

Examiners' Report
June 2015

GCSE Business Studies 5BS05 01

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Introduction

Overall, this was an accessible paper and there were some excellent answers to the questions. 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.

It was evident that 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 'social problems' and a majority were able to outline relevant examples of 'cash inflows' for a business.

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.

The 3 mark 'explain' questions needed 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, Toyota, Poundland or Egypt.

Questions 4(d) and 6(b) 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 question 4(d) some candidates were able to analyse how entering the large Chinese market with a growth rate of 10% would create a large target market for Aurora, but then went on to explain that entering a foreign market where they have little experience may be a high risk strategy. Answers like this demonstrate balance in the analysis.

The 'assess' questions of 7(b) followed similar patterns, although most candidates found it much easier to give a balanced response on 7(b) as most candidates were able to identify at least one benefit and one drawback of a spending on infrastructure as a policy to reduce absolute poverty. Comparatively, candidates also found it easier on question 10 to apply their answers to the context of Sytner as an importer and relate this to the strengthening of the pound.

Question 1 (b)

Many candidates achieved full marks on this question and understood the factors that could lead to a product being price sensitive. However, a number of students simply explained a factor that might determine how demand might change with a fall or rise in the price. A few candidates misinterpreted the question and explained price insensitivity.

(b) Outline **one** reason why the demand for a product might be price sensitive.

(2)

A product may be price sensitive because it's not a necessity and there's several alternatives which gives the customers a choice and the demand can change.



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Examiner Comments

The candidate scores both marks since they have identified a factor - 'not a necessity' - and have developed this point - 'gives customers a choice'.

(b) Outline **one** reason why the demand for a product might be price sensitive.

(2)

If the price increases the demand will change, larger than a proportion to the price rise.



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Examiner Comments

This candidate shows an understanding of price sensitivity, but has not given a reason/factor. 0 marks.

Question 1 (c)

This was a relatively straightforward question for most candidates. However, some candidates showed a lack of understanding between revenue/sales/turnover and profit.

(c) Give **two** examples of cash inflow for a business. *From.*

(2)

1 Revenue

2 ~~B~~ Money from a grant from the government.



ResultsPlus
Examiner Comments

Two relevant cash inflows identified.

(c) Give **two** examples of cash inflow for a business.

(2)

1 Revenue

2 Sales



ResultsPlus
Examiner Comments

One mark awarded for either 'Revenue' or 'Sales'

Question 1 (d)

The majority of candidates understood what poor/negative cash flow was, but struggled to clearly explain why this might lead to business failure. A significant number of candidates explained that this would reduce profits without clearly demonstrating an understanding of the difference between cash flow and profitability. Nevertheless, candidates were credited if they were able to explain how poor cash flow could lead to falling profits through insolvency. Most candidates who scored all three marks on the question did so by explaining how poor cash flow might result in the business being unable to pay certain debts/costs.

(d) Explain **one** reason why poor cash flow could lead to business failure.

(3)

If the business have a poor cash flow, they might need to reduce the cost. They may use cheaper ~~material~~ raw materials to make less costs but this may cause the poor quality of product and lead to decrease demand. As demand decrease, they may have even less revenue and poorer cash flow, lead to business failure as they cannot afford to keep running the business.



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Examiner Comments

The candidate has given a valid reason 'may use cheaper raw materials'. They have then gone on to give two linked strands of development. The answer does not need to have any context to achieve full marks.

(d) Explain **one** reason why poor cash flow could lead to business failure.

(3)

Poor cash flow could lead to business failure by having no money being produced by the product sold. The product could cost more to make than it's sell price.



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Examiner Comments

The candidate has given a simple reason why a business might experience poor cash flow, but this does not answer the question.

Question 2 (b)

This was a very open question. It was accepted that there are a wide variety of responses that could be considered a social problem. 'Anything at least some people in a community view as being undesirable'. Consequently the majority of candidates scored 3 marks on this question.

(b) State **three** current social problems other than binge drinking.

(3)

- 1 Littering
- 2 selling of drugs
- 3 ~~drugs~~ drug use



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Examiner Comments

Two marks. Selling of drugs and drug use are too similar to be awarded as two separate points. They are both related to the same social problem - the use of drugs.

(b) State **three** current social problems other than binge drinking.

(3)

- 1 Drug abuse
- 2 Unemployment
- 3 Obesity



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Examiner Comments

Three relevant social problems identified.

Question 2 (c)

This question was answered well with many candidates achieving all three marks.

The majority of candidates accessed the marks by explaining that the government could reduce binge drinking by increasing taxation (duty) on alcohol. Candidates who did this then went on to develop their explanation successfully.

(c) Explain **one** method the government could use to reduce binge drinking.

(3)

One method the government could use to reduce binge drinking is by putting a tax on alcohol. This means that people would have to pay more money on their alcohol, this could put people off from buying alcohol as much because they may not see as willing or able to purchase the alcohol. Therefore it less people are buying alcohol then binge drinking should gradually fall.



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Examiner Comments

3 marks - this is an example of a typical response that many candidates gave for this question.

(c) Explain **one** method the government could use to reduce binge drinking.

(3)

The government could increase the price of alcohol. This would mean people not being able to afford alcohol which means they will stop binge drinking.



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Examiner Comments

The government cannot increase the price of alcohol. They can increase the duty/tax. Relevant method not awarded. However, one mark has been given for recognition that people would not be able to afford it. The last point is simply repetition of the question. Total - 1 mark.

Question 2 (d)

Candidates who picked up marks on this question approached it from one of two ways. The first was to recognise the cost to society and the government of binge drinking. Candidates who approached the question this way typically went on to explain that less would be spent on areas, such as the NHS. This gave the answer context because the answer was specific to the UK context and the issue of binge drinking. Other candidates approached the answer by developing an explanation linked to lower tax receipts for the government from the duty on alcohol.

Recent research shows that the annual quantity of alcohol consumed by those aged 18 and over has fallen by more than 12% since 2004.

(d) Explain **one** effect on the government of the fall in alcohol consumption.

(3)

A fall in alcohol consumption would lead to a decrease in the amount of funding needed for the NHS as there would be a decrease in alcohol related problems. This means that the government has more money to spend on other things in the country like enhancing the police force



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Examiner Comments

The effect in this response is - 'decrease in spending' - there are then two linked strands of development in the form of a cause - 'decrease in alcohol related problems' - and a consequence - 'more money to spend on other things'. The answer gains three marks because it is in context (NHS).

Recent research shows that the annual quantity of alcohol consumed by those aged 18 and over has fallen by more than 12% since 2004.

(d) Explain **one** effect on the government of the fall in alcohol consumption.

(3)

If a ~~fall~~ fall in alcohol consumption occurs then the government will be able to spend less on health care and rehabilitation programmes. ~~for~~ ~~that~~ This will mean that the government will have more money, which it could spend on education and increasing economic activity, which will further benefit the government and others.



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Examiner Comments

This is a good answer and in context. However, the final point made is too vague to achieve the third mark - 'will benefit the government and others'. 2 marks.

Question 3 (b)

The majority of candidates scored one mark on this question. The question required candidates to show an understanding of the reasons for protectionism. Those candidates that achieved both marks generally explained how restricting free trade would protect/help develop domestic industries in Egypt.

(b) Outline **one** reason why Egypt might want to restrict free trade.

(2)

Restricting free trade will make imports more expensive meaning that people will buy from domestic businesses instead. This will help small businesses grow as well as causing economic growth.



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Examiner Comments

A relevant reason for restricting free trade has been given. The candidate then goes on to give simple development - 'this will help small businesses grow'.

(b) Outline **one** reason why Egypt might want to restrict free trade.

(2)

There will be more tax revenue as there will be more tax's to pay.



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Examiner Comments

1 relevant point made - 'more tax revenue'. The candidate has not had to explain that this would come from an import tariff.

Question 3 (c)

Most candidates were able to explain how trade barriers would impact Toyota. However, some candidates explained the impact of tariffs but did not understand how a tariff works. For example, some candidates suggested that Toyota would have to pay the tax. This same topic confused a number of candidates on the previous series and is an area of focus for centres.

The Toyota Group is one of the world's largest multi-national corporations with its headquarters in Japan. It produces cars and electronics with factories in many different countries.

Companies such as Toyota might be affected by Egypt's barriers to trade.

(c) Explain **one** possible disadvantage to Toyota of Egypt's barriers to trade.

(3)

Toyota may experience a fall in revenue due to the barriers. This will occur because if there is a large market for Toyota cars in Egypt, demand will soon fall because of the taxes on imports causing a price increase. Due to cars being a luxury good, demand will fall because they are price sensitive. Overall, leading to a fall in revenue.



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Examiner Comments

A reason has been given - 'demand will fall due to price increase' - the candidate then goes on to give two linked strands of development. The answer is in context as the answer refers to 'cars'. 3 marks.

The Toyota Group is one of the world's largest multi-national corporations with its headquarters in Japan. It produces cars and electronics with factories in many different countries.

Companies such as *Toyota* might be affected by Egypt's barriers to trade.

(c) Explain **one** possible disadvantage to *Toyota* of Egypt's barriers to trade.

(3)

If it tries to sell its products in Egypt, it will have to pay a large amount extra just to import it, due to Egypt's trade barrier of a 'tariff', so tax would be put onto Toyotas imports that they would have to pay.



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Examiner Comments

1 mark has been awarded for recognising that a trade barrier might involve a tax on imports. However, the candidate does not understand how this works.

Question 3 (d)

With a 'describe' question candidates can access the marks using a number of techniques. The points of explanation do not have to be linked, as is the case in a three mark 'explain' question. Candidates may also achieve one mark through a relevant definition. However, the question does not provide a key concept to define.

Candidates mainly picked up marks for explaining how the factory would create job opportunities for Egyptians and create a source of tax revenue for the Egyptian government.

(d) Describe the benefit to Egypt of Toyota locating a factory in their country.

(4)

This will benefit those living in the LEDCs because this will mean there are jobs to offer in this multinational company. Which will reduce the number of people who are unemployed, they will earn a living which will mean that they will have disposable income and they can spend it on many goods resulting in an improvement in standard of living. This will also be a benefit to society as they will be paying taxes which could then lead to improvement on infrastructure and health services.



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Examiner Comments

Several reasons are mentioned and there are a number of linked strands of development explaining how a new Toyota factory would improve the lives of Egyptians and the Egyptian economy. The answer is also in context of Toyota/Egypt by referencing Egypt as an LEDC.

(d) Describe the benefit to Egypt of *Toyota* locating a factory in their country.

(4)

If Toyota locates a factory in Egypt, then these people will have more choices in the car that they buy.



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Examiner Comments

A simple benefit has been given - 1 mark.

Question 4 (b)

A number of candidates scored 0 marks on this question showing a gap in their knowledge of what constitutes an external shock. The most common answer was the change in a commodity price (oil) or conflict (such as war) in a foreign country.

(b) Outline **one** example of an external shock to the UK economy.

If oil is found in America, then the supply for oil will increase in proportion to demand, therefore petrol prices in the UK will fall. (2)



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Examiner Comments

External shock given - 'oil found in America'. The candidate then goes on to give a consequence - 'petrol prices in UK fall'. 2 marks.

(b) Outline **one** example of an external shock to the UK economy.

One example of an external shock to the UK economy would be the increase of unemployment. (2)



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Examiner Comments

A number of candidates referred to factors that could be considered an internal shock.

Question 4 (c)

This was an accessible question for most candidates. The key with this question was to make the link between success and the increase in market share. Few candidates simply explained how success could lead to improved profitability, but instead related their response to how Aurora might have performed better than their competitors. Context was awarded for reference to the nature of the product - rare stamps and autographs - or drawing from the stem the fact that there has been poor economic growth since 2008.

Question 4 (d)

The first 'choice' question on this paper required candidates to provide a balanced analysis of the two choices and make a simple conclusion. However, candidates do not have to discuss both options to achieve full marks. Nevertheless, the majority of candidates approached the question by discussing each option in turn. Many candidates showed a good understanding of the issues concerned with internal and external growth. Candidates demonstrated context by linking their answers to the nature of the product or the nature of the Chinese market.

Balance was demonstrated where candidates were able to explain the benefits **and** drawbacks of one option.

Brazil, Russia, India and China have all experienced average annual growth rates of over 4%, with China growing the fastest at 10%.

Aurora wants to continue its growth. It has identified two options:

- internal growth – developing a website to sell its products
 - slow
 - wider market
 - less risk
 - external growth – merging with a similar business based in China
 - high risk
 - economies of scale
 - different ideas
- (d) Which of these methods do you think will be more effective in allowing Aurora to grow? Justify your answer.

(6)

Growing internally is a good idea for Aurora because a website will ~~increase~~ mean the business has a wider market to sell to therefore will have more sales.

Growing through a merger is also good because it will mean Aurora will grow faster and be able to achieve economies of scale. China is one of the fastest growing countries with an annual rate of 10% - this means consumer spending will be high. However, external growth involves more risk and could result in ~~disruptes~~ disputes between both businesses.

Overall, I believe internal growth is the more effective option as it allows the growth to be slow and steady and stay in control. This means there is less risk so less chance of the business failing as a result of its growth.



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Examiner Comments

The candidate has discussed both options, albeit with little explanation of how a website could benefit Aurora. The candidate has explained the benefits and drawbacks of external growth in the form of a merger with a Chinese business. The answer is also in context by referring to the growth rate of the Chinese market. The answer finishes with a simple conclusion and shows balance. Therefore, the answer achieves the top of level 3. 6 marks.

Brazil, Russia, India and China have all experienced average annual growth rates of over 4%, with China growing the fastest at 10%.

Aurora wants to continue its growth. It has identified two options:

- internal growth – developing a website to sell its products
- external growth – merging with a similar business based in China

(d) Which of these methods do you think will be more effective in allowing Aurora to grow? Justify your answer.

(6)

Developing a website to sell its products would be a good idea as it would make it easier for consumers to purchase products. Especially from abroad as consumers can have easy access to Aurora whereas without the website they would have to come to the UK to buy the products.

Merging with a similar business in China would help them grow as they will be able to sell to more people. The brand name will become bigger as the two businesses will have a larger market share. Also if there's two businesses then there's more money to invest. I believe the external growth is a ~~more~~ better option as the growing would be much faster and the business can enter a new market which helps for the future.



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Examiner Comments

This is a good answer and the candidate has shown an understanding of the issues related to internal and external growth. However, the candidate has looked at the benefits of both options. Without considering the drawbacks of at least one option the answer does not demonstrate balance. Therefore, is limited to the top of level 2. 4 marks.

Question 5

Candidates performed well on this question with most able to identify two elements of the marketing mix and explain each in the context of Poundland. Context was typically achieved by referring to the £1 price tag or the wide variety of brands on sale.

Answer ALL questions. You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.



Poundland is a retail chain which sells every item in its stores for £1. It sells products such as home and kitchenware, gifts and healthcare goods, many of which are well known brands. Despite poor economic growth in the UK, Poundland has enjoyed increased sales and profits. It employs more than 7,000 staff and plans to open another 50 stores in the UK.

(Source: http://www.poundland.co.uk/images/1638/original/img_2839---version-2.jpg)

- 5 Identify **two** elements of the marketing mix. For each element explain how it might have contributed to the success of Poundland.

Element 1

(1)

~~Production Price~~

Explanation

(3)

The price that Poundland has chosen to sell all its products is ~~has~~ highly successful to the business and is the main attraction for customers. By the business selling everything at such a low price compared to other businesses within the market, the business will have had a competitive advantage. ~~As a result~~ Because of the poor economic growth ~~people spend~~ customers will not want to spend as much which leads them to go the best option / ~~cheapest option~~, this leads to an increase in revenue and profits resulting to it becoming more successful.

Place

Explanation

(3)

By 'Poundland' putting many of their businesses in many areas, it allows them to identify and go to ~~the areas~~ ^{Poundland} ~~where their rivals are~~ ^{than} that specific area. It also allows positive externalities to the community where they place their stores such as a higher amount of ~~new~~ jobs and a decrease in unemployment in the area. This gives a good reputation for the business. It will give people with little choice more and increase sales if they choose it over other options.



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Examiner Comments

The candidate has identified two elements of the marketing mix. For each they have clearly explained how factor leads to the success of Poundland. Each explanation has at least three linked strands of development explaining how Poundland use the marketing mix successfully. 8 marks.

Answer ALL questions. You should spend 30 minutes on this section.

Read the following passage carefully and then answer questions 5 and 6.



Poundland is a retail chain which sells every item in its stores for £1. It sells products such as home and kitchenware, gifts and healthcare goods many of which are well known brands. Despite poor economic growth in the UK, *Poundland* has enjoyed increased sales and profits. It employs more than 7,000 staff and plans to open another 50 stores in the UK.

(Source: http://www.poundland.co.uk/Images/1638/original/img_2839—version-2.jpg)

- 5 Identify **two** elements of the marketing mix. For each element explain how it might have contributed to the success of *Poundland*.

Element 1

(1)

Providing items for £1

Explanation

(3)

by providing goods and charges it for a pound, consumers will be more appealed to it, for example its cheap and also includes well known brands so because of that consumers are more likely to repeat purchase their goods.

Element 2

(1)

wide range of products

Explanation

(3)

by providing a wide range of products consumers are more likely to go in the store, its better that a business to have more ~~a~~ variety because it could attract a wider audience. It could also draw consumers away from competitors and towards them



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Examiner Comments

In the first part of the question the candidates' response has not been credited for 'Providing items for £1' as this is not an element of the marketing mix. The second element has been awarded because the candidate mentions 'product'. Although the element has not been credited, there is sufficient understanding to award the explanation. This response achieved 5 marks.

Question 6 (a) (i)

The first part of question 6a was very straightforward with very few candidates failing to identify a benefit to Joan Driscoll of the newly opened Poundland. The most common response being the opportunity for employment with the company.

Joan Driscoll is an unemployed single parent living in a town where *Poundland* plans to open a new store.

6 (a) (i) Identify **one** possible benefit to Joan Driscoll of the opening of this new store. (1)

There will jobs available locally.



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A typical response with the benefit identified.

Question 6 (a) (ii)

For the second part of question 6a students were required to build on the benefit given in 6a(i) in context of Joan Driscoll. Candidates were able to apply the context by referring to her employment status or family situation. Where candidates failed to achieve all three marks, it was often due to restating the benefit given in the first part of their answer instead of developing the consequence of this.

(ii) Explain this benefit for Joan Driscoll.

(3)

By getting a job, Joan is no longer unemployed. A job will provide Joan with a salary and higher amount of disposable income than if she were to stay on benefits. Higher disposable income means that she will be able to support her children and escape the poverty cycle if she was in it to begin with. She will also have a higher quality of life due to the increased disposable income she will have.



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Here the candidate has given three linked strands of explanation in context of Joan Driscoll. 'higher disposable income' - 'support her child' - 'higher quality of life'. 3 marks

(ii) Explain this benefit for Joan Driscoll.

The benefit would be that Joan Driscoll ⁽³⁾ ~~will not~~ ^{can now} ~~have a job and~~ possibly get a job there. This will have social impacts and economic impacts. Such as now Joan will be able to ^{support} ~~buy things for~~ himself and his children without the help of benefits. ~~a~~ A economic impact is that the government will now be able to get more money because of Joan's income tax.



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The question requires candidates to explain the benefit given in the first part of the question. The points made must be linked. In this response the candidate has explained two separate reasons. Only one of these can be awarded. The second benefit is not related to Joan and is not linked to the response given in 6a(i). Hence, one mark is awarded for '...support his children without the help of benefits'.

Question 6 (b)

This question requires the same skills as 4d. However, marks at the top of Level 3 (7-8) are awarded for the quality of evaluation. The mode score on this question was 4 marks, demonstrating that many students did not show balance when discussing either option. Many candidates used the context well and were able to explain how the economic climate in either country might suit Poundland and their products.

Poundland is looking at opening stores in Spain. Spain has a population of over 46 million. The standard of living has been falling since the end of 2008. Over 20% of the population are living below the poverty line. One in four workers is unemployed. In the 15-24 age group the unemployment rate is 40%.

*(b) Two methods that Poundland might use to increase profit are to:

- ~~smaller market; less in production~~
open more stores in the UK - ~~established brand, success is more known.~~
- open more stores in Spain - ~~international promotion~~ - larger ~~consumer~~ market.
↳ expensive - £1 to €17

In your opinion, which of these methods is **more likely** to increase profit for Poundland? Justify your answer.

(8)

By opening more stores in the UK, Poundland would increase the convenience to consumers, encouraging them to spend more money. As Poundland is an established brand, it is more likely to be successful and therefore enable a larger market share and revenue, ultimately leading to growth. However, by opening more stores in just the UK, Poundland is restricting its market size and therefore may find growth is smaller in comparison with opening a store in Spain. Furthermore, growth could lead to a fall in productivity due to a loss of communication.

By opening more stores in Spain, Poundland could employ more young Spanish workers, reducing unemployment from 40%. Furthermore, by opening stores internationally, Poundland would get a larger consumer market and more international promotion. This could lead to larger growth as more countries find out about Poundland. However, as Spain operates with the euro, the currency exchange may prove a hindrance. Spanish residents may feel that they were receiving less value for money if the exchange rates changed and therefore not spend money in Poundland, leading to a fall in sales. Furthermore, there could be a greater loss in communication, leading to a fall in productivity and therefore a fall in sales.

Overall, I think Poundland should open more stores in the UK as it could then try to see how to control the loss in productivity. In the long term,

I think Poundland could successfully open stores in Spain to help it grow, as long as it made its currency and communication clear.



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Examiner Comments

This is an excellent answer. The candidate has discussed both options giving reasons and limitations for both. These reasons are logically developed with cause/consequences. The answer is balanced - considers the limitations of opening a store in the UK and in Spain - and is clearly in context. Level 3. The candidate has written a justified conclusion that makes good use of the 'it depends' rule in the form of a condition "if..." and given a recommendation. The quality of the evaluation takes this answer to the top of Level 3 - 8 marks.

Poundland is looking at opening stores in Spain. Spain has a population of over 46 million. The standard of living has been falling since the end of 2008. Over 20% of the population are living below the poverty line. One in four workers is unemployed. In the 15-24 age group the unemployment rate is 40%.

*(b) Two methods that Poundland might use to increase profit are to:

- open more stores in the UK
- open more stores in Spain

In your opinion, which of these methods is **more likely** to increase profit for Poundland? Justify your answer.

(8)

Firstly Poundland could open more stores in the UK. By doing this, Poundland may be able to continue its success by increasing its sales. Furthermore, opening stores in the UK may be less risky than in Spain because Poundland knows what the UK economy is like already. However this depends on how many stores Poundland plans to open in the UK. In my opinion Poundland ~~should~~ should open ~~more~~ stores in Spain. This is because ~~there~~ it is a new ~~market~~ market and there is a higher chance of success as there is less competition. Although ~~Spain~~ ~~has~~ ~~to~~ ~~be~~ it is more risky in Spain because people may not have heard of Poundland before, I think Poundland will be able to attract customers because Poundlands low prices will be competitive where many people are unemployed with a low income.



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Examiner Comments

The candidate has discussed both options and given simple statements explaining the benefits and limitations of at least one of the options. The candidate has answered in context by referring to the low price of poundland and the high unemployment rate in Spain. The answer achieves Level 3, but stays at the bottom of the level because the evaluation is not sufficiently developed to achieve 7 or 8 marks.

Question 7 (a)

This was the first definition question on the paper. In order to achieve both marks candidates were required to show an understanding of the concept. Many candidates did well on this question and were able to demonstrate that the standard of living is linked to what individuals can buy with their income in a year. Many candidates also included at least one way in which the standard of living can be measured. This was only awarded as a second mark where an imperfect definition was given.

In July 2012, most of Northern India lost all electrical power. Many towns and cities had no electrical power for several days. The Indian electrical infrastructure has been unreliable for a long time, with frequent power cuts. Other parts of India's infrastructure, such as the road, telephone and internet networks are also in need of improvement.

70% of people in India live in the countryside. Many cannot read or write. The majority work in agriculture where farming methods have changed little over time. Many live in absolute poverty earning 42p a day or less.

7 (a) What is meant by the term **standard of living**?

(2)

Standard of living is the amount of goods and services a person can buy with their income.



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Examiner Comments

The candidate gives an accurate definition for standard of living.

In July 2012, most of Northern India lost all electrical power. Many towns and cities had no electrical power for several days. The Indian electrical infrastructure has been unreliable for a long time, with frequent power cuts. Other parts of India's infrastructure, such as the road, telephone and internet networks are also in need of improvement.

70% of people in India live in the countryside. Many cannot read or write. The majority work in agriculture where farming methods have changed little over time. Many live in absolute poverty earning 42p a day or less.

7 (a) What is meant by the term **standard of living**?

(2)

Standard of living can be defined as the aspects of a persons life whether its good or bad. For example a person living in the Sub-Saharan tend to have a very low standard of living.



ResultsPlus

Examiner Comments

"the aspects of a persons life" is too vague for the imperfect definition. The example given must build on some relevant definition to be credited. Most candidates gave examples of how will the standard of living can be measured. 0 marks.

Question 7 (b)

For this 8 mark 'assess' question candidates were asked to discuss the extent to which improving infrastructure would help India reduce absolute poverty. Many candidates showed good understanding of infrastructure and the benefits it could provide to an economic system. Furthermore, most candidates were able to apply this to the context of India. Those candidates who achieved level 3 were able to do so by discussing other factors that may also be as/more relevant than spending on infrastructure, or indeed, the limitations of investment in infrastructure. For example, many candidates suggested that direct spending on education or training may be more beneficial at directly solving the problem of absolute poverty.

*(b) Assess the extent to which improving infrastructure is the best way to reduce absolute poverty in India.

Improving infrastructure would not be very effective in reducing absolute poverty as it would not be very effective in reducing (8) with ^{poor} mean that electricity won't affect many people. This is because 70% of people live in the countryside and use ancient farming techniques and thus they ~~use~~ seldomly use tractors, meaning that electricity won't help. These people are lacking basics such as food, clothes and shelter, and thus new road and internet networks won't be the most effective way for the government to reduce absolute poverty. Money would be better invested into making sure that food is cheap to buy and that clothes are readily available. They can also improve infrastructure by building more homes in the countryside in order to house homeless people.

Ways in which infrastructure would be effective, includes the fact that provision of electricity may mean that people can improve farming techniques and thus produce higher yields and outputs, to escape poverty. However, this depends upon how expensive equipment will be and if they can afford it.

Improving infrastructure such as roads will mean that businesses may be able to expand and thus employ more people and therefore mean that people in absolute poverty will have a higher income.

In conclusion, although there is a chance that infrastructure may help, it would be more effective for the government to increase the provision of food and shelter, in order to reduce poverty.

(Total for Question 7 = 10 marks)



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Examiner Comments

This candidate clearly explains some of the benefits of infrastructure in resolving absolute poverty and clearly relates their answer to the context by discussing electricity and farming. The candidate has also shown a balanced answer by explaining that building more homes in the countryside or reducing the price of food may be a more effective alternative. The candidate has also provided a conclusion based on their analysis and made good use of the 'it depends' rule. level 3 - 8 marks

*(b) Assess the extent to which improving infrastructure is the best way to reduce absolute poverty in India.

(8)

Improving the roads will mean people and goods can get around easier and faster. This means there's more productivity and more money coming into the country to be spent on poorer people.

Improving telephone networks will increase the opportunities for business as people can communicate and start up new businesses which provides jobs so people can get out of poverty.

Improving the education system will mean people can write to each other. If a family living in the countryside are struggling they could maybe write to a relative who works in the city to ask if they can send some money. This would help the poorer people in the countryside to get out of poverty. Also if you begin to educate children they can go on to get jobs and not end up in poverty. If the future of the country has intelligent people then more businesses will be made and be successful. (Total for Question 7 = 10 marks)



ResultsPlus

Examiner Comments

A good answer showing an understanding of infrastructure and how it could improve India's economy. However, the answer is not balanced. Level 2 - 4 marks.

Question 8

In order to achieve both marks candidates were required to understand that an interest rate is both the cost/charge for borrowing and the reward/return for saving. Many candidates scored full marks on this question.

Answer ALL questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 8 to 10.

The global recession of 2009 was a key factor in the Bank of England reducing the interest rate to 0.5%. It remained at this level for a number of years. The low rate was set so that economic activity would increase.

Sytner has 16 BMW dealerships across England. It sells new BMW cars, such as the Z4, which it imports from Germany. The price of a new Z4 in the UK is £44 000. It also sells used cars it has bought in the UK. Some of its customers take out loans to purchase new and used cars.

Arthur Lee has just retired from Sytner. His only income now is from his state pension plus the interest he receives from his bank savings.

8 What is meant by the term **interest rate**.

Interest rate is the additional rate of money that one receives from savings and is also the rate of taking out a loan. This rate is set by the Bank of England.



ResultsPlus
Examiner Comments

The candidate gives an accurate definition of interest rates.

Answer ALL questions. You should spend 20 minutes on this section.

Read the following passage carefully and then answer questions 8 to 10.

The global recession of 2009 was a key factor in the Bank of England reducing the interest rate to 0.5%. It remained at this level for a number of years. The low rate was set so that economic activity would increase.

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Arthur Lee has just retired from Sytner. His only income now is from his state pension plus the interest he receives from his bank savings.

8 What is meant by the term **interest rate**.

The rate at which money being borrowed must be paid back. How much you pay back to the bank once you've borrowed from them.



ResultsPlus
Examiner Comments

The candidate shows partial understanding of the concept. The second sentence is repetition of the first and does not add anything to the answer. 1 mark.

Question 9 (a)

Questions 9a and 9b requires candidates to apply the concept of an interest rate to two scenarios. The first in terms of the impact on Sytner (9a) and the second an individual, Arthur Lee. The mode on both questions was 3 marks, showing that candidates had a good understanding of how a changing interest rate might affect different agents.

9 (a) Identify and explain **one** effect on Sytner of low UK interest rates.

Effect

(1)

~~lower costs of borrowing money.~~ Higher sales revenue.

Explanation

(3)

Due to interest rates falling, people save more money on mortgage repayments and also have access to cheaper loans, which means that they have real disposable income to spend on buying luxury products, such as BMWs from Sytner. This means that Sytner will experience more sales and thus more revenue and profits.



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Examiner Comments

This candidate identifies the benefit to Sytner - 'higher sales revenue'.

The explanation then develops the answer and shows an understanding of how the public may respond to a lower rate of interest. The answer is clearly applied to the context purchasing new cars. 4 marks

Question 9 (b)

Many candidates failed to achieve full marks on question 9b because they failed to sufficiently develop their answer with linked strands of explanation or apply their answer to the context.

(b) Identify and explain **one** effect on Arthur Lee of low UK interest rates.

Effect

(1)

less ~~money~~ money

Explanation

(3)

He is unable to live of the interest if it is low.



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Examiner Comments

The effect is correct (1 mark). However, the candidate gives limited explanation and has not explained the cause of consequence for Arthur Lee and his family. 2 marks

Question 10

Most candidates were able to explain how a strengthening pound would benefit Sytner as an importer of its new BMW cars from Germany. Those candidates that were able to achieve the top of Level 2 did so by explaining how Sytner could use the exchange rate to their advantage to increase their stock of cars, lower costs or offer a more competitive price to customers. The best answers came from candidates who were able to explain how the exchange rate may have a limited or short-term impact on Sytner or the fact that new cars only make up a percentage of their trade and that the exchange rate is unlikely to have an impact on used car sales in the UK. Some of the candidates scores 0 on this question because they misunderstood how the exchange rate mechanism works or failed to attempt the question. In some cases this was a result of poor time management during the examination.

Between 2009 and 2013 the pound (£) strengthened against the euro (€). Sytner imports all of its new BMWs from Germany and pays for them in euros.

*10 Using your knowledge of economics and business, assess the extent to which a strengthening of the pound could affect businesses such as Sytner.

The strengthening of the pound work ⁽¹⁰⁾ ~~positively~~ ^{positively} with Sytner because they buy ~~from~~ from Germany in Euros which means that Sytner can ~~by~~ buy the Euros for less pounds because the pound has now become strong. Because the pound is strong less pounds need to be used in order to buy ~~from~~ the Euro which are required in order to buy the cars from Germany. Because the business (Sytner) use less money to buy the car, when they sell the car in UK, they will be able to make a higher level of profit on each sale because they bought it for less pounds than they should have because of the pound strengthening, they can therefore sell it for ~~the~~ the same amount they usually would in the UK and gain a higher profit on each sale which will stimulate business growth for Sytner.



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Examiner Comments

The candidate shows an understanding of how a strong pound could benefit Sytner and develops at least two relevant points of explanation. The candidate has not considered other factors or the limitations of the exchange rate. The answer is therefore Level 2 - 5 marks.

Paper Summary

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

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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