

Mark Scheme (Results)

Summer 2010

GCSE

GCSE BUSINESS & ECONOMICS(1171) Paper 1F

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Question Number	Indicative content
<p>1(a)</p> <p>Common</p>	<p>There are two marks for the definition and two marks for the example.</p> <p>“How GDP/ output fluctuates over time” will score two marks. Any candidate who links a characteristic of the business cycle e.g. unemployment to time should score one mark. E.g. “shows how unemployment changes over time” will be enough for 1 mark. A definition that makes no reference to time is only worth 1 mark.</p> <p>The example is worth 2 marks. The example does not have to come from the evidence although there are clues to recession in evidence A which the candidates are directed to examine. To score 2 marks for the example a candidate needs to extend beyond a simple example. E.g. consumer spending has fallen which has led to higher unemployment showing that the UK is in recession would be worth 2 marks. A simple unlinked example is only worth 1 mark. The example does not have to originate from the case study evidence.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
<p>1(b)</p> <p>Common</p>	<p>There are two marks for the definition and two marks for the example.</p> <p>To gain two marks for the definition, there needs to a clear understanding that a market segment is a part of a market that has been distinguished by a certain characteristic or consumer preference e.g. incomes, lifestyle, age. Simply stating that it is a part of the market will only gain 1 of the 2 marks on offer for the definition.</p> <p>The example is worth 2 marks. Candidates could focus on Premier Inn focusing on the “budget” market segment since it is aiming to attract consumers on low incomes or that Vi-Spring beds are focusing on the top end or “luxury” part of the market, where consumers have high incomes. Again the secret to awarding 2 marks for the example is some kind of elaboration with the example. Simply stating Premier Inn are focusing on budget markets will only generate 1 mark, whereas linking budget markets to low incomes will generate the second mark.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
1(c)	<p>The question clearly highlights the fact that candidate may use the diagram provided as part of their response. If the diagram is used it is worth up to 3 marks. The marks are to be awarded for the completion of the diagram, as follows:</p> <ul style="list-style-type: none"> • 1 mark for the shift right of the demand curve. • 1 mark for identifying the excess demand/shortage which causes the price increase. • 1 mark for showing the new price <u>and</u> quantity on the respective axes. <p>The explanation of the diagram should demonstrate that the candidate has a logical understanding of the processes involved. 1 mark for stating a rightwards shift in demand, 1 mark for stating a shortage (excess demand) is created, 1 mark for stating that there will be an upwards pressure on price, and 1 mark each for identifying that the new market clearing price and quantity have both risen. Therefore the explanation is worth 5 marks.</p> <p>If the candidate chooses not to offer a diagram, award 3 marks for the explanation as to why demand has risen, 3 marks for the explanation of the 'price mechanism' i.e. the creation of a shortage/excess demand which forces prices up, and 2 marks for the statement that the market clearing price and quantity have both risen.</p> <p>If candidates shift the demand curve in the wrong direction or shift the supply curve a maximum of 3 marks should be awarded. These marks are dependent on whether the candidate demonstrates an understanding of how a new market clearing price is established following the shift of a curve.</p> <p style="text-align: right;">8 marks</p>

Question Number	Indicative content
2(a)	<p>Candidates have been asked to "identify" so two simple statements that lead to increased competitiveness will gain the two marks on offer. Expect to see:</p> <ul style="list-style-type: none"> • lower prices • advertising/promotion • better internet site/booking system • opening more hotels/convenient locations • better quality rooms/USPs <p>Accept answers that are rooted in the hotel industry but do not necessarily highlight a specific business point. E.g. Better room service, faster check-in. Be wary of rewarding candidates who are simply repeating sentences verbatim from the case-study material.</p> <p style="text-align: right;">2 marks</p>

Question Number		Indicative content
2(b)		<p>The aim here is to tease out the candidate's ability to evaluate. Therefore to get into level 2, the candidate must make reference to <u>both</u> methods of improving competitiveness. If a candidate only explains one method, they can only reach the top of level 1, assuming the explanation is good.</p> <p style="text-align: right;">6 marks</p>
Level	Mark	Descriptor
Level 2	4-6	<p>The candidate compares two methods of improving competitiveness. At the top end of the level the candidate will state which factor is more effective and why. Candidates who root their evaluation in the hotel industry should be awarded a mark at the top of this level.</p> <p>Reserve 4 marks for candidates who simply explain the two methods of improving competitiveness, and make a judgement, but the support is not convincing. This kind of response would highlight the candidate's lack of clear evaluation. Answers at this level will have made a simple comparison, perhaps a sentence with no clear hotel industry context.</p>
Level 1	1-3	<p>The candidate will only consider one method of improving competitiveness. The quality of the explanation of the factor identified will determine where in level 1 the response is placed. A strong explanation as to why the factor identified will result improved competitiveness will place the response at the top of level 1. The secret to identifying the quality of the explanation will be identifying the links and the terminology used within the response.</p>

Question Number		Indicative content
3(a)		<p>Operating profit margin = operating profit/ revenue x 100. Therefore £300m/ £1200m x 100 = 25%.</p>
Common		<p>1 mark for the formula, 1 mark for the calculations, 1 mark for the answer, 1 mark for the correct units i.e. %.</p> <p>If the candidate forgets to multiply by 100, a maximum of 3 marks can be awarded so long as the answer is expressed as a percentage. If the candidate uses any other measure of profit e.g. gross profit, then a maximum of 2 marks can be awarded.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
3(b)	<p>There is 1 mark for identifying a way to increase profits. Expect to see one of the following possible routes identified:</p> <ul style="list-style-type: none"> • Lower costs: <ul style="list-style-type: none"> -economies of scale (unit costs) -higher productivity/efficiency -reducing wages/supply costs • Higher revenues: <ul style="list-style-type: none"> -higher prices (although demand may fall) -lower prices (although the profit margin falls) -adding value (changing product) -advertising (although expensive) <p>There are 3 marks for the subsequent explanation. Look for linked points within the explanation. Each identifiable link is worth 1 mark.</p> <p>E.g. Improved telephone booking system - this is because Premier Inn can now answer the phones faster, this means customers will not having to wait as long. This means customers are likely to come back to Premier Inn in the future increasing their profits. This answer is worth 4 marks since there is a clear identifiable benefit and there are three linked strands within the explanation.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
3(c) Common	<p>In this answer candidates are expected to identify one use for the profit made and how Premier Inn will benefit from it. Expect to see:</p> <ul style="list-style-type: none"> • open new hotels/more investment • refurbish hotels • use as a source of finance • give dividends to shareholders • pay back debts <p>There is 1 mark for the identification of how the profit can be used to benefit Premier Inn and a further 3 marks for the explanation. To gain the 3 development marks candidates must link together ideas. There is 1 mark for each link.</p> <p>Be wary of candidates who suggest that profits can be used to reduce the prices for customers. This is a naïve response and should not be rewarded.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
4(a)	Candidates have been asked to “identify” so two examples of stakeholders will generate the two marks e.g. shareholders, customers, employees, suppliers, creditors, local community, managers etc. 2 marks

Question Number	Indicative content
4(b)	The aim here is to encourage the candidate to evaluate through the structure of the question. To get into level 2, the candidate must make reference to <u>two</u> stakeholders. If a candidate only considers the effect on one stakeholder, they can only reach the top of level 1, assuming the explanation of how the stakeholders will be affected is of good enough quality. A candidate will be able to reach the top of level 2 if they consider which stakeholder is effected most and to what extent by the expansion of Premier Inn. 6 marks

Level	Mark	Descriptor
Level 2	4-6	The candidate considers the effects on <u>two</u> stakeholders. There will be a clear comparison between the two and at the top of this level there will be a clear identification as to which stakeholder is affected most and why. At the top of this level there will be a sharp focus within the answer on the firm’s expansion.
Level 1	1-3	The candidate will only consider the effect on one of the stakeholders listed. The placement of the answer within this level is dependent on the quality of the inter-linkages developed as to how the stakeholders will be affected either negatively/positively. E.g. More job security for workers. This is because there will be more people employed during the expansion so it is less likely that they will lose their job. A response such as this will reach the top of level 1 since there is a clear developed explanation of the effect on one of the stakeholders.

Question Number	Indicative content
5. Common	<p>This answer has a 2 x 4 mark split.</p> <p>A maximum of 4 marks are to be awarded for each effect identified and explained. There is 1 mark for the identification of each effect. Expect to see the following possible effects identified:</p> <ul style="list-style-type: none"> • falling sales • falling profits • cash flow problems • failure of the business • design new value beds etc • moving to a different market segment • making people redundant • increased raw material costs (due to the weak pound) <p>There are 3 marks for the subsequent explanation. Look for linked points within the explanation. Each identifiable link is worth 1 mark.</p> <p>E.g. Lack of cash (1 mark). In a downturn the company will sell fewer beds, therefore its revenue will fall and it will get less cash in (1 mark). It will still have to pay its bills in cash (1 mark). This could lead to lack of cash and failure (1 mark).</p> <p>This answer is worth 4 marks since there is a clear identifiable effect and there are three linked strands within the explanation. Two explained effects of this quality would gain all 8 marks.</p> <p style="text-align: right;">8 marks</p>

Question Number	Indicative content
6(a) Common	<p>There are two marks for the definition and two marks for the example.</p> <p>“Products that are produced in the UK and sold abroad. This brings a flow of money into the UK” will score two marks. Candidates who just focus on producing in the UK and selling overseas will get 1 mark. To award 2 marks for the definition, there must be some reference to the monetary flow back into the UK/benefit to the UK economy.</p> <p>The example is worth 2 marks. The example does not have to come from the evidence although there are clues to exporting beds to foreign hotels in evidence C which the candidates are directed to examine. To score 2 marks for the example a candidate needs to extend beyond a simple example. E.g. Vi Spring produces its beds in the UK and sells them abroad; this brings money back into the UK.</p> <p>A simple unlinked example is only worth 1 mark.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
<p>6(b)</p> <p>Common</p>	<p>There is 1 mark for the identification of a difficulty/problem that arises from selling abroad. Examples could include:</p> <ul style="list-style-type: none"> • exchange rates • unfamiliar branding • greater levels of competition • different cultures/lack of understanding of markets abroad • High transportation costs • Tariffs/quotas <p>There are 3 marks for the subsequent explanation. Each identifiable link is worth 1 mark.</p> <p>E.g. More competition (1 mark) - By selling abroad Vi-Spring will face other companies in the market place (1 mark). This will make it harder for them to gain a foothold in the market (1 mark). They may have to lower their prices which will reduce their revenues (1 mark).</p> <p>This answer is worth 4 marks since there is a clear identifiable effect and there are three linked strands within the explanation.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
7(a)	<p>Candidates have been asked to “identify” so any two problems stated simply will earn the candidate the 2 marks on offer. Expect to see suggestions such as:</p> <ul style="list-style-type: none"> • need to raise taxes (now and in future) • increased budget deficit/PSNCR • reduction in spending on other services e.g. NHS/Education • opportunity costs • is it fair? Is it right that taxpayer’s money is being used? <p>Any two plausible responses should be given credit.</p> <p style="text-align: right;">2 marks</p>

Question Number	Indicative content	
7(b)	<p>The aim here is to encourage the candidate to evaluate through the structure of the question. To get into level 2, the candidate must make reference to <u>two</u> problems. If a candidate only considers one of the problem, they can only reach the top of level 1, assuming the explanation of the problem is high quality and makes use of terminology. A candidate will be able to reach the top of level 2 if they consider both problems and consider which of the two problems identified is most serious and why.</p> <p style="text-align: right;">8 marks</p>	
Level	Mark	Descriptor
Level 2	5-8	The candidate must generate some kind of evaluative comment to enter into this level. At the bottom end of this level this might be achieved by explaining both of the problems and making a judgment as to which is most serious. Candidates who do this and explain why one problem is more serious than the other should be awarded a mark near to the top of this level.
Level 1	1-4	The candidate focuses on only one of the problems to the neglect of a second problem. The candidate might decide that the problem is very serious and possibly a calamity for the Government. There will be a lack of balance. The response will be placed in this band according to the amount of linkages identified for the problem explained. If one problem is explained well and there is some realistic notion of the magnitude, the answer can reach the top of this level.

Question Number		Indicative content
8(a)		<p>This question is designed to get candidates to discuss possible benefits of investment in the context of a firm such as Premier Inn. Possible benefits could include:</p> <ul style="list-style-type: none"> • higher profits/profit margins • better customer service • lower unit costs/productivity • higher efficiency <p>In order to move into level 2, candidates must be evaluative. This could come through examining the extent to which the benefits are important, an analysis of possible drawbacks of investment e.g. costs, possible need to make people redundant etc. An alternative route to evaluation would be to explain which benefit of investment is most important and why. E.g. lowering unit costs because Premier Inn operates in the budget hotel market and this will allow them to decrease prices.</p> <p style="text-align: right;">8 marks</p>
Level	Mark	Descriptor
Level 2	5-8	<p>Answers in this level must have an element of evaluation. At the bottom of this level this might simply come through stating which benefit of investment is most important. To reach the top of this level candidates will have considered possible drawbacks and/ or may have considered the extent to which one benefit is the most important. Reward candidates at the top of this level if they build a high quality discursive response in the context of Premier Inn. E.g. lower ATC is most important to Premier Inn because they are a budget hotel and need to charge low prices. To reach 7/8 marks there must be evaluation and the answer must be rooted in the context of the hotel industry.</p>
Level 1	1-4	<p>Answers in this level will be descriptive and examine benefit of investment. If the candidate explains two benefits of investment without any development the candidate can reach a maximum of 4 marks (2 marks for each benefit of investment which is explained). A candidate who explains one benefit can reach a maximum of 4 marks if the explanation is good and there's clear evaluation. A purely descriptive response will be pegged at 2 marks.</p>

Question Number		Indicative content
8(b)		<p>This question is designed to get candidates to consider the benefits to a firm such as Vi-Spring from selling a high quality product. Expect to see answers that centre around:</p> <ul style="list-style-type: none"> • better branding • differentiation or creating USPs • ability to beat recession by targeting super rich • adding value • increasing willingness to pay of consumers • less competition <p>In order to move into level 2, the candidate must be evaluative. This could come through examining the extent to which the benefits are important, an analysis of possible drawbacks of selling high quality products e.g. demand more likely to fall by much more in a recession. An alternative route to evaluation would be to explain which of the two possible benefits identified is most important and why. E.g. Having a reputation for high quality means that the brand is better, allowing Vi Spring to charge a premium. It will be difficult for a new firm to easily copy this, thereby reducing competition. This will be an important long-term benefit.</p> <p style="text-align: right;">8 marks</p>
Level	Mark	Descriptor
Level 2	5-8	<p>Answers in this level must have an element of evaluation. At the bottom of this level this might simply come through stating which benefit from selling a high quality product is most important. To reach the top of this level candidates will consider possible drawbacks and/or may have considered the extent to which one of the benefits is the most important. Reward candidates at the top of this level if they build a high quality discursive response in the context of Vi-Spring. E.g. Being able to build a strong brand is the most important benefit since it allows the firm to make large profit margins for long periods of time. To reach 7/8 marks the answer must be routed in the context of a high quality/luxury good manufacturer/retailer.</p>
Level 1	1-4	<p>Answers in this level will be descriptive and examine two possible benefits of selling a high quality product. If the candidate explains two benefits of selling a quality product without developing any balance or context, the candidate can reach a maximum of 4 marks (2 marks for the explanation of each benefit of selling a luxury good explained). E.g. Quality allows the firm to create a USP. This means they can charge more. This response would score 2 marks, since only 1 benefit is considered, but there is a linked explanation. A candidate who explains one benefit can reach a maximum of 4 marks if the explanation is good and there's clear evaluation. A purely descriptive response will be pegged at 2 marks.</p>

Question Number	Indicative content
<p>8(c)</p> <p>Common</p>	<p>This answer has a 2 x 4 mark split.</p> <p>A maximum of 4 marks are to be awarded for each explanation as to how lower interest rates could benefit a business.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • lower costs on loans • cheaper sources of finance to allow expansion/ new investment • greater consumer confidence • greater spending power in the economy • consumers more willing to borrow money to spend • lower exchange rates in the case of Vi-Spring <p>Each explanation is worth 4 marks. Look for linked points within each response. Award inter-linkages with a mark.</p> <p>E.g. Lower interest rates will allow consumers to borrow money more cheaply (1 mark). This means they are more likely to buy products like beds more often (1 mark). This will increase the firm's revenue (1 mark) and its level of profitability (1 mark).</p> <p>This answer is worth 4 marks since there are 4 linked strands within the answer. Two explanations of this quality will allow a candidate to score 8 marks.</p> <p style="text-align: right;">8 marks</p>

Question Number		Indicative content
8(d)		<p>The aim is to get candidates to be evaluative. Candidates need to consider the extent to which increased Government spending will be successful in boosting the UK economy. Candidates may suggest that it will be very successful, since the Government will make sure the money is spent in areas where the most jobs are created. Other candidates might suggest that it will not, because the spending will be taken from other areas of the economy e.g. NHS, and will have to be paid back eventually. Candidates might also suggest that it will not be very successful because cutting interest rates has not been successful in boosting demand.</p> <p style="text-align: right;">6 marks</p>
Level	Mark	Descriptor
Level 2	4-6	To get into this level the candidate has to demonstrate some element of evaluative skill. This might come by considering where the money could be spent, which in turn will determine its effectiveness. It could also come through examining the time lags involved or in that the spending is going to have to be funded by debt that will need to be repaid in the future. At the top end of this level there will be a clear evaluative slant within the answer.
Level 1	1-3	In this level the candidate will only really consider what Government spending is and the areas in which the Government can spend to boost the economy. Candidates will perhaps make a blanket assumption that the spending will be successful. Any candidate who hints at the likelihood of the spending being successful should be placed at the top end of this level.

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