

# Mark Scheme (Results)

## Summer 2010

GCSE

### GCSE BUSINESS & ECONOMICS (1171) Paper 3H

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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” should 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 or that it is a part of a market that contains certain types of consumers subdivided by incomes, lifestyle, sex, age etc. 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 targeting “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 income will generate the second mark.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
1(c)	<p>If the candidate chooses to use a diagram to help them explain their answer, then the answer has 4 marks allocated to the diagram and 4 marks allocated to the explanation. However the question states that candidates <u>can</u> use a diagram, and it is not obligatory. If this is the case the full 8 marks can be secured via the explanation.</p> <p>If a diagram is attempted, the following marks should be awarded:</p> <ul style="list-style-type: none"> <li>• 1 mark for drawing the axes the right way round and labelling them.</li> <li>• 1 mark for drawing the demand and supply curves the right way round.</li> <li>• 1 mark for a shift of demand to the right (do not award this mark if the candidate shifts both demand and supply).</li> <li>• 1 mark for identifying the new market clearing price and quantity.</li> </ul> <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 for identifying that <u>both</u> the new market clearing price and quantity have risen. Therefore the explanation is worth 4 marks.</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>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 style="text-align: right;">8 marks</p>

Question Number		Indicative content
2.		<p>This question is designed to get students to consider the importance of price in allowing Premier Inn to maintain its competitiveness. Evidence A makes it clear that Premier Inn is operating in a budget market segment. This is significant, as too is the fact that the UK economy is heading for recession. Therefore candidates should be able to suggest that a low price is crucial to Premier Travel Inn's competitiveness, although perhaps other elements of the marketing mix are also important but arguably to a lesser extent in the short- term.</p> <p style="text-align: right;">10 marks</p>
Level	Mark	Descriptor
Level 3	8-10	An answer in this level will have clear evidence of evaluation. There will be at least two other competitive factors considered (one of which could be framing the importance of price in the context of the recession) and the extent to which they are important compared to price will have been considered. The answer will be rooted in the context of the hotel industry/budget market segment.
Level 2	4-7	Answers in this range will explain how price can lead to the firm maintaining its competitiveness, but there will be a clear recognition of at least one other factor (one of which could be framing the importance of price in the context of the recession) that could allow Premier Inn to become more competitive. At the top end of this level expect a clear reference to Premier Inn.
Level 1	1-3	The candidate purely refers to price, perhaps explaining different types of pricing strategies. The candidate states that price is important but does not explain why and refers to no other factors. There will be limited/no reference to Premier Inn and it is likely that the candidate will not explain how low prices can allow the firm to maintain its competitiveness.

Question Number		Indicative content
3(a) Common		<p>Operating profit margin = operating profit/ revenue x 100. Therefore £300m/ £1200m x 100 = 25%.</p> <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 identification of each way to increase profits. Expect to see two of the following possible routes identified:</p> <ul style="list-style-type: none"> <li>• Lower costs: <ul style="list-style-type: none"> <li>-economies of scale</li> <li>-higher productivity/efficiency</li> <li>-reducing wages/supply costs</li> </ul> </li> <li>• Higher revenues: <ul style="list-style-type: none"> <li>-higher prices (although demand may fall)</li> <li>-lower prices (although the profit margin falls)</li> <li>-adding Value (changing product)</li> <li>-advertising (although expensive)</li> </ul> </li> </ul> <p>There are a further 2 marks for the subsequent explanation of each selected route to increasing profit. Look for linked points within the explanation. Each identifiable link is worth 1 mark. Candidates could focus on two ways of reducing costs/boosting revenue or alternatively one method of reducing costs/increasing revenue. There is a final mark allocated to each route for evaluation. This could involve examining the drawbacks of the way suggested or by examining which of the two routes suggested is more likely to result in increased profits and why.</p> <p>E.g. Improved telephone booking system (1 mark) - this is because Premier Inn can now answer the phones faster (1 mark), this means customers will not having to wait as long (1 mark). However this new system is likely to expensive increasing costs (1 mark).</p> <p>This answer is worth 4 marks since there is a clear identifiable method to increase profits and there are two linked strands within the explanation, followed by some balance.</p> <p style="text-align: right;">8 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"> <li>• open new hotels/more investment</li> <li>• refurbish hotels</li> <li>• use as a source of finance</li> <li>• give dividends to shareholders</li> <li>• pay back debts</li> </ul> <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.	<p data-bbox="443 264 1439 365">There are 3 marks for the identification and explanation of one problem faced by managers, with a further 3 marks for the evaluation of this problem.</p> <p data-bbox="443 405 639 439">Expect to see:</p> <ul data-bbox="491 472 1439 645" style="list-style-type: none"> <li data-bbox="491 472 842 506">• Diseconomies of scale</li> <li data-bbox="491 510 1086 544">• Communication/co-ordination problems</li> <li data-bbox="491 548 815 582">• Greater work/stress</li> <li data-bbox="491 586 1439 645">• Larger numbers of workers to manage and the associated problems of doing so</li> </ul> <p data-bbox="443 685 1439 853">E.g. As Premier Inn expands managers will need to hire more staff (1 marks). The new staff will need to be trained (1 mark). This will take up a lot of time (1 mark). This could result in the hotel not being as well run (1 mark - moving into evaluation), so managers do not receive any bonuses (1 mark) An answer such as this would receive 5 marks.</p> <p data-bbox="443 887 1439 987">Candidates who focus on problems the business encounters rather than specifically the managers, should be pegged at 3 marks assuming there is balance and the response is well explained.</p> <p data-bbox="1329 987 1439 1021" style="text-align: right;">6 marks</p>

Question Number	Indicative content
5.	<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 a business selling a luxury good might be affected by recession/fall in demand, with 1 mark awarded for the identification of an effect and 3 marks for the subsequent explanation.</p> <p>Candidates might suggest the following effects:</p> <ul style="list-style-type: none"> <li>• falling sales/sales staying static since super-rich might not be affected</li> <li>• falling profits</li> <li>• cash flow problems</li> <li>• failure of the business</li> <li>• design new value beds etc</li> <li>• moving to a different market segment</li> <li>• cut costs - redundancies etc</li> </ul> <p>Look for linked points within each response. Award inter-linkages with a mark.</p> <p>E.g. A fall in profits (1 mark) - Demand will fall in the recession (1 mark). This is because Vi-Spring make a luxury product and it is very expensive (1 mark). Consumers are likely to switch to cheaper beds (1 mark) which will reduce revenues (1 mark).</p> <p>This answer is worth 4 marks since an effect is identified and there are 3 subsequent linked strands of explanation within the answer.</p> <p>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
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.</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. A simple unlinked example is only worth 1 mark.</p> <p style="text-align: right;">4 marks</p>

Question Number	Indicative content
6(b)  Common	<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"> <li>• exchange rates</li> <li>• unfamiliar branding</li> <li>• greater levels of competition</li> <li>• different cultures/lack of understanding of markets abroad</li> <li>• High transportation costs</li> </ul> <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 style="text-align: right;">4 marks</p>

Question Number	Indicative content
7.	<p>A maximum of 4 marks are to be awarded for the identification and explanation of a problem.</p> <p>Candidates might identify the following problems for the Government:</p> <ul style="list-style-type: none"> <li>• need to increase government spending</li> <li>• increasing the PSNCR/having a budget deficit</li> <li>• higher unemployment benefits</li> <li>• less taxation revenue</li> <li>• lower GDP</li> </ul> <p>1 mark is to be awarded for the identification of a problem with a further 3 marks being awarded for the explanation of the problem.</p> <p>To go beyond 4 marks the candidate must have an element of balance/evaluation in their answer.</p> <p>E.g. In a recession, demand for goods and services falls (1 mark). This results in lower demand for labour (1 mark), generating unemployment (1 mark). This means that the Government will have to spend more on Job Seeker's Allowance (1 mark). This answer is worth 4 marks since there are linked strands within the answer and terminology is used, but there is no discussion/balance which pegs the answer at 4 marks.</p> <p style="text-align: right;">6 marks</p>

Question Number	Indicative content
8(a)	<p>A maximum of 2 marks are to be awarded for each benefit identified and explained. There is 1 mark for the identification of each benefit, with a further mark for the explanation of each benefit. Expect to see the following possible benefits identified:</p> <ul style="list-style-type: none"> <li>• higher profits/profit margins</li> <li>• better customer service</li> <li>• lower costs</li> <li>• higher efficiency</li> </ul> <p>There is 1 mark for some kind evaluation of each benefit e.g. mention of drawbacks/costs or length of time. Alternatively the candidate could consider which of the two benefits is greater and why. Thus the candidate can be awarded the two evaluation marks through this route as well.</p> <p>E.g. Lower Costs (1 mark) - Higher productivity means that each person in the call centre can now take a booking more quickly. This means that they can take more bookings per hour (1 mark). However the worker may now demand more pay (1 mark - moving into evaluation).</p> <p>This answer would be worth 3 marks since there is a clearly identifiable benefit and it has been developed using terminology with an evaluative comment. Two benefits articulated to this level of quality would gain all 6 marks.</p> <p style="text-align: right;">6 marks</p>

Question Number	Indicative content
8(b)	<p>A maximum of 2 marks are to be awarded for each method of adapting the marketing mix which is identified and explained. There is 1 mark for the identification of each element of the marketing mix, with a further mark for the explanation. 1 mark is to be awarded for some kind of evaluation for each way identified. Alternatively 2 marks can be awarded if the candidate compares the two ways and states which of the two is most effective at boosting sales and why. Expect to see the following identified:</p> <ul style="list-style-type: none"> <li>• changing the brand</li> <li>• alter the product to meet local demand</li> <li>• alter the price to offset exchange rate problems</li> <li>• change the method of distribution to meet local needs</li> </ul> <p>E.g. Reduce the price (1 mark) - If the £ is strong, the product will be more expensive abroad when priced in a foreign currency (1 mark). By lowering the price in £ this will boost demand, although profits might fall (1 mark).</p> <p>This answer is worth 3 marks since there is a clear identifiable effect and there is development together with balance the end.</p> <p>Two benefits articulated to this level of quality would gain all 6 marks.</p> <p>Candidates who simply write about changing the marketing mix with no reference to selling abroad should be pegged at 2 marks.</p> <p style="text-align: right;">6 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"> <li>• lower costs on loans</li> <li>• cheaper sources of finance to allow expansion/new investment</li> <li>• greater consumer confidence</li> <li>• greater spending power in the economy</li> <li>• consumers more willing to borrow money to spend</li> <li>• lower exchange rates in the case of Vi-Spring</li> </ul> <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>This question is designed to get candidates to consider whether or not increasing Government spending and reducing interest rates have been successful in boosting the UK economy. To reach the top of this level candidates must consider both interest rates and government spending and there must be some evaluative comment regarding the likelihood of success. Possible routes to evaluation might be:</p> <ul style="list-style-type: none"> <li>• depends on what the Government spends the money on</li> <li>• will consumers/businesses respond to falling interest rates</li> <li>• increasing Government spending, might result in higher taxes later</li> <li>• time lags</li> <li>• depends on how much spending increases by/interest rates are cut</li> <li>• will banks pass on cuts in the bank of England base rate?</li> </ul> <p style="text-align: right;">10 marks</p>
Level	Mark	Descriptor
Level 3	8-10	<p>A well structured response which shows the identification and explanation of both interest rate cuts and increases in Government spending. There will be clear balance to the response, with the candidate considering some of the issues listed above probably in the form of a conclusion. Expect to see the answer articulated using terminology and with a clear evaluative slant.</p> <p>The quality of written communication will be of a high standard with minimal errors in spelling, punctuation and grammar and appropriate use of terminology throughout.</p>
Level 2	4-7	<p>In this level the candidate considers both Government spending <u>and</u> interest rates. A candidate who explains how both of these measures can boost the economy can attain a maximum of 5 marks assuming that the explanation is of high quality and uses terminology. To reach the top of this level, there has to be some kind of judgment as to which is most likely to be successful. For instance they may state that Government spending is better because banks are not passing on interest rate cuts by the Bank of England.</p> <p>The quality of written communication will be reasonable but there may be some errors in spelling, punctuation and grammar and limited use of appropriate terminology.</p>
Level 1	1-3	<p>The candidate will explain how Government spending or interest rates can boost the economy. There will be little or no evaluative comment in this level. Expect to see a narrow focus on either Government spending or interest rates.</p> <p>The quality of written communication will be limited with frequent errors in spelling, punctuation and grammar and limited or no use of appropriate terminology.</p>



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