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# Examiners' Report

## June 2017

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## Introduction

Overall, this was an accessible paper and there were some excellent answers to the questions. The overall mean score on this paper had dropped since the last series and this was mainly due to candidates struggling to apply their knowledge of business and economic concepts on some of the shorter 2 and 3 mark questions and applying their answers to a specific context. 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. However, a significant proportion of candidates struggled to identify the relevant definition of 'market power'. Similarly, both 'identify' questions were answered well. The vast majority of candidates had a clear understanding of 'factors that can improve competitiveness' and the concept of 'the marketing mix'. Outline questions were answered similarly well although many candidates failed to clearly apply their responses to the context of the case study.

The 'define' and 'what is meant by' questions were answered variably well. 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, 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...', and 'as a result...'. 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 marks because candidates did not apply their answer to the specific context of, for example, Five Guys, China, Evolve Health Clubs or Lego. On questions 3(c) and 3(d) a significant proportion of candidates were not able to demonstrate a sound understanding of economies of scale or price sensitivity.

Questions 4(d) and 6(d) 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 the benefits of training gym staff and how this would improve customer service and customer satisfaction, but that this might not actually increase the number of new gym memberships in comparison to opening a new out of town health club.

The 'assess' questions of 6(d) followed similar patterns, although most candidates found it much easier to give a balanced response on 6(d) as most were able to identify at least one benefit and one drawback (or an alternative approach) of giving environmentally conscious businesses subsidies.

Comparatively, candidates also found it easier on question 10 to apply their answers to the context of Lego and how growth of the company could benefit consumers. Furthermore, many candidates found this final question accessible and were also able to discuss the drawbacks for consumers of the growth of the world's largest toy manufacturer. Candidates also found it easier to apply the context on these longer answer questions than they have in previous series.

## Question 1 (b)

This question was answered correctly by most candidates who were able to identify one of the 4 P's. 14% of candidates were unable to do this.

## Question 1 (c)

Most candidates were able to identify a relevant negative externality. The majority of responses focused on pollution in its various forms.

(c) Explain **one** example of a negative externality caused by business growth.

(3)

An example of a negative externality caused by business growth may be increased congestion and traffic. The business may have a very large factory and employ a lot of workers, so therefore there may be more traffic in the area as employees are likely to go by car to work.



**ResultsPlus**  
Examiner Comments

The candidate has identified a relevant negative externality. They have then gone on to develop their answer by giving two linked strands of development in the form of cause and consequence.

(c) Explain **one** example of a negative externality caused by business growth.

(3)

An example is congestion. When goods are ~~is~~ transported, they are usually on roads which could cause traffic. This also can lead to pollution.



**ResultsPlus**

**Examiner Comments**

This is a very similar response to the first. However, the candidate has not developed their answer sufficiently to secure the third mark. There is no context required on this answer since the question is not linked to a specific business or economic context.

### Question 1 (d)

Overall half of all candidates scored all 3 marks on this question. The benefits of improving literacy rates were linked to employment, wealth and the standard of living.

(d) Explain **one** reason why the government might want to improve literacy rates.

(3)

Improving literacy rates may help people become more employable. Therefore people will be able to get a job easier and this will result in the government not having to pay them benefits and therefore will enable the government to spend more on other projects such as ~~education~~ the NHS.



#### ResultsPlus Examiner Comments

This answer achieved all 3 marks. The answer follows a logical order and the candidate has explained the benefits of improving literacy rates for people and the economy as a whole. The candidate gives a logical chain of consequences based on improving literacy rates.

(d) Explain **one** reason why the government might want to improve literacy rates.

(3)

literacy rates is the amount of people who can read and write. Improving literacy rates means more educated people who can perform better jobs which will lead in an increase in the GDP thus making it a developing society Economic Development



**ResultsPlus**  
Examiner Comments

This is a reasonably good answer. The candidate understands the benefits of improving literacy rates and the link between employment and GDP. However, the last sentence is confused and the third mark has not been awarded.



## Question 2 (b)

39% of candidates did not achieve any marks on this question. This is the first time this concept has been directly assessed on this paper. Although many candidates understood the basic principles of trade between EU countries, many were unable to secure a second mark for explaining the characteristics of free trade.

(b) What is meant by the **Single European Market**?

(2)

It is a common market for members of the EU in which members are able to freely trade with each other.



**ResultsPlus**

**Examiner Comments**

The candidate has identified the two key characteristics of the Single European Market. Trade between EU countries and the absence of trade barriers. 2 marks.

(b) What is meant by the **Single European Market**?

(2)

The group of <sup>some</sup> countries in Europe that trade goods and services between each other.



**ResultsPlus**

**Examiner Comments**

This second response lacks understanding of the key purpose of the trade agreement so only 1 mark is awarded.

## Question 2 (c)

Most candidates were able to make the link between falling oil prices and business costs. Many also gave specific examples to support their answer, such as businesses in the transportation/freight or manufacturing industries.

(c) Explain **one** possible benefit to a business from a fall in the price of oil.

(3)

If a business involves transport, for example, British Airways, a fall in oil prices will lower costs. This is because aeroplanes use oil as a fuel and if it is cheaper to buy then ~~with~~ costs will decrease. This benefits the business as it is most likely to increase profit.



### ResultsPlus Examiner Comments

The candidate has used a real example of a business that would be influenced by a change in oil prices. However, this was not necessary to score all 3 marks. The candidate has made the link between falling business costs and the potential knock-on effect of increased profits. The answer uses appropriate connectives to link cause and consequence.

(c) Explain **one** possible benefit to a business from a fall in the price of oil.

(3)

The fall in the price of oil could benefit a business because they will be able to buy it cheaper because ~~there~~ of ~~is~~ less demand due to electric cars, \* electric chairs which use renewable resources.

\* substitutes



**ResultsPlus**  
Examiner Comments

This answer presents one benefit - 'buy it cheaper'. There is no further development of this point so 1 mark is awarded.

## Question 2 (d)

As is always the case when a question on exchange rates appears, a significant proportion of candidates got mixed-up and explained the reverse benefits/drawbacks of a weaker Euro on UK businesses. Candidates who scored all four marks were able to distinguish between the impact the exchange rate would have on importers and exporters. The most accomplished answers made it clear how a weaker Euro may reduce demand for exporters and did not simply state that 'exports would be more expensive'.

(d) Describe how a weaker euro is likely to affect UK businesses.

3  
D  
-  
M  
D

(4)

UK <sup>importers</sup> ~~exporters~~ would benefit from a fall in the value of the euro ~~part~~, as <sup>imports</sup> ~~export~~ would be cheaper. Therefore the <sup>costs</sup> ~~demand~~ for importers would decrease, as the pound will have <sup>strengthened</sup> ~~strengthened~~ against the euro. This would mean profit would increase. UK exporters would be at a disadvantage as exports would be more expensive ~~to~~, leading to a fall in demand for exports. This in turn would lead to a decrease in revenue and profit ~~and~~ rates would fall.



### ResultsPlus Examiner Comments

This candidate has shown a clear understanding of how an exchange rate (a weaker Euro) will impact various types of business in the UK. The candidate has explained the impact on both importers and exporters. Context has been awarded for an appreciation of how UK businesses would be affected by the change in the value of the Euro. This response scored 4 marks.

(d) Describe how a weaker euro is likely to affect UK businesses.

(4)

a weaker euro is likely to affect UK businesses in exporting. Exporting will be cheaper ~~expensive~~ <sup>cheaper</sup> if the euro is weaker however importing will be more expensive as you would have to pay more.



**ResultsPlus**

**Examiner Comments**

The candidate appreciates that a change in the value of a currency may have an impact on imports and exports, but has failed to demonstrate an understanding of the exchange rate mechanism in this context. 0 marks.

### Question 3 (b)

This question was answered well. Most candidates were able to identify three separate ways that Five Guys could increase its competitiveness. Where candidates dropped marks it was often due to them misinterpreting the question or repetition of factors linked to the marketing mix.

(b) Identify **three** ways in which *Five Guys* could increase its competitiveness.

(3)

1 Decrease prices

2 Open more stores

3 Increase promotion of their business



**ResultsPlus**

**Examiner Comments**

The candidate has identified three relevant ways that Five Guys could improve its competitiveness. This was a typical response for this question.

(b) Identify **three** ways in which *Five Guys* could increase its competitiveness.

(3)

1 Lower prices

2 Increase marketing

3 Increase opening hours



**ResultsPlus**

**Examiner Comments**

Responses 1 and 3 were accepted. However, 'increase marketing' could refer to a number of strategies including lowering price and increasing opening hours. The three responses need to be specific strategies without any overlap. 2 marks were awarded.

### Question 3 (c)

37% of candidates showed no/limited understanding of economies of scale. The best answers showed real insight and did not simply state that costs would fall if Five Guys bought in bulk (they would not) but instead made the distinction between overall costs and cost per unit. It was clear that some candidates had been taught this concept well and were able to discuss other routes to economies of scale beyond purchasing economies and bulk buying.

(c) Explain **one** way in which *Five Guys* could achieve economies of scale.

(3)

Five Guys could expand, building more restaurants in the U.K. This would require a greater quantity of ingredients from suppliers. If every store used the same supplier, as they increased the quantity demanded, costs charged by suppliers may decrease. This would benefit Five Guys as it would increase ~~profits~~ profit, due to lower costs.



#### ResultsPlus Examiner Comments

The candidate has understood the concept of economies of scale and how it can be achieved. The answer has several linked strands of development and is in context by referring to 'ingredients'. Although the response was not exact as the candidate failed to assert that average or unit costs would decrease, the response was judged to have done enough to achieve all 3 marks.

(c) Explain **one** way in which *Five Guys* could achieve economies of scale.

(3)

They could achieve economies of scale by reducing the prices of their Burgers to the same price of which they cost in America.



#### ResultsPlus Examiner Comments

This candidate has not demonstrated that they understand the concept of economies of scale and how it can be achieved. 0 marks.

### Question 3 (d)

The concept of price sensitivity (elasticity) remains a challenge for many candidates. Many stated that a change in price would lead to an impact on sensitivity. Correct answers often took the route of explaining substitutes, alternatives and quality as relevant factors.

(d) Explain **one** factor that could affect the price sensitivity of demand for Five Guys' burgers.

(3)

The amount of similar products or substitutes available could affect their price sensitivity. This is because if Five Guys increase their prices, consumers will easily be able to find a similar, cheaper product if many substitutes are available, so demand will fall by a lot and revenue will also decrease. This is likely to be the case for Five Guys as chain like McDonalds and Burger King are similar.



#### ResultsPlus Examiner Comments

The candidate has discussed how the level of substitutes, or alternative options, is a factor that could increase price sensitivity. The answer is well-developed and is in context by referring to 'McDonalds'; a relevant competitor of Five Guys.

(d) Explain **one** factor that could affect the price sensitivity of demand for Five Guys' burgers.

(3)

one factor that could affect the price sensitivity of demand for Five Guys' burgers would be a decrease in the price of the burgers, because if they lower the price, the demand for ~~the~~ burgers from the customers would rise. Therefore it would produce an increase in the business' incomes.



#### ResultsPlus Examiner Comments

A significant proportion of incorrect answers referred to lower price as a factor leading to price sensitivity. This is a common misconception that candidates develop when studying this topic. 0 marks.




### Question 4 (b)

Most candidates were able to identify socially responsible business practices and some made an excellent job of relating this to Evolve Health Clubs. Weaker answers simply identified business practices that were not necessarily more ethical and simply linked to promoting the Evolve Health Clubs or bringing in more trade.

(b) Outline **one** method *Evolve Health Club* could use to be more socially responsible. (2)

Use renewable energy to power the gym instead of using non renewable resources, as by doing this more non renewable resources would be available to future generations.




**ResultsPlus**  
Examiner Comments

A suitable option has been identified - 'renewable energy'. The answer is developed and in the context of Evolve Health Clubs. 2 marks.

(b) Outline **one** method *Evolve Health Club* could use to be more socially responsible. (2)

Evolve health club could increase the advertisement to gain more customers



**ResultsPlus**  
Examiner Comments

Increasing advertising would potentially benefit Evolve Health Clubs, but this is not a socially responsible business practice. 0 marks.

## Question 4 (c)

A significant proportion of candidates struggled with this question. The best route to the marks was to discuss issues related to diseconomies of scale such as flexibility, integration, decision-making and communication. Weaker responses suggested that Evolve may have to share its profits with Real Gyms.

*Evolve Health Club is considering a merger with Real Gyms, a smaller competitor.*

(c) Explain **one** possible drawback for *Evolve Health Club* of a merger with *Real Gyms*.

(3)  
As Real Gyms is a smaller competitor, they will not likely have a lot of customers. This means the extra cost of merging might not be covered by the extra revenue drawn in by Real Gyms. This leads to potential business failure and liquidation.



**ResultsPlus**

**Examiner Comments**

The candidate has shown an understanding that a merger can be costly and this has been credited. The candidate goes on to explain how the additional costs may not justify the merger if Real Gyms is too small to generate sufficient additional revenue. The candidate has used the context well to answer the question. 3 marks.

*Evolve Health Club is considering a merger with Real Gyms, a smaller competitor.*

(c) Explain **one** possible drawback for *Evolve Health Club* of a merger with *Real Gyms*.

(3)  
one drawback for Evolve Health Club for merging with Real Gyms would be that the business may turn into a monopoly due to competitors decreasing.



**ResultsPlus**

**Examiner Comments**

A monopoly may be a drawback for customers or other health clubs/gyms, but the question directly asks for candidates to respond from the perspective of Evolve Health Clubs. This is a common mistake made by candidates where they fail to answer the question from the perspective of the relevant stakeholder.

## Question 4 (d)

Most candidates were successfully able to discuss the benefits and drawbacks of both options. Some candidates incorrectly suggested that an out of town gym may be further for customers to travel, but failed to realise that this would be opened to target a different geographical area. The best answers used the context well to discuss how either option may help them compete with other health clubs, such as Virgin Active.

Last year *Evolve Health Club* made a profit of £4 million from its gym members. The directors of the company want to reinvest this profit back into the business.

*Evolve Health Club* is considering one of two options:

**Option 1:** Open a large out of town gym

**Option 2:** Increase training for its employees

(d) Which of these two options do you think would be the **most** effective in increasing the number of gym members at *Evolve Health Club*? Justify your answer.

(6)

Evolve health club made <sup>a</sup> profit of £4 million last year  
so they the directors want to reinvest back into the  
business. Option 1 is too open a large out of town gym  
this will bring in more and new members <sup>to the</sup> of gym, as  
they will be more room and is located at a different  
location so people ~~will be~~ <sup>who don't are not \* see it as</sup> ~~have one are~~ an opportunity cost.  
\* members

Option 2 is too reinvest <sup>in better</sup> ~~to~~ training for it's  
employees. This is ~~the~~ most effective method to increase  
the number of gym members as the training will create  
customer satisfaction as the staff are better skilled and  
helpful meaning customers will spread the word about  
the gym (free advertisement). Leading to more people  
joining the gym membership.



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Examiner Comments

This candidate has been able to analyse the benefits of both Option 1 and Option 2. However, there is no balance so the response cannot achieve level 3. In order to demonstrate balance on a levelled question (4(d), 6(d), 9 and 10) the candidate must discuss both the benefits and limitations of at least one option. The answer achieved the top of level 2 – 4 marks.

Last year *Evolve Health Club* made a profit of £4 million from its gym members. The directors of the company want to reinvest this profit back into the business.

*Evolve Health Club* is considering one of two options:

**Option 1:** Open a large out of town gym

**Option 2:** Increase training for its employees

(d) Which of these two options do you think would be the **most** effective in increasing the number of gym members at *Evolve Health Club*? Justify your answer.

(6)

*Evolve Health Club* mainly buys its premises on high streets therefore they have a lack of stores on the outskirts so people living out of town may not be able to access the gym as it's so far away. If *Evolve Health Club* opens a large gym out of town, it will attract many people living on the outskirts as the gym is so big and near them. However these people may already have a gym membership elsewhere.

On the other hand, *Evolve Health Club* can increase training for its employees. This will give the business a competitive advantage as the business will be deemed professional and people may be attracted to this gym as the employees are more helpful and knowledgeable. Although this may be quite expensive it allows the business to have high quality service.

Overall, I believe that offering training for employees will be most effective in increasing number of gym members as this business will stand out from others due to its competitive advantage.

(Total for Question 4 = 12 marks)



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**Examiner Comments**

In comparison, this candidate has been able to provide a balanced answer and discussed the limitations of at least one option. The candidate has also used the context by referring to Evolve's strategy of mainly opening facilities in city/town centres. The answer has a simple conclusion which places it at the top of level 3 – 6 marks.

## Question 5 (a)

Many candidates were able to link their answer to this question to either an increase in sales or spending in a country, an increase in demand or a rise in GDP. Fewer candidates were able to give a precise definition or mention a time period of a year. However, this was an accessible question for most candidates.

### SECTION B

Answer **ALL** the questions.

You should spend 30 minutes on this section.

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

In 2015, after its annual economic growth rate fell to 7%, the Chinese government decided to reduce import tariffs on some consumer goods. The slowdown in Chinese economic growth was caused by a decline in manufacturing and a fall in demand for housing.

Due to high import tariffs, Chinese consumers typically pay 20% more for luxury goods than European consumers. Some wealthy Chinese consumers also perceive foreign goods to be more desirable and of higher quality.

(Source: from uk-china-trade-tariffs-idUKKBN0NK0AD20150429)

5 (a) What is meant by the term **economic growth**?

(2)

Economic growth is the increase in GDP  
output over a year for a country.



**ResultsPlus**  
Examiner Comments

This candidate has written a precise definition – 2 marks.

## SECTION B

Answer ALL the questions.

You should spend 30 minutes on this section.

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

In 2015, after its annual economic growth rate fell to 7%, the Chinese government decided to reduce import tariffs on some consumer goods. The slowdown in Chinese economic growth was caused by a decline in manufacturing and a fall in demand for housing.

Due to high import tariffs, Chinese consumers typically pay 20% more for luxury goods than European consumers. Some wealthy Chinese consumers also perceive foreign goods to be more desirable and of higher quality.

(Source: from uk-china-trade-tariffs-idUKKBN0NK0AD20150429)

5 (a) What is meant by the term **economic growth**?

(2)

economic growth is the growth of a  
country's economy, often measured by their  
profits or losses.



**ResultsPlus**  
Examiner Comments

Some candidates simply repeated the question and failed to use precise economic terminology. Profits may indeed rise, but this is not a measure of economic growth, but rather, business performance. 0 marks.

### Question 5 (b)

56% of candidates scored 1 mark on this question, demonstrating an understanding of the factors that could result in falling demand for a product. However, a significant proportion were unable to link their answer to the Chinese context or the housing market.

(b) Outline **one** factor that may have caused a fall in demand for housing in China.

(2)

Increase in interest rates which means the money of borrowing is increasing so people are taking out less loans for mortgages leading to buy houses decreasing the demand. The demand for houses going down.



#### ResultsPlus Examiner Comments

This candidate has given an example of an economic variable that could lead to a fall in demand for housing in China. As they have also developed their answer and made reference to 'mortgage' the answer is in context and scored 2 marks.

(b) Outline **one** factor that may have caused a fall in demand for housing in China.

(2)

If the price of houses increased, there would be less demand for them, as some people would not be able to afford them with their new prices.



#### ResultsPlus Examiner Comments

This is a simple answer. An increase in price is correct, but there is no further accurate development of this point such as a cause or consequence. 1 mark.



### Question 5 (c)

Most candidates scored 2 marks on this question and were able to explain an appropriate strategy that Chinese businesses could use to attract domestic customers. However, few were able to achieve all three marks and many failed to apply the context. As with some of the other questions on this paper, some candidates answered the question from the wrong perspective and explained policies that the Chinese government could use.

(c) Explain **one** way Chinese businesses could encourage consumers in China to purchase goods made in their own country.

(3)

They could import higher quality materials from foreign countries to manufacture their goods. This would increase a products quality. Therefore consumers would be more attracted and encouraged to purchase goods made in China.



**ResultsPlus**

**Examiner Comments**

This answer scored all 3 marks. There is sufficient development of the way and the answer is in context by referring to 'quality' – the case study explains how Chinese products are often considered lower quality than imports from parts of Europe.

(c) Explain **one** way Chinese businesses could encourage consumers in China to purchase goods made in their own country.

(3)

It is cheap has a higher quality and is desirable.



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**Examiner Comments**

This response has sufficient information to justify 1 mark; 'cheap' or 'higher quality' being recognised.

## Question 5 (d)

This question is scored using a 2 x 4 mark split. Some candidates found the first part of this question (advantages) more challenging than identifying the second (disadvantages). Candidates were better equipped to explain the limitations of a government reducing trade barriers than they were at explaining the benefits of removing them. Some candidates showed secure understanding and appreciated how removing trade barriers may lead to better trade relations with other countries.

(d) State **one** advantage and **one** disadvantage for China of reducing import tariffs on consumer goods. For each, explain the likely effect on China.

(8)

Advantage

Increased economic activity.

Explanation

With imports often being cheaper and tariffs being reduced it will mean more products are bought which will increase the amount the government get in money.

Disadvantage

Less investment in products made in China.

Explanation

Less investment in products made in China will be bad for many Chinese businesses. With import tariffs being reduced it may lead to many purchasing products from abroad. With this happening it is likely the demand for their product may drop which will cause businesses in China not getting any profit which may lead to them having to close down.



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Examiner Comments

The first part of this response is inaccurate as removing trade barriers would not 'increase the amount government get in money'. However, the second part is correct and the explanation is rewarded. 3 marks.

(d) State **one** advantage and **one** disadvantage for China of reducing import tariffs on consumer goods. For each, explain the likely effect on China.

(8)

Advantage

Improved foreign relations

Explanation

Reducing import tariffs would improve foreign relations because the level of imports would increase. This would improve economic relationships with other countries as the cost of exporting to China will be lowered. Furthermore, other countries may feel more comfortable making trade agreements with China because there are less barriers to trade.

Disadvantage

Less Chinese goods being purchased

Explanation

A disadvantage of reducing import tariffs is the likelihood of Chinese consumers continuing to import because of the more desirable products. As a consequence, businesses within China will suffer as consumers will be more able to access products from foreign competitors. This could result in poor cash flow and potential failure for Chinese businesses.



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Examiner Comments

The candidate has demonstrated good understanding of both the benefits and limitations of trade barriers and applied this to the Chinese context. The second part of the answer is in context by referring to Chinese consumers 'continuing' to import, so the full 4 marks are awarded for the disadvantages. 7 marks are awarded in total.

### Question 6 (a)

In order to achieve both marks candidates had to define investment in terms of investing for business growth/expansion as this is the context presented. The mean score on this question was 0.63 suggesting that a significant proportion of candidates struggled to provide a clear definition.

(a) What is meant by the term **investment**?

(2)

Investment is money given to firms in order for them to expand and better their goods/services in order for them to maximise profits.



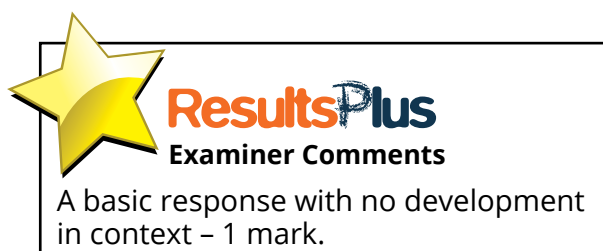
### Question 6 (b)

For the second mark, candidates were required to provide an answer in context. Most candidates were sufficiently able to outline the benefits in terms of business growth, prosperity and profitability.

(b) Outline **one** benefit to the UK economy of the expected increase in investment in the tourist industry.

(2)

The UK economy will grow as there will be more consumers



(b) Outline **one** benefit to the UK economy of the expected increase in investment in the tourist industry.

(2)

~~A~~ More tourists will visit the UK so there will be increased economic activity and the GDP will rise.



**ResultsPlus**

**Examiner Comments**

'More tourists' accepted as context.  
A point has been given with simple development. 2 marks.

## Question 6 (c)

Those candidates that were able to access this question generally responded by either explaining the role of self-regulation or the introduction of new legislation. Some candidates misinterpreted the question to mean the regulation of tourists/immigration.

(c) Explain **one** method that could be used to regulate the UK tourist industry.

(3)

The UK could restrict the amount of people tourists allowed in the country at a certain time. They could close their borders off to tourists once the quota of tourists they want in the country has been hit.



**ResultsPlus**  
Examiner Comments

An example of a response where the candidate has misinterpreted the question.

(c) Explain **one** method that could be used to regulate the UK tourist industry.

(3)

Self-regulation could be used, where businesses in the tourism industry ~~are~~ form an organisation to monitor themselves and their competitors. They body act to ensure that all businesses are socially responsible and that competition in the tourist industry acts in the public interest. This could help prevent monopolies exploiting the public or tourists.



**ResultsPlus**  
Examiner Comments

A relevant policy has been identified (self-regulation). The candidate has then explained how this could work and the impact on the public/tourists. As with Q6(b) 'tourists' is accepted as context, as the candidate is referring to visitors to the UK and not the name of the industry (mentioned in the stem). The answer was awarded 3 marks.

## Question 6 (d)

Many candidates stated that subsidies would reduce pollution but did not clearly state why. The best answers made it clear that businesses would be presented with an incentive but also that the success of the scheme would very much depend on the size of the subsidy or the trade-off with the profitability associated with unenvironmental practices. Strong answers were also able to offer an alternative approach that China could take to reduce greenhouse gases.

China produces a third of the world's greenhouse gases and has sixteen of the world's twenty most polluted cities. Life expectancy in the north of the country has fallen by 5.5 years due to air pollution.

(Source: from <http://www.cfr.org/china/chinas-environmental-crisis/p12608>)

\* (d) Assess whether giving subsidies to environmentally friendly businesses is the best way for China to reduce pollution.

(8)  
By giving china subsidies it could help to decrease pollution. By doing this ~~you~~ it could increase the life expectancy rate back to it's highest state.

To do this china should also be given solar power, turbines and other renewable resources such as dams

these could all prevent the amount of pollution China has.



### ResultsPlus Examiner Comments

A number of points have been made, but the candidate has not really explained how or why. The candidate mentions alternative options but has not really answered the question. 1 mark has been awarded.

wouldn't affect numbers and massive factories

China produces a third of the world's greenhouse gases and has sixteen of the world's twenty most polluted cities. Life expectancy in the north of the country has fallen by 5.5 years due to air pollution.

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\*(d) Assess whether giving subsidies to environmentally friendly businesses is the best way for China to reduce pollution.

(8)

By giving a subsidies to green businesses in China would encourage the use of: solar panels and electric or biofuelled cars. As a result of this renewable energy is being used and less carbon dioxide or other greenhouse gases being emitted into the atmosphere, and the businesses could resist the subsidy to grow.

However, many of the businesses and industrially focused businesses are more concerned about profit than environmental hazards. Therefore regardless of a subsidy the business would use the cheapest and dirtiest materials to minimize cost, to maximize profit, ~~therefore another action should~~

Overall, subsidies wouldn't make much difference, as the most polluting businesses are least concerned with the environment, so legislation of maximal amounts of air pollution should be created.



**ResultsPlus**  
Examiner Comments

This is an accomplished answer. The candidate has understood the benefits of offering businesses a subsidy, but has also clearly explained the limitations and how introducing new legislation might be more effective. The conclusion offers a decision and a justification based on the analysis. Level 3 – 7 marks.



## Question 7

Many candidates were unable to make the distinction between production and productivity. Those that did mentioned output relative to some form of input per worker, machine, hours etc.

7 What is meant by the term **productivity**?

Productivity is the rate of output <sup>of a worker</sup> ~~per worker~~ over a period of time. ~~Then~~ The more work <sup>the workers</sup> ~~someone~~ do the higher the productivity.



**ResultsPlus**

**Examiner Comments**

An accurate definition with two parts. 'Output per worker' - 'over time period'. 2 marks.

The candidate has used business terminology, but has not defined productivity. 0 marks.

7 What is meant by the term **productivity**?

The production of a good using machinery or labour. For example physical capital and human capital



**ResultsPlus**

**Examiner Comments**

The candidate has used business terminology, but has not defined productivity. 0 marks.

## Question 8

Most candidates were able to interpret this question and give at least one alternative decision, strategy or approach that Lego would have had to sacrifice when producing the Lego Movie. Context was often awarded for words such as 'toys' or 'R&D' both taken from the context.

- 8 Outline **one** trade-off that *Lego* may have faced when deciding to produce The Lego Movie.

It was entering an unfamiliar place in the market so a risk could of meant they might of lost the investments they had made in the movie.



### ResultsPlus Examiner Comments

This candidate has not demonstrated an understanding of a trade-off. In their answer they are referring to the risk of creating the Lego Movie. 0 marks.

- 8 Outline **one** trade-off that *Lego* may have faced when deciding to produce The Lego Movie.

Lego could have spent the money on new products ~~this~~ or building a new Lego theme park. This would have gained customer interest as well as a long term source of profit.



### ResultsPlus Examiner Comments

A relevant trade-off has been identified. In this example, the candidate has then gone on to outline the benefit that may have been lost. 2 marks.

## Question 9

This question requires candidates to discuss the reasons why profit is important to a business such as Lego. To achieve the top marks there should be more than one reason and some development of balance. For example, other measures or factors that are as/more important than profit. The answer also requires a simple conclusion at the top of level 3.

Discuss the importance of profit to the success of Lego.

Profit is very important to Lego, as it is the reward for risk taking. Profitability is a common measure of business success and so being more profitable is a sign in being more successful as a company. Having more profit also allows Lego to grow <sup>internally</sup> as a business, as profits can be reinvested into the business, for example to spend on research and development.

Increased profit also <sup>contributed</sup> led to the success that was becoming the largest toy manufacturer. However, other factors like market share and social success are other measures of success, and these are also important in Lego's success. Despite this, profit and revenue are crucial to Lego's business success, as they are a clear marker of financial success.



**ResultsPlus**

**Examiner Comments**

This candidate offers two reasons why profit is important for a business such as Lego. The reasons are rooted in the context. There is also balance. There is no clear conclusion with a judgement. The answer is scored at level 3 – 5 marks.

\*9 Discuss the importance of profit to the success of Lego.

Lego is a world ~~renowned~~ <sup>renown</sup> Business which aims and objectives is to make as much money as possible. So its success is purely judged on its profits so the profits of \$300 million means it is very successful and is competing very well with all of its competitors. The Shareholders in the Business would ~~not~~ want to make as much profit as possible as that is the aim of the Business.



**ResultsPlus**

**Examiner Comments**

This candidate offers one developed reason in context. Top of level 1 - 2 marks.

## Question 10

Many candidates found this final question accessible and were able to explain how the growth of Lego could lead to benefits for consumers. The mode for this question was 7 with an average of 4.94. The benefits were often explained in terms of increasing access to Lego products, innovation leading to better products or the reduction of prices through economies of scale. Limitations were often linked to the negative associations of monopoly power. The best answers were able to apply the context of Lego to provide a balanced and justified conclusion.

10 Using your knowledge of business and economics, assess the extent to which the growth of Lego will benefit customers.

(10)

Due to Lego's growth, it's enabled them to be a monopoly in the toy ~~manufacturers~~ <sup>market</sup>. As Lego has over 25% of market share they can set the prices. So as Lego is expensive, other businesses might lower their prices to attract more customers. This allows customers to access ~~the~~ other goods at cheaper prices. As Lego grow even bigger, their productivity rose so more products were available for the customers - 60 per year. This gives the customer a bigger range to choose from. Furthermore as Lego grows, there are more and more franchises around the world so it is easier for the customer to access a store therefore they will not need to import from elsewhere which will be more expensive. Moreover, this opens more jobs & people may decide to open a franchise and gain money. Furthermore, as Lego installs more and more offices, they are bound to improve infrastructure including roads so that they can export their products everywhere and the ~~from~~ products can be sent to the stores to sell the customers. So especially in the ~~developing~~ growing countries such as Malaysia and China, this is extremely important as the improved roads benefit the people living in that

area and can therefore get to work faster and be more productive.

On the other hand, the growth of Lego will not benefit customers to such a big extent. Firstly because Lego ~~so~~ has power over the market, it can set the price very high, allowing other businesses to set high prices like this and therefore making it more expensive for customers. Furthermore, as Lego has market power, it leaves less choice for the customers to choose which item they want to buy from which business as Lego has dominance over the toy market. Moreover this may discourage other businesses to start up their own toy shop so once more there's less options for the customer. This leads to Lego being price insensitive as there are less and less substitutes for Lego & if customers really love Lego, they will buy their product at any price, even if it's high.

Overall, I believe that the growth of Lego will have ~~no~~ benefit customers to a great extent as more stores will be opened around the world which gives the possibility of new jobs and improved infrastructure.



**ResultsPlus**

**Examiner Comments**

This is a good answer. The candidate has clearly explained the benefits and potential drawbacks of the growth of Lego from the perspective of consumers and there is logical chains of development. They have also used the context throughout and the conclusion is well-supported. The answer is level 3 – 9 marks. The candidate could have used the 'it depends' rule or similar development such as a recommendation to achieve full marks.

10 Using your knowledge of business and economics, assess the extent to which the growth of *Lego* will benefit customers.

(10)

The growth of *lego* will benefit customers & as when the business grows they will be able to re invest their profits into the business to provide customers with new goods. This will benefit the customers as it gives them new products to enjoy.

Another benefit customers will ~~entire~~ gain due to the growth of *lego* would be a possibility of lower prices. Lower prices may occur as ~~there~~ when the business grows they will have the ability to a lower prices of their goods in order to increase demand which will overall benefit the company and customers.

However due to the growth the company also has the opportunity to raise prices which will not benefit the customers.



**ResultsPlus**

**Examiner Comments**

The candidate has explained two benefits of the growth of *Lego* for its consumers. There is sufficient development to access Level 2, but not sufficient detail of balancing points to achieve the top of the level. 6 marks.

## Paper Summary

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

- Shorter 'outline' questions require context. Although these questions require a shorter response always attempt to give a response that is pertinent to the business, country or context.
- On 'explain' questions, provide at least two linked strands of development, such as cause or consequences, and relate your answer to the context in questions 2-10.
- Read the questions carefully, so that you produce an answer for what is being asked. In particular, ensure the question is answered from the perspective of the relevant stakeholder.
- On the levelled response questions (discuss, analyse and evaluate), ensure your answers are balanced. This means identifying the drawbacks or limitations of the issues being discussed. Balance can also involve bringing in your own ideas e.g. an alternative approach.
- Try to be specific within your answers and try to avoid vague or generic statements such as 'improve the business,' 'benefit the economy' or 'be more successful'.
- Learn the definitions of business and economic terms from the specification.



## 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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