

Examiners' Report
June 2013

GCSE Business Studies 5BS05 01

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Introduction

It was pleasing to note that it was evident many centres had accessed the numerous channels of information available via the Edexcel website, and from the feedback and training sessions provided, to prepare the candidates for this examination.

The multiple choice questions were answered successfully and most candidates demonstrated a good understanding of business and economic terms. Similarly, both 'identify' questions were answered well. The vast majority of candidates had a clear understanding of 'stakeholder groups' and a majority were able to outline relevant examples of 'negative externalities' in relation to air travel.

On the 'define' and 'what is meant by' questions most candidates were able to pick up both marks by giving two relevant points within their answers, although some candidates did not understand the term. It was also pleasing to see candidates supporting their definitions with examples, and where imperfect definitions were given, this often escalated the response to 2/2. In some cases, candidates had gone on to provide further development and explanation which was not required in this type of question.

The 3 mark 'explain' questions need to have a valid point/effect/impact etc. and then two relevant linked strands of explanation which may come in the form of a reason, cause or consequence. These strands might be developed through connective words such as, 'this leads to...', 'because...', 'as a result...' etc. Where there is a stem, i.e. background information on a business or country, the candidate's response must be contextualised. Far too often this was not the case, and despite candidates providing good answers with at least two linked strands of explanation, answers were pinned at 2/3 because a candidate did not apply their answer to the specific context of, for example, Microsoft or Zambia.

The 4 mark 'describe' question offered candidates a variety of routes to access all of the marks. Here marks could be awarded for providing a valid definition and through one or more points of explanation. On both 'describe' questions a stem was given and candidates used this variably well to provide context within their answers. It was noted that candidates found it easier to contextualise their answers where the question referred to a business, as opposed to an economy/country.

Questions 4(d) and 7 are 'choice' questions with marks awarded in levels. Candidates are required to make a decision based on two options with relevant supporting analysis. Good answers were present where candidates were able to provide a balanced argument, perhaps by discussing the relative advantages and disadvantages of one option. This balance often came through identifying a contrasting argument with connective words such as 'however' or 'on the other hand'. Responses awarded at Level 3 also required contextualisation and the best responses offered a reasoned conclusion, perhaps making use of the 'it depends' rule. For example, in Q4(d) some candidates were able to analyse how 'increased competition' could reduce the competitiveness of Ryanair, but then went on to explain a limiting factor of this issue, in that Ryanair already have low prices and this could make it hard for other airlines to enter the market. Not only does this provide balance to the analysis but also clearly applies the answer to Ryanair's context.

The 'assess' questions of 8(b) and 11 followed similar patterns, although most candidates found it much easier to give a balanced response on 8(b) as most candidates were able to identify at least one benefit and one drawback of a monopoly. Comparatively, candidates also found it easier on Question 11 to apply their answers to the context of Jobsite.

Question 1 (b)

This question was clearly understood by most candidates. In most cases candidates achieved both marks on this 'outline' question.

Question 1 (c)

This question was understood by most candidates and was generally answered well.

(c) What is meant by the term **exchange rate**?

(2)

A exchange rate is how much a currency is worth in terms of another. For example, ~~£1 = \$2~~ £1 = \$2.



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Examiner Comments

The candidate has given an accurate definition of an exchange rate (2/2). In addition, a relevant example has been given although in this case it was not required to achieve both marks.

This question was answered well by most students.

(c) What is meant by the term **exchange rate**?

(2)

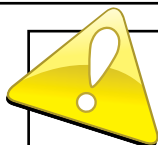
~~Exchange~~ Exchange rate is how much a certain currency costs



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Examiner Comments

In this second example the candidate has achieved 1/2 marks for giving an imperfect definition of an exchange rate. The candidate has shown some understanding of value or worth. This answer could have been escalated to 2/2 if the candidate had given a relevant example, eg '£1 = \$1.6'.



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Examiner Tip

Encourage candidates to provide a simple example on definition questions as an imperfect definition can be raised to 2/2 with the support of an accurate example.

Question 1 (d)

This question was answered well by most candidates, although a significant proportion of responses showed a confused understanding of exchange rates. A successful response generally considered the impact on either an importer or an exporter. Those candidates who tried to address both perspectives sometimes failed to develop one strand of explanation sufficiently.

(d) Explain **one** effect that a strengthening of the pound could have on UK businesses.

(3)

An effect of a strong pound on UK businesses is that imports will be cheaper. This means the businesses' total costs will be lower decrease. The impact of this will mean that businesses' profit will increase.



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Examiner Comments

This is a precise answer considering how a strengthening of the pound will impact on UK importers. A reason is given in, "imports will be cheaper". There are then two strands of linked explanation, "costs will decrease" and, "profit will increase" 3/3.

(d) Explain **one** effect that a strengthening of the pound could have on UK businesses.

(3)

The effect a strong pound could have on a business is that it could be negative and positive for a different type of business, ~~because~~ if the business in the UK wanted import then it would be cheaper for them if the pound was strong but it could negatively affect a business if they were to export because it would cost more.



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Examiner Comments

This candidate has offered one benefit of a strengthening pound to UK importers "imports would be cheaper". The candidate then goes on to mention an impact on exporters. One relevant effect has been given 1/3. This is an example of a response where the candidate has tried to explain **two** reasons/effects/factors, instead of developing just one line of explanation.

Question 2 (b)

This question was answered well and the majority of candidates showed a good understanding of stakeholder groups.

(b) Identify **two** stakeholder groups of *RBS*.

(2)

1 *The Government*

2 *Employees*



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Examiner Comments

Two relevant stakeholder groups have been identified. No further development is required to achieve both marks.



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Examiner Tip

In an 'identify' question there is no need for candidates to explain why. They should not waste any time developing their responses beyond simple statements.

Question 2 (c)

This question was answered well by most candidates. The majority of candidates who accessed the mark for context did so by referring to the £2 billion debt of RBS. In some cases, candidates misread the question and instead of explaining the opportunity cost of paying Stephen Hester the bonus, explained the disadvantages of paying him the bonus, eg low morale of other employees.

(c) Describe the opportunity cost to RBS of paying Stephen Hester a bonus of £963 000.

(4)

An opportunity cost is the benefit lost from the next best alternative. By paying Stephen Hester a bonus of £963 000 there are trade-offs that that money could have gone to. For example, the money could have been used to pay off part of the £2 billion debt, which would have helped the bank to become more stable and would have encouraged them to work harder for a bigger revenue and so ^{make} more profit.



ResultsPlus Examiner Comments

The candidate opens with a relevant definition of opportunity cost to achieve 1 mark. The candidate then goes on to identify an opportunity cost, "pay off part of the £2 billion debt". There are then several linked strands of development. The response refers to the £2 billion debt of RBS and is therefore in context (4/4).



ResultsPlus Examiner Tip

On a 'describe' question, full marks can be accessed through a number of routes. Candidates should always attempt to open their answer with a definition of the key term from the stem and then offer at least two relevant points with some development.

(c) Describe the opportunity cost to RBS of paying Stephen Hester a bonus of £963 000.

(4)

The opportunity cost of paying Stephen Hester a bonus is that his bonus money is not used elsewhere in the business. They could have spent the money on ~~another~~ something else which would make more than just one stakeholder happy. Another opportunity cost is the benefit of even more happy stakeholders.



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Examiner Comments

The candidate offers a vague opportunity cost "could have spent the money on something else" 1/1. A second mark has been awarded for a simple development, "more than just one stakeholder happy" (2/4). There is no context or further development.

Question 3 (b)

This question was answered well by candidates. The vast majority of candidates were able to identify 'the 4P's' and offer some further development to achieve both marks.

(b) What is meant by the term **marketing mix**?

(2)

The marketing mix consists of price product place and promotion and it is used to help businesses grow internally.



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Examiner Comments

The candidate shows an understanding of the marketing mix by identifying the four elements that make up the 4P's (1 mark). The candidate then goes on to offer some simple development to show an understanding of its purpose, "to... grow internally" 2/2.

Some candidates did not understand what the marketing mix was, and instead discussed/described market mapping or market research.

Question 3 (c)

Most candidates were able to identify one change to the marketing mix and then go on to explain how this would impact on Morrisons. However, candidates did not have to identify a specific aspect of the marketing mix to achieve full marks. The question required candidates to apply their answer to Morrison's context.

(c) Explain how **one** change in the marketing mix might achieve growth for Morrisons.

(3)

If they change their prices they could earn more revenue. This is because ~~more~~ more customers may be willing to pay for the products. Therefore leading to more profits and achieving growth for Morrisons.



ResultsPlus

Examiner Comments

A change in the marketing mix has been identified "change their price" (1 mark). The answer is then developed with two strands of linked development through a consequence, "earn more revenue" and a cause, "more customers willing to pay". A further point is then developed with "more profit". However, there is no context and the answer is limited to 2/3 marks.

(c) Explain how **one** change in the marketing mix might achieve growth for Morrisons.

(3)

If Morrisons had to improve the quality of their product, they may achieve growth, because other companies such as Tesco and Sainsbury's are beating them on the quality of their products. So if the quality of Morrisons product was improved, they would be a more powerful business and they would have a competitive advantage, for selling really cheap products, for in good quality.



ResultsPlus

Examiner Comments

A change in the marketing mix has been identified, "improve quality of product" (1 mark). The answer then goes on to develop at least two strands of linked explanation. As the answer also refers to Morrison's competitors, "Tesco and Sainsbury's", the answer is also in context, 3/3.

Question 3 (d)

This question was accessible to most candidates with the majority achieving at least 3 marks. Most candidates showed an understanding of interest rates and were able to explain how an increase in the rate of interest would affect Morrison's directly or indirectly.

(d) Describe how the growth of *Morrison's* might be affected by an increase in interest rates.

(4)

If interest rates increase businesses ~~with~~ such as Morrison's will have to pay more tax. This will have a negative affect on the growth of Morrison's as they won't have enough money to pay for promotion which could lead to a down-fall in the business as sales are falling due to price increases because of the rise in interest rates.



ResultsPlus

Examiner Comments

This candidate has confused interest rates with taxation and therefore the reason given is invalid (0 marks).

(d) Describe how the growth of *Morrison's* might be affected by an increase in interest rates.

(4)

Interest rates are the cost of spending and reward for saving money. An increase in interest rates would reduce the amount customers are willing to spend and increase the amount they save. This may mean that Morrison's may lose revenue as ^{customers} ~~people~~ don't spend as much and Morrison's may lose a customer base if other cheaper stores offer similar goods. ~~Alternately~~ ^{This would} result in a reduction of growth. Alternatively, if Morrison's changes its marketing mix and offers lower prices, it may gain a competitive advantage over Tesco and Asda and increase revenue. This could result in an increase in growth.



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Examiner Comments

The candidate gives a relevant affect, "customers willing to spend less" (1 mark). The candidate then goes on to offer two linked strands of explanation, "may lose revenue", and "reduction of growth". As this answer is also in context, "cheaper stores", then the answer achieves all the marks.



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Examiner Tip

This candidate has opened their answer with a relevant definition of an interest rate. Although this shows understanding of the concept, there are no marks for definitions on 'explain' questions.

Question 4 (b)

The majority of candidates scored both marks on this question. The most common responses referred to some form of pollution or non-renewable resources.

(b) Identify **two** negative externalities associated with air travel.

(2)

1 Air pollution

2 noise pollution



ResultsPlus Examiner Comments

The candidate offers two relevant negative externalities. Although pollution has been given twice, the candidate has distinguished between "air" and "noise" pollution. This was a common response 2/2.

(b) Identify **two** negative externalities associated with air travel.

(2)

1 Noise pollution for local community around airport

2 Air pollution in the way of waste gases which increase the risk of ~~climate~~ ^{global warming/greenhouse} change effect



ResultsPlus Examiner Comments

Similar to the first example, this candidate has achieved 2 marks for identifying two relevant negative externalities. Here the candidate has provided more detail, similar to an 'outline' question, but this is not necessary to achieve both marks.

Question 4 (c)

There was a good variety of responses to this question, with relevant application to the airline industry. The most common response referred to some form of direct or indirect taxation on the airline industry.

(c) Explain **one** policy the government can use to reduce the negative externalities associated with air travel.

(3)

~~Subsidies~~ Increasing tax on fuel. This will mean that ~~the~~ Ryanair's costs will increase. This will mean that their prices will go up so they will gain less customers so demand will fall. This is likely to decrease their revenue so they will either have to reduce their amount of flights, or find an alternative that is cheaper and better for the environment. Eg: biofuels.



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Examiner Comments

A relevant policy has been given with "increasing tax on fuel" (1 mark). A consequence is given "Ryanair's costs will increase" (2 marks), and at least one further point of development, "their prices will go up so they gain less customers... reduce the amount of flights". The answer gains all 3 marks as context is evident through mentioning "fuel".

Question 4 (d)

Almost half the cohort achieved at least 4 marks on this question, demonstrating that most candidates were able to explain how reduced productivity and/or increased competition could impact on Ryanair's competitiveness. The best answers (Level 3 responses) were able to give a balanced viewpoint, normally through a conclusion, and apply their answer to the context of Ryanair or the airline industry.

Two ways in which *Ryanair* could lose competitiveness are:

- decreased productivity
- increased competition.

(d) Which of these two ways do you think is **more likely** to cause *Ryanair* to lose competitiveness and why?

(6)

If their productivity decreases then there will be an impact on the amount of customers they have, their demand will go down due to the lack of productivity and if their demand falls their market share will also go down. Also if the customers choose not to fly with Ryanair then they will go to other airlines reducing their market share even further.

If their competition increases then the customers may choose to change airlines. However if Ryanair maintain a competitive advantage then their consumers will choose to stay with them. If their competition increases massively then they Ryanair consumers will probably choose to change airlines because their competition may have more competitiveness and more advantages. In the short run I think the decreased productivity will cause Ryanair to lose competitiveness but they can get productivity to go back up. In the long run the increased competition will have a bigger impact but that depends on the sustainability of the competition.



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Examiner Comments

This candidate has discussed how both a reduction in productivity and an increase in competition could impact on Ryanair's competitiveness. Both points are clearly explained and well developed (top of Level 2). The candidate has also shown a balanced viewpoint through, "However, if Ryanair maintain a competitive advantage customers will stay with them". There is also evidence of balance towards the end of the response through, "but they can get productivity to go back up". The answer is now at the bottom of Level 3, 5 marks.

The response ends with a relevant conclusion which identifies increased competition as having the "bigger impact". There is also context throughout and this is a very good answer at the top of Level 3, 6 marks.



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Examiner Tip

There are some very effective techniques evident in this candidate's conclusion. The candidate has made use of the 'it depends' rule to show that the outcome is not necessarily automatic. There is also reference to the "long run" and this is a very useful technique to use in an evaluation. Often an issue or decision will have an immediate affect/consequence and a long-term affect/consequence. This is a very advanced skill, often demonstrated by A Level candidates.

Two ways in which *Ryanair* could lose competitiveness are:

- decreased productivity
- increased competition.

(d) Which of these two ways do you think is **more likely** to cause *Ryanair* to lose competitiveness and why?

(6)
I think that an increase in ~~productivity~~ ^{competition} is the most likely, of the two ways, to cause *Ryanair* to lose competitiveness. I think this because if there are ~~another~~ other companies, that like *Ryanair* are cheap, but are ^{of} better quality, customers are more likely to fly with its competitors. This means *Ryanair's* revenue will fall, so in order to increase its revenue again, it will have to look at the marketing mix to see how it can improve its company and ^{price again} compete with the other businesses. An example of how *Ryanair* could increase its competitiveness would be to look at promotion, they could increase their ^{money spent on} advertising, they could also offer special deals at the prices of ~~plain~~ plane tickets.



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Examiner Comments

The candidate's answer starts with a decision as to which option they believe will cause *Ryanair* to lose competitiveness. The answer then goes on to develop and explain the reasons. The answer is in context, although there is no balance or a conclusion. Therefore, the answer is at the top of Level 2 (4 marks).



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Examiner Tip

Note that this candidate has not discussed decreased productivity in their answer. Where two options are presented, the candidate does not have to discuss both options, providing they offer a balanced perspective, context and a conclusion, in order to achieve full marks.

Question 5 (a)

This format of question requires candidates to initially identify a benefit (or cost, as in 5b) and then for the second part of the answer provide an explanation of the benefit in context. Many candidates were able to access all 4 marks on this question.

Zambia is a Less Economically Developed Country (LEDC) in southern Africa. It is one of the world's poorest countries. Of those employed, 85% work in agriculture. Unemployment in Zambia is a serious problem.

Agriculture, copper mining and tourism account for most of Zambia's Gross Domestic Product (GDP). International trade has increased at an average of 15% a year over the last few years, largely as a result of the increased output of Zambia's copper industry.

5 (a) Identify and explain **one** benefit of international trade to Zambia.

Benefit

more employment

(1)

Explanation

International trade is the exchange⁽³⁾ of products between different countries. If Zambia is able to sell its products (e.g. its copper) to other countries, it will need more copper to keep up with the increased demand from opening into new markets. To mine more copper, a Zambian business would need more miners, creating jobs that would reduce the level of unemployment.



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Examiner Comments

The candidate has identified a relevant benefit of international trade, "more employment" (1 mark). The 'explanation' then goes on to develop at least three linked strands of development which explain the cause and consequence of the benefit. The candidate has also referred to "copper" and "miners", clearly applying their answer to Zambia, 4/4.

5 (a) Identify and explain **one** benefit of international trade to Zambia.

Benefit

(1)

Rise in GDP

Explanation

(3)

If unemployment goes down due to international, people will have more money. This means the GDP will go up. So the living is also raised.



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Examiner Comments

A relevant benefit has been given, "rise in GDP" (1 mark). A cause has then been identified, "if unemployment goes down.... people will have more money" (2 marks). The last part of the answer repeats the benefit and "living is also raised" adds nothing to the explanation. Therefore, the answer remains at 2 marks.



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Examiner Tip

On this type of question candidates should try to avoid repeating the benefit (or cost) within their 'explanation'. Instead, they should attempt to develop three linked strands of explanation in context.

Question 5 (b)

In comparison to Question 5a, a smaller number of candidates were able to access all four marks on this question, finding it more challenging to identify and explain a limitation of international trade for Zambia. The most common line of response referred to the loss of natural resources and the exploitation of workers/businesses in Zambia.

(b) Identify and explain **one** cost of international trade for Zambia.

Cost

(1)

Over Specialisation

Explanation

(3)

If Zambia is over specialised in a certain industry then they will not know what else to do if that industry fails. This means that the country won't be able to do anything else because they only know how to mine for copper. This means GDP, living standards will decrease exports will decrease and so will imports. This will lead to a recession.

(Total for Question 5 = 8 marks)



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Examiner Comments

As with the example in 5a, the candidate has identified a cost as being "over specialisation" (1 mark). Although there is some repetition in this answer, there are three linked strands of explanation and the context mark has been awarded for reference to "copper", a prominent industry and export of Zambia, 4/4.

(b) Identify and explain **one** cost of international trade for Zambia.

Cost

(1)

Too much Importing.

Explanation

(3)

If people of Zambia start to buy more imported goods it will mean less money is going into their own economy and too much going into others. This will affect Zambia's businesses because they will have less. This affects Zambia because there's less tax revenues for the government.



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Examiner Comments

In this response the "Too much importing" is not a cost of international trade, therefore this has not been awarded a mark. However, there are two relevant points developed in the 'explanation'. The points "less money going into their own economy", and "less tax revenue" are relevant and therefore the answer scores 2 marks.

Question 6 (a)

The vast majority of candidates were able to access the 1 mark available for this question. Candidates were able to offer a wide variety of ways in which economic growth could be achieved by an LEDC such as Zambia.

6 (a) Identify **one** factor that can cause economic growth in an LEDC such as Zambia.

(1)

Better education.



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Examiner Comments

This is a simple yet relevant response for 1 mark.

Question 6 (b)

The open nature of this question meant that many candidates found the question accessible and many achieved all 3 marks.

(b) Explain how the factor you identified in (a) causes economic growth. (3)

If Zambia's exports rise then more money will be pumped into the economy. This will lead to more money to invest in the country. This will lead to more growth in an economy because more people will have jobs and production will rise due to demand.



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Examiner Comments

The candidate has offered three linked strands of explanation, "more money pumped into the economy", leading to, "more money to invest", and as a consequence, "more people will have jobs". The candidate has been awarded the mark for context through "more jobs" as unemployment is a key issue highlighted in the stimulus material, 3/3.

(b) Explain how the factor you identified in (a) causes economic growth. (3)

more spending causes the economy to grow. this is because more money is being put in to the economy. therefore more spending is a key to economic growth.



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Examiner Comments

This response achieves 1 mark. The candidate has repeated the factor mentioned in 6a but does offer "more money being put in to the economy".

Question 7

This question gave the greatest range of answers across the paper, perhaps due to the fact that a considerable number of candidates interpreted non-tariff barriers as meaning free trade. Nevertheless, many candidates were able to explain how tariffs could be used to restrict free trade. This is a 'choice' question that required candidates to discuss one or both options with a balanced analysis. The answer must also be in context and offer evaluation to achieve at the top of Level 3.

*7 LEDCs such as Zambia can restrict free trade by imposing:

- tariffs
- non-tariff barriers.

In your opinion, which of these is **more likely** to help Zambia's economy?

Justify your answer.

Tariffs are taxes on imports. This means less people will buy from other countries as prices will fall. Demand for imports will fall. Therefore, people from Zambia will spend money on their local economy as prices will be cheaper. The economy will grow.

If Zambia imposed non-tariff barriers, imports will increase. This is because people will demand foreign goods. However, this could encourage investment in the country as there will be demand in Zambia. Therefore the economy will grow.

I would say that non-tariff barriers will be more likely to ~~more~~ help Zambia's economy as more investment will be spent there.



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In the first paragraph the candidate has shown sound understanding of how a tariff could be used to benefit Zambia's economy and has used effective connective words such as, "this means that...", and "therefore...", to develop analysis.

The candidate then goes on to discuss non-tariff barriers, but seems to have confused these strategies with free trade. A simple conclusion is offered, but without balance the answer is unable to move beyond the middle of Level 2 (4 marks).

Balance could have been achieved by identifying the limitations of a tariff as a way of restricting free trade in Zambia.

*7 LEDCs such as Zambia can restrict free trade by imposing:

- tariffs
- non-tariff barriers.

In your opinion, which of these is **more likely** to help Zambia's economy?

Justify your answer.

Tariffs are taxes imposed on imported goods by the Zambian government. There are a few reasons why this could help their economy.

Firstly, any imports that are purchased result in money going directly to the government. This money can then be used to invest in improving local infrastructure and generally improving the quality of

life of local people. This will then lead to improved employment, productivity, quality of human capital (through the state building of schools) and eventually increased output which is good for the economy.

Two effective non-tariff barriers are quotas and subsidies. Quotas are a physical restriction on the number of goods foreign businesses can import, whereas subsidies are rewards offered by the government to domestically owned businesses that help them to outcompete foreign rivals. Each of these methods, especially when used together, should improve the strength of domestic produce and business. This means more domestic business growth, and more money in the way of taxes for the government which can be used to promote growth. However, in an LEDC 'can' the government offer strong enough subsidies? It is also worth considering that simply killing

(Total for Question 7 = 8 marks)

off all foreign business using these non-tariff barriers

would very likely do more harm than good, as if imposed, Zambia would completely isolate itself (both from importing and exporting) ~~or~~ from international trade. All in all, I think tariffs would help the economy move as they are a sure fire way to increase government revenue and spending, while not completely destroying foreign business interests.



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Examiner Comments

This is an excellent answer and very advanced for a GCSE student. The candidate has shown very good understanding of both tariffs and non-tariff barriers. Both options are analysed with clear strands of explanation that build the answer. The candidate has suggested a limitation of non-tariff barriers, "can the government offer strong enough subsidies?", which shows balance and the answer is also in context of an LEDC. The evaluation is clearly justified and drawn from the analysis (8/8).

Question 8 (a)

The majority of candidates achieved 1 mark on this question. The question was relatively straightforward with 1 mark allocated for application but candidates need to find some way to contextualise their response to Microsoft. This could have been done by referring to the nature of the product or perhaps the issue of public interests which is highlighted in the stimulus.

Microsoft is a company based in the USA that develops and manufactures a wide range of computing products and services.

It spends over \$9 billion every year on Research and Development (R & D) – more than any other company.

It has been said that Microsoft has used its monopoly power in a way that is not in the public interest.

25%

8 (a) Outline **one** disadvantage to Microsoft of spending \$9 billion a year on R & D.

(2)

Instead of spending \$9 billion on R and D they could spend it on advertising which could lead to Microsoft gaining new customers and an increase in profit.



ResultsPlus

Examiner Comments

On first inspection, this seems to be a successful answer with at least one point of development. However, there is nothing to contextualise this answer to Microsoft. It could be about any business, and therefore, 1 mark was awarded.

Microsoft is a company based in the USA that develops and manufactures a wide range of computing products and services.

It spends over \$9 billion every year on Research and Development (R & D) – more than any other company.

It has been said that *Microsoft* has used its monopoly power in a way that is not in the public interest.

8 (a) Outline **one** disadvantage to *Microsoft* of spending \$9 billion a year on R & D.

(2)

This money could be spent elsewhere rather than just trying to make it's self bigger and gain more money. This just make *Microsoft* more of a monopoly which is anti-competitive.



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Examiner Comments

This response offers a disadvantage, "could be spent elsewhere", but the response also offers context, "make *Microsoft* more of a monopoly which is anti-competitive", 2/2.

Question 8 (b)

This 'assess' question requires candidates to consider the relative benefits and drawbacks of monopolies and then make a decision as to whether they do or do not benefit society. A significant number of candidates were able to balance their answers.

(b) Assess the extent to which monopolies such as *Microsoft* are of benefit to society.

(8)

Monopolies like Microsoft are a benefit to society because they can utilise their increased profits to spend on developing cheaper products, especially because they can utilise bulk-buying economies of scale, or technological economies of scale to increase productivity, therefore lowering costs which ~~can be~~ results in cheaper products for consumers. Moreover, money invested in research and development can lead to the development of more varied products, which provides more choice for consumers.

However, companies that whose success depends heavily on innovation and invention can set up barriers to entry for other businesses by putting patents on their technology. This reduces competitiveness in the market, so the monopoly can charge higher prices for its products, making it more expensive for consumers to purchase goods. Monopolies like Microsoft can also compromise the jobs of workers, and they're more likely to employ fewer people than a competitive market would, thus leaving them with less disposable income.

Overall, I believe that monopolies like Microsoft have less of a benefit to society than themselves, because the barriers to

(Total for Question 8 = 10 marks)

entry ~~are~~ are much more harmful to the levels of competition in the market, and unemployment rates are likely to be higher.

* as consumers are a captive audience



ResultsPlus
Examiner Comments

This is a very good answer. The candidate has given a detailed analysis of the benefits and drawbacks of monopolies to society. The answer is in context and there is a balanced and well-developed evaluation (top of Level 3). This candidate has also made good use of the 'it depends' rule, 8/8.

*(b) Assess the extent to which monopolies such as Microsoft are of benefit to society.

(8)

Firstly, the benefits that ~~micro~~ Microsoft bring is that it ~~uses~~ creates jobs for people ~~as they use it~~ which will benefit society as it will reduce unemployment and get more people ~~use~~ earning money. This will increase standard of living, ~~a~~ resulting in more people spending in the economy. Also ~~one~~ another benefit is that if it has a ~~of~~ great value ~~of~~ for laptops and computers more people will buy them and therefore increasing profit for ~~micro~~ Microsoft which could use it to provide more jobs.

However, the negatives is that it will use its monopoly power and still keep high prices so people have to pay more for their products. Also the lack of choice will mean that if they want it they ~~are~~ really no other choice. Also it will mean that no new business can come into the market to compete.

(Total for Question 8 = 10 marks)

TOTAL FOR SECTION B = 30 MARKS

Overall, I think it has more benefits than negatives as it could use its power to takeover and merge business for growth provide more people with jobs.



ResultsPlus
Examiner Comments

This is another good response. The candidate has considered both perspectives and achieved context through, "computers... laptops". This relevant and balanced analysis, with context, puts the answer at the bottom of Level 3. The candidate provides an evaluation, but this is not developed stating that, "there are more benefits than negatives". The final statement regarding the benefit of a merger is not necessarily true, 6/8.

Question 9

This question required candidates to identify two aspects of unemployment in their definition. The majority of candidates achieved both marks on this question.

UK unemployment rose by 48 000 to 2.67 million in the three months to December 2011. The number of young people unemployed in the same period rose by 22 000 to 1.04 million.

Jobsite is a leading online recruitment site. It helps people find jobs by assisting them with their applications and linking them to employers in the UK. Individuals do not have to pay *Jobsite* for these services. *Jobsite's* main revenue comes from employers paying to place job advertisements on its website. *Jobsite* advertises on national television and sponsors *Portsmouth FC*, its local football club.

9 What is meant by the term **unemployment**?

Unemployment is people who currently don't have a job but are seeking for one.



ResultsPlus

Examiner Comments

The candidate has achieved both marks by defining unemployment as people who "don't have a job" and are "seeking one".

9 What is meant by the term **unemployment**?

Unemployment is when people in the UK are out of a job. Unemployment means that a percentage of the population do not have a job.



ResultsPlus

Examiner Comments

This response has achieved 1 mark as although "do not have a job" has been mentioned, this could refer to people out of work due to disability or retirement, for example, 1/2.

Question 10

Most candidates were able to successfully identify one or more costs to society of high rates of youth unemployment with many achieving at least 6 marks. Candidates found it more difficult to contextualise their responses to the UK.

10 Identify and explain **two** possible costs to society of high levels of unemployment amongst young people.

Cost 1

more spending on benefits

(1)

Explanation

People ~~work~~ who are unemployed get given Jobseeker's Allowance so they have got money to live on. This money comes out of the government's spending. If more people need to receive Jobseeker's Allowance, the government has less money left to spend on education and healthcare

(3)

Cost 2

less ~~money~~ spending in the economy

(1)

Explanation

People ~~work~~ who are unemployed usually don't have much money to spend. This means they buy ~~less~~ fewer products and therefore businesses have lower revenues and lower profits. This means the government receives less tax and more businesses are at risk of closing down.

(3)

(Total for Question 10 = 8 marks)



ResultsPlus
Examiner Comments

The candidate has identified two relevant costs to society and there are at least three strands that build the explanation. In the first part of the question the candidate has made reference to "jobseekers allowance" for context, although the second part of the answer lacks this, 7/8.

10 Identify and explain **two** possible costs to society of high levels of unemployment amongst young people.

Cost 1

(1)

no income

Explanation

(3)

~~young~~ young people will need income to get around so when they don't have any income, this means they don't have the money to pay bills which may lead to them living in debt.

Cost 2

(1)

may lead to becoming homeless

Explanation

(3)

If you can't pay bills for a house or flat because you have no income this may lead to you being homeless. When there is no income this leads to no money for ~~the~~ bills leading to having no home then being homeless.



ResultsPlus
Examiner Comments

Two relevant costs have been identified to achieve 2 marks. The first explanation has several linked strands of development, but lacks context. The second explanation gives a cause, but there is repetition of the cost, 5/8.

Question 11

This question required candidates to consider the relative merits of Jobsite using revenue as a measure of success. A good answer would consider both sides of this argument in context of Jobsite, and perhaps, consider other suitable measures of success. The evaluation should then justify whether revenue or some other measure of success is the most suitable for Jobsite. There were some very good answers to this question, which made specific reference the nature of Jobsite's business model. Furthermore, many candidates were able to discuss a range of other suitable measures.

*11 Using the evidence and your knowledge of economics and business, assess the extent to which revenue is the most important measure of success for businesses such as Jobsite.

Revenue is a very important measure of success for the business because it depends on the revenue received from the advertisements in order to be able to provide jobs for the unemployed. A high revenue will allow Jobsite to receive higher profits, which it can use to grow, and it will give the business a higher market share and ^{power} greater profits, which will not only help it survive in the long run, but will also encourage it to extend its services to more unemployed people through different types of advertising.

However, it's arguable that the business has more corporate social responsibility as its aim is to reduce unemployment, therefore its success should be measured by looking at the social success of the business. Therefore, even if the business is generating less revenue, but is providing jobs to a very high percentage of the unemployed Jobsite may consider itself more successful because it has achieved its aims. The fact that Jobsite has sponsored its local football team emphasises its interest in society, so Jobsite may only be interested in revenue in order to provide social jobs for people.

Overall, I believe that revenue isn't the most important measure of success for Jobsite. It often depends on the business, but Jobsite's main aims are to provide recruitment opportunities, so whilst revenue is fundamentally important in allowing Jobsite to run successfully, I believe that its social success would be a better measure of success for the business, ^{more} important compared to a business, like a charity, that depends on revenue and profits to provide benefits to society.

(Total for Question 11 = 10 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 90 MARKS



ResultsPlus

Examiner Comments

This is an excellent answer. The candidate has clearly explained the relevance of revenue as a measure of success for a business like Jobsite. The candidate has also considered another measure, "corporate social responsibility... to reduce unemployment", as being more relevant. The candidate has provided balance by considering the limitations of revenue by stating that even if revenue is low, the business would still be successful if unemployment falls.

The evaluation is drawn from the analysis and the decision is well-justified, making use of the 'it depends' rule. An exemplary answer which scored 10/10.

Using my knowledge of economics and business, revenue is important within a business because if you generate a good revenue a good cash flow will come with it. Therefore more money will be coming into the business than going out. As a result of this retained profit will be achieved for a business such as jobsite.

However, not just a good revenue for the business is important because for a business such as jobsite they need other stuff for example, good customer service. This generates repeat customers and therefore also generates more profit and ~~good~~ sales for the business.

In conclusion, I believe that a good revenue allows good cash flow continuing a profit for the business. However, other aspects of the business such as customer service is

important as well as good revenue.

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 90 MARKS



ResultsPlus Examiner Comments

The candidate has explained the relevance of two measures of success including revenue and customer service. Two relevant factors have been assessed, therefore, putting the answer at the middle of Level 2.

There is a reasonable evaluation and even though two factors have been assessed this answer lacks balance. The response could be about any business and without context the answer cannot achieve Level 3, 6/10.

Paper Summary

Overall, there were some excellent answers and it was pleasing that many candidates were able to apply their knowledge of business and economic issues to a range of contexts. Many candidates showed a real insight into understanding how governments and businesses have an impact on the world we live in.

Based on their performance on this paper, candidates are offered the following advice:

- Always try to support definitions with valid examples
- Use relevant connectives such as, 'therefore...', 'this leads to...', 'as a result...', as this will help build explanation and analysis to show a clear understanding of issues, causes and consequences
- Avoid lengthy and unnecessary explanations when answering 'identify' questions
- When answering choice and 'assess' questions, always consider what the 'but' might be. Issues are seldom one-sided or automatic and a well-balanced answer will always present the benefits and limitations
- Where a stem and evidence is provided candidates must always attempt to answer the question in the context of the business or economy mentioned.

Grade Boundaries

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