario, it would be safe to assume that they would be in favour of such a takeover. On the other hand, expect to see some candidates mention the threat of rising shirt prices which would be a concern to supporters of the England football team.</p> <p>Award <b>1 mark</b> for recognition of the effect - 'pleased'; 'delighted'. <b>Up to 3 marks</b> for the development of the point. Some candidates may well give more than one way in which supporters are affected. <b>4 marks</b> - only awarded where appropriate business/economics terms concepts are referred to.</p>	(4)

Question Number	Indicative content	Mark
3(f)	<p>We are looking for those who can identify that the Competition Commission exists to investigate all cases in which firms are suspected of trying to use monopoly power to raise prices or reduce customer choice. 2 marks for an accurate definition and two for the relevant example. Candidates who give a definition along the lines of 'it is an organisation that investigates businesses' should gain 1 mark - distinguish 1 and 2 mark answers by the accuracy of the definition. Examples may refer to the stimulus, but this is not necessary to achieve 2 marks for the example. For instance, candidates might make reference to the example that the Competition Commission might investigate whether or not the proposed takeover of Umbro by Nike might not be 'in the public's interest'. This would be worth two marks, whilst simple reference to investigating Nike's intentions would only be worth 1 mark. This distinction of acting 'in the public interest' is crucial as it is the yardstick used by the Commission when deciding whether the actions (proposed) should be allowed to continue.</p>	(4)



Question Number		Indicative content
3(g)		An awareness of regulation is going to be a requirement here but the emphasis must be on developing a clear and cohesive argument that shows an understanding of the need for greater regulation balanced against the needs of businesses to remain creative so as to remain competitive, both domestically and internationally. Concerns might include the possibility that the benefits of economies of scale may not be passed onto the consumer in the form of lower prices. Moreover, there might be a reduction of consumer choice and an increase in the level of unemployment. When marking this, note the number of points made, the development and where there is evidence of evaluation.
Level	Mark	Descriptor
Level 1	1-4	An answer that lacks development is incomplete or limited in understanding. The use of the evidence will be limited or non-existent and knowledge of the issue will be poor. Any evaluation will be simplistic in nature and add little to the argument. Quality of written communication will be poor with errors in spelling, punctuation and grammar, little or no use or awareness of the business and economic issues, and the writing will not be appropriate to the type of answer required.
Level 2	5-8	Responses in Level may well have some balance but at a simple level. Evaluation will be simplistic in approach and the evidence will not have been used to great effect. For example, candidates may recognise that the EU should protect domestic producers, consumers may have less choice. For 7-8 marks responses are more fully developed using appropriate terminology and/or evidence. At the bottom of the level responses are likely to be single focused with simple development, although simplistic balance may be in evidence for 5-6 marks. Quality of written communication will be less developed with some errors in spelling, punctuation and grammar, and less evidence of the use of business and economic technology.
Level 3	9-12	A well balanced argument with both perspectives clear in the answer. Some evaluation of the points will be clear in the answer and at the highest level a well rounded conclusion will summarise the argument. The evidence will have been used effectively to help assess the case. Answers in this level will demonstrate high quality written communication, spelling; punctuation and grammar will be almost faultless. There will be developed use of business and economics terminology, and the quality of writing will be appropriate for the task.





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