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Summer 2018

Pearson Edexcel GCSE Business
(5BS05) Paper 01
Introduction to Economics

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Introduction

Q01b

Many candidates did well on this question with almost 40% achieving both marks. Some candidates failed to score marks by simply identifying an economic variable or government policy without stating how it should change. For example, simply stating 'unemployment' or 'interest rates' with stating that a fall in one or both would lead to economic growth.

Example 1:

(b) Identify **two** factors that can cause economic growth. (2)

1 Human capital - more training

2 Physical capital - more machinery and factories

Human capital and physical capital refers to areas of investment. Both marks are secured as the candidate has said 'more' and given examples.

Score: 2 Marks.

Example 2:

(b) Identify **two** factors that can cause economic growth. (2)

1 ^{interest}
~~exchange~~ rates

2 pricing

Reference to 'interest rates' is not enough to score the first mark. The second point (pricing) is irrelevant.

Score: 0 Marks.

Q01c

58% of candidates showed a good understanding of the drawbacks of a monopoly for customers. By far the most common response related to a lack of choice and increased prices. Candidates who scored 1 mark, generally only made one of these points.

Example 1:

(c) Outline **one** potential disadvantage of a monopoly to consumers. (2)

A disadvantage is fewer options so they will not have any choice of variation.

'no choice' is not a sufficient development of 'fewer options' so this answer achieved

Score: 1 Mark.

Example 2:

(c) Outline **one** potential disadvantage of a monopoly to consumers. (2)

As a monopoly has little to no competition, they are able to charge high prices, as they do not need to lower prices to compete. Therefore, consumers will be forced to pay these high prices, as there are little or no alternative products available from different businesses.

A detailed answer showing a clear understanding of a limitation of a monopoly for customers.

Score: 2 Marks.

Q01d

Most candidates found this answer accessible and demonstrated how a fall in the interest rate would affect consumers and/or businesses through reduced business costs (overheads) or boosting demand. 54% of candidates scored all 3 marks.

Example 1:

(d) Explain **one** benefit to businesses of a fall in interest rates. (3)

A fall in interest rates means more people will be spending and not saving. If more customers are spending the business will be receiving more money

(Total for Question 1 = 8 marks)

Although the candidate has not stated by people will be spending more they have given a relevant point and developed this by stating that businesses will receive more money. Technical terms have not been used, but sufficient knowledge is demonstrated for 2 marks.

Score: 2 Marks.

Example 2:

(d) Explain **one** benefit to businesses of a fall in interest rates. (3)

A fall in interest rates may cause businesses to generate more revenue. Because interest rates are low, more people will take out loans and spend rather than save as they do not have to pay back as much on their loan. This leads to more people having a higher disposable income therefore allowing them to purchase more products and increase a business' revenue.

(Total for Question 1 = 8 marks)

This second response achieved all 3 marks. The candidate understands the link between interest rates and lending and the impact this will have on demand for goods and services.

Score: 3 Marks.

Q02b

Many candidates were able to articulate a range of appropriate and interesting policies that a government could use to reduce pollution associated with transport. These responses typically focused on subsidies, government spending (on schemes such as cycling or car sharing), taxation and legislation. Some candidates who failed to achieve all three marks tended to give at least one response that was too similar to another response. For example, putting a higher tax on petrol and putting a higher tax on diesel. Over 60% of candidates achieved all 3 marks.

Example 1:

(b) State **three** possible ways the Chinese government could reduce pollution associated with transport, other than introducing the TEB. (3)

- 1 They could implement a ~~congestion~~ zone in the centre of the city to reduce cars which pollute too much entering there
- 2 They could give subsidies to buyers of electric cars so that ~~more~~ more people own electric cars.
- 3 They could add more electric supercharging ports for electric cars so buyers will be more enticed in buying electric cars.

Three relevant responses rooted in the context of transport pollution.

Score: 3 Marks.

Q02c

Some candidates approached this answer by explaining how the TEB could increase footfall of customers in Beijing leading to increased demand in shops and restaurants. However, by far the most common response related to workers getting to work on time resulting in greater productivity for businesses.

Example 1:

(c) Explain **one** benefit for local Beijing businesses if the TEB was introduced. (3)

Less congestion means they can transport goods faster
which increase efficiency

Some candidates discussed how the TEB could be used by businesses to transport goods. Although this would only affect a small proportion of businesses it is still a valid answer. Although this is a short response, the candidate has done enough to score 2 marks.

Score: 2 Marks.

Q02d

Price sensitivity is still an answer that candidates fail to understand or explain clearly. However, this concept has been dealt with better on this paper than it has in other series. Many candidates were able to explain how the extent of alternative forms of public transport would increase the price sensitivity of a ticket to travel on the TEB. Candidates who achieved all three marks were able to go on and explain how an increase in the ticket price could lead to a relatively greater fall in demand as customers switch to alternative forms of transport, such a ticket be price sensitive.

Example 1:

(d) Explain **one** factor that could affect the price sensitivity of a ticket to travel on the TEB.

How many ^{TEB'S} ~~tickets~~ are made, as if they make 10 TEB that would transport a number of 14,000 people but if 20,000 believe on them then the ticket price will rise due to the supply going down but demand going up. (3)

(Total for Question 2 = 10 marks)



Example 2:

(d) Explain **one** factor that could affect the price sensitivity of a ticket to travel on the TEB.

(3)

One factor affecting price sensitivity would be the availability of other competitors. If the TEB's ticket was too much, people would use the normal public transport, as it would be cheaper. This would mean the demand changes by a larger amount than the price does, making it price sensitive.

(Total for Question 2 = 10 marks)



A clear understanding of price sensitivity explained in the context of transport in Beijing.

Score: 3 Marks.

Example 3:

(d) Explain **one** factor that could affect the price sensitivity of a ticket to travel on the TEB.

(3)

One factor that could affect the price sensitivity is the demand. If demand the demand increases the price sensitivity of the ticket will decrease making it insensitive. If demand decreases the price sensitivity will increase making the ticket price more sensitive.

(Total for Question 2 = 10 marks)

6



A common misconception with price sensitivity (price elasticity of demand) is that the level of demand determines the sensitivity of price.

Score: 0 Marks.

Q03b

Most candidates understood the concept of literacy rates and were able to apply their understanding to the questions by making links to skills, employment and standards of living. Almost 40% of candidates only achieved 1 mark, perhaps, by failing to apply their answer to the context of Nepal.

Example 1:

(b) Outline **one** impact of poor literacy rates on people in Nepal. (2)

Poor literacy rates means that some people may not be able to work at some jobs, which means there are high unemployment rates.

A good answer, but the candidate has failed to link the response to the context.

Score: 1 Mark.

Example 1:

(b) Outline **one** impact of poor literacy rates on people in Nepal. (2)

Poor literacy rates are the percent of adults who are able to read and write. Poor literacy rates are likely due to poor education and can limit an individuals employment options which can lead to unemployment. This can then cause the person to be in poverty as they don't have an income so cannot afford the basic necessities for life.

A good answer with clear development. The candidate has linked their answer to the context of Nepal by referring to education and absolute poverty.

Score: 2 Marks.

Q03c

Most candidates were able to access this question as the range of possible answers was very open. To achieve all three marks the candidate had to specify a particular social problem and answer in context of Nepal. Many were able to do this by referencing poverty, education or the education of girls. The mode score on this question was 3 marks.

Example 1:

(c) Explain **one way** the government of Nepal could reduce social problems. ^{Crime} ^{Poverty} ^{Drugs}

The government of Nepal could invest in building new schools around the country. This ~~would~~ ^{may} lead to ~~more~~ an increase in literacy rates, which may give ~~on~~ the residents the knowledge/skills to get a job and earn an income. By doing this, the Nepalese government ~~could~~ (over time) reduce the amount of people on the streets by improving the education of people.

✱

A well-developed answer achieving all 3 marks. The candidate has identified a policy (building more schools) the consequences (improved literacy skills and job prospects) and the social problem this will reduce (crime).

Score: 3 Marks.

Q03d

For 'describe' questions candidates do not have to develop chains of linked reasoning and can access marks through identifying four relevant benefits. Marks can also be awarded for a relevant definition of international trade, although most candidates did not do this. Opportunities for context were presented through the opportunity to reference the produce of Nepal or any other relevant factor linked to the context. The modal score on this question was 3 marks (38%).

Example 1:

Nepal's main industry is agriculture, which includes growing tobacco, rice and root crops.

It is estimated that more than 35% of people in Nepal live in absolute poverty.

(d) Describe how international trade could benefit Nepal. (4)

~~XXXXXX~~

International trade of tobacco rice and crops would provide a ~~xxxx~~ better income as substances like tobacco are in high demand in ~~xxxxxx~~ like ~~xxxxxx~~ continents like North America of Europe.

(Total for Question 3 = 10 marks)

1 mark has been achieved by stating that international trade will achieve 'better income'. The answer lacks coherence and there is not enough understanding or development for a second mark.

Score: 1 Mark.

Example 2:

Nepal's main industry is agriculture, which includes growing tobacco, rice and root crops.

It is estimated that more than 35% of people in Nepal live in absolute poverty.

Job creation
economic
activity

(d) Describe how international trade could benefit Nepal.

(4)

International trade gives job opportunities to people in Nepal. This is because they can work to manufacture exports of agricultural products. As a result, this gives people income and helps them escape absolute poverty by being able to afford the basics of life.

Also, international trade gains economic growth for Nepal. More buying and selling means increased economic activity. As a result, the economic growth rate will increase with international trade.

(Total for Question 3 = 10 marks)

The candidate has offered two separate lines of explanation. Each is sufficiently different and developed for a second mark to be awarded. The answer also refers to agricultural products or is in context.

Score: 4 Marks.

Q04b

To achieve both marks, candidates had to identify a relevant stakeholder group and give a simple point of development explaining how the actions of Stubhub might impact on them. The majority of candidates identified 'customers' as the stakeholder and referred to the high price customers would have to pay. The answer below is an example of a typical response.

Example 1:

(b) Outline how **one** stakeholder group might be affected by the actions of secondary market websites such as *Stubhub*. (2)

The consumer who wants to go to the concert this is because the tickets are way more expensive than the original price therefore it lowered the confidence of buying the tickets.

Score: 2 Marks.

Q04c


The majority of candidates showed a general understanding of the impact government regulation can have on businesses and were able to state that regulation might restrict pricing or result in Stubhub incurring additional costs in order to adhere to any new regulation. 60% of candidates scored 2 marks on the questions, showing that candidates found it difficult to apply their answer to the Stubhub context.

Example 1:

Following a review of the secondary ticket market, the government is considering a number of measures to increase regulation of this market.

(c) Explain **one** disadvantage to websites, such as *Viagogo* and *Stubhub*, from increased government regulation of the secondary ticket market.

A disadvantage is they would have to change how they operate⁽³⁾ because policies and ethical codes could limit what they are allowed to do which could ~~reduce their profit~~ limit how they maximise their profit



P 5 5 2 4 2 A 0 1 1 2 8

11
Turn over ►

Score: 2 Marks.

Example 2:

Following a review of the secondary ticket market, the government is considering a number of measures to increase regulation of this market.

- (c) Explain **one** disadvantage to websites, such as Viagogo and Stubhub, from increased government regulation of the secondary ticket market.

(3)

An increase in government regulation of the secondary ticket market would lead to

Viagogo and Stubhub having less flexibility as they would have to start to follow certain rules.

This could lead to these "ticket agents" seeing a fall in profit due to them ^{perhaps} having to sell the tickets for a lower price.



P 5 5 2 4 2 A 0 1 1 2 8

11

Turn over ►

This answer scored all 3 marks because there are three points of development and the answer is in context by referring to 'ticket agents'.

Score: 3 Marks.

Q04d

Many candidates were able to discuss the benefits of introducing an advertising campaign and how this could increase revenue for Stubhub. Candidates were also able to explain how lower prices could make Stubhub more competitive in the market. However, candidates were expected to show an appreciation that lowering prices would not necessarily increase revenue. To achieve all 6 marks, candidates had to provide a balanced answer, showing the limitations of at least one option, answer in context and conclude their answer by justifying which option would be better at increasing revenue for Stubhub.

Example 1:

Stubhub wants to increase revenue and is considering the following two options.

Option 1: Launch a national advertising campaign. *+ Pro Service aware*

Option 2: Lower ticket prices. *+ demand*

(d) Which of these two options do you think would be the most effective way to increase the revenue of Stubhub? Justify your answer.

(6)

how In my opinion lowering ticket prices would be the most effective way to increase revenue because having a lower price than their competitors ~~because it~~ gives them an advantage is a competitive advantage. ~~which means~~ their service Their service would be more attractive to consumers and lead to more resulting in them choosing Stubhub compared to other competitors.

On the

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



The candidate has only discussed one option. They have given a clear reason why lowering ticket prices might be effective 'competitive advantage' but there is no appreciation of the factors that may determine whether this option is successful or not in increasing revenue. The answer is level 1 - 2 marks.

Score: 2 Marks.

Example 2:

Stubhub wants to increase revenue and is considering the following two options.

Option 1: Launch a national advertising campaign.

Option 2: Lower ticket prices.

(d) Which of these two options do you think would be the most effective way to increase the revenue of Stubhub? Justify your answer.

(6)

Option 1 would be effective in the sense that it would create a bigger brand awareness of Stubhub. It may attract new & bigger quantities of customers. This would increase revenue by huge amounts if they gain customers through the advertisements.

However, it could be argued that lowering ticket price would create a bigger revenue because it would increase the customers willing to spend a smaller sum of money. In addition, if the tickets are lowered it might attract some customers that would have previously had bought their tickets from ticket master. If the prices are down but customers amounts are up, then revenue would end up being high.

// In conclusion, I believe that Option 2 is the better option because customers are more likely to be drawn in by the low prices than by an advertisement.

(Total for Question 4 = 12 marks)

TOTAL FOR SECTION A = 40 MARKS



This is a more comprehensive answer. The candidate has discussed both options and identified a limitation of introducing and advertising campaign. The answer has balance, context and finishes with a simple conclusion.


Score: 6 Marks.

Q05a

Many candidates had a clear understanding of the term export and gave an appropriate definition reflecting the trade of goods and services to another country. The majority of candidates scored 2 marks on this question.

Example 1:

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.



200g truckle of cheese

The *Snowdonia Cheese Company* was established in 2001 with the aim to create a new variety of premium cheeses. The *Snowdonia Cheese Company's* range of luxury cheeses includes products such as the 'Black Bomber', 'Green Thunder' and 'Bouncing Berry'. A 200g 'truckle' of any variety costs £4.50. A number of Snowdonia cheeses have won honours at the World Cheese Awards.

The cheeses are only sold through luxury grocers and fine-food delicatessens, but have also become very popular in a number of up market restaurants. The *Snowdonia Cheese Company* celebrates its awards and success on social media, including the recent news that HRH Prince William's favourite meal is a lamb burger topped with 'Black Bomber' cheese. Snowdonia Cheese is now stocked in over 2,000 UK outlets and later this year the company will start exporting its cheese to the USA.

(Sources: adapted from <http://www.snowdoniacheese.co.uk> and <http://fork2fork.wales/en/foodnews/case-study-from-north-wales-to-north-america-small>)

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

(2) ^{Score}

The term export means when a good is distributed/shipped to another country.

~~Seeds a product to another country~~

The candidate has given an imperfect definition because they have not shown an appreciation of trade i.e. selling to another country.

Score: 1 mark.

Example 2:

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.



200g truckle of cheese

The *Snowdonia Cheese Company* was established in 2001 with the aim to create a new variety of premium cheeses. The *Snowdonia Cheese Company's* range of luxury cheeses includes products such as the 'Black Bomber', 'Green Thunder' and 'Bouncing Berry'. A 200g 'truckle' of any variety costs £4.50. A number of Snowdonia cheeses have won honours at the World Cheese Awards.

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(Sources: adapted from <http://www.snowdoniacheese.co.uk> and <http://fork2fork.wales/en/foodnews/case-study-from-north-wales-to-north-america-small>)

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

(2)

Exports are goods and services that are sold
to other countries.



A simple but accurate definition of export. Some candidates went on to give examples drawn from the context.

Score: 2 Marks.

Q05b

For this question a range of responses were accepted including those drawn from the specification. Revenue, profit, market share and social success. Almost 90% of candidates scored on this question.

Example 1:

(b) Identify **one** way a business, such as the *Snowdonia Cheese Company*, could measure its success. (1)

standard of living

'standard of living' is not a valid answer.

Score: 0 Marks.

Example 2:

(b) Identify **one** way a business, such as the *Snowdonia Cheese Company*, could measure its success. (1)

Market Share.

Market share and profit were the most common responses for this question.

Score: 1 Mark.

Q05c

For 3 marks, candidates had to demonstrate an understanding of the impact of an increase in the value of the pound for a UK exporter. Context was generally awarded for reference to exports of cheese to the USA. As in other series, a significant proportion of candidates got the impact mixed up (e.g. a strong pound will increase demand) or interpreted the acronym 'SPICED' incorrectly. For example, suggesting that export costs will rise. Surprisingly, the modal score on this question was 0 with only 22% scoring 3 marks.

Example 1:

Changes in the exchange rate can be important to businesses.

(c) Explain **one** impact of a strong pound (£) on the *Snowdonia Cheese Company*. (3)

one impact of a stronger pound on the snowdonia cheese company is that exports to other countries will be expensive which means that the companies costs will rise which will affect its cashflow as it will reduce the revenue.

S P I C E D
- cost
- price
- sales
- revenue
- demand

An example of an answer where a candidate has suggested that a stronger pound will increase the costs of exporting for SCC. Not that prices will rise for foreign buyers leading to a fall in demand for SCC cheese in the USA.

Score: 0 Marks.

Example 2:

Changes in the exchange rate can be important to businesses.

(c) Explain **one** impact of a strong pound (£) on the Snowdonia Cheese Company.

(3)

One impact of a strong pound would be ~~lower costs~~ ~~this is because~~ lower sales from abroad. This is because the value of the dollar, for example, will be low because of the stronger pound. Therefore ~~even~~ it will be more expensive for customers abroad in ^{the} USA to purchase their cheese which means less people will buy so lower sales from abroad.

S
P
-
C
E
D

The candidate has a clear understanding of the exchange rate mechanism and understands how a strong pound will affect the exports of cheese to the USA.

Score: 3 Marks.

Q05d

This question is a 2 x 4 split. The majority of candidates showed understanding of the marketing mix and were able to use the context of SCC to explain how two of the Ps are used by the company to increase competitiveness. Those candidates who were able to use the context of the case study and provide specific examples of how the marketing mix of SCC led to their competitiveness were able to score 7 or 8 marks. 31% of candidates achieved 6/8 marks.

Example 1:

The *Snowdonia Cheese Company* creates a competitive business through good use of the marketing mix.

(d) State **two** elements of the marketing mix. For each, explain how the *Snowdonia Cheese Company* uses it to make the business competitive.

(8)

Element 1

Promotion

Explanation

The Snowdonia cheese company is widely successful on social media and Prince William posted that he likes the product. This would increase customer awareness and the fact that a public figure likes the product, gives the business a competitive advantage which would lead to more sales, increasing the revenue.

Element 2

Place Product

Explanation

The Snowdonia cheese company provides a new variety of ^{premium} cheese giving it a competitive advantage over rivals. The products supplied are new and innovative, giving the company an edge over similar companies as they offer something that is unavailable elsewhere, bringing more customers in which would increase revenue.

(Total for Question 5 = 14 marks)



An excellent answer. The candidate has identified two elements of the marketing mix and has given two detailed explanations in context.

Score: 8 Marks.

Example 2:

The Snowdonia Cheese Company creates a competitive business through good use of the marketing mix.

(d) State **two** elements of the marketing mix. For each, explain how the Snowdonia Cheese Company uses it to make the business competitive.

(8)

Element 1

Their product.

Explanation

They sell high quality, "premium" cheeses. Therefore, the quality of their cheeses will encourage customers to buy from them instead of a competitor who lacks ~~at~~ the same quality.

Element 2

~~The place~~ Promotion.

Explanation

Snowdonia Cheese Company promotes their success on social media. This raises awareness of their brand and product. As a result, making the business more ~~ee~~ competitive as ~~est~~ customers are more likely to buy from them than lesser know companies.

(Total for Question 5 = 14 marks)



Although both parts of this answer have context, the candidate has got given a third point of linked explanation for either side of the answer

Score: 6 Marks.

Q06a

For both marks, candidates had to show some understanding of ethical/moral behaviour/actions of business and an appreciation of how social responsibility impacts on the environment or a stakeholder group. Candidates gave a wide variety of answers that qualified and used real world examples appropriately. 50% of candidates achieved 1/2 marks.

Example 1:

6 The *Snowdonia Cheese Company* only uses the finest local Welsh ingredients and takes social responsibility very seriously. Only local dairies that use ethical business practices are chosen as suppliers.

(a) What is meant by the term **social responsibility**? (2)

Social responsibility is when a business relies on the public to provide the materials or ingredients to make the product.

The candidate has referred to 'the public' but has not shown an understanding of social responsibility or given an example.

Score: 0 Marks.

Example 2:

6 The *Snowdonia Cheese Company* only uses the finest local Welsh ingredients and takes social responsibility very seriously. Only local dairies that use ethical business practices are chosen as suppliers.

(a) What is meant by the term **social responsibility**? (2)

Social responsibility is when firms choose to act in a way that is ethically responsible and meets the needs of a wider group of stakeholders. For example, they may refuse to buy from suppliers that use children workers in foreign countries.

An accurate definition supported by a real world example.

Score: 2 Marks.

Q06b

For this question most candidates were able to identify that the local Welsh ingredients are likely to be scarce and therefore more costly than ingredients from other suppliers. However, only 16% of candidates were able to develop their response in context to achieve both marks.

Example 1:

(b) Outline **one** disadvantage for the *Snowdonia Cheese Company* of only using the finest local Welsh ingredients.

These local ingredients are likely to come from small ⁽²⁾ businesses / farms which have not achieved economies of scale. This means they may have higher prices, causing Snowdonia cheese to have higher costs on their raw materials - such as milk.

A relevant response with development. The answer is in context by referring to 'farmers'.

Score 2 Marks.

Example 2:

(b) Outline **one** disadvantage for the *Snowdonia Cheese Company* of only using the finest local Welsh ingredients.

(2)

~~Their costs will be higher~~
The cost of the high quality ingredients would be higher than using lower quality ingredients meaning their total costs will be higher.

Score: 1 Mark.

Q06c

Many candidates were able to provide reasons why business growth may lead to a drawback or limitation. For example, referring to increased fixed costs, diseconomies of scale or issues with communication and cash flow. However, fewer candidates were able to achieve full marks by contrasting the concept of internal growth with external growth.

Example 1:

The Snowdonia Cheese Company has expanded through internal growth.

(c) Describe the drawbacks to the Snowdonia Cheese Company of internal growth.

(4)

Internal growth ~~requires~~ does not expand as much as allow a business to grow as much as external growth. This is because the business only buys new property and more warehouses so they can buy more supplies, this is how they internally grow, they will need the money for this and could get a loan to internally grow but ~~could~~ the plan could fail as they did not make enough profit whereas externally expanding a company can buyout an already established business and make profit straightaway. Therefore internal growth has limitations to an extent as it could fail if they do not make enough profit.



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Turn over ►

The candidate has identified at least one limitation of internal growth in comparison to external growth. There is no context.

Score: 3 marks.

Example 1:

The *Snowdonia Cheese Company* has expanded through internal growth.

(c) Describe the drawbacks to the *Snowdonia Cheese Company* of internal growth. (4)

The drawbacks to the snowdonia cheese company of internal growth is that it could take longer to make decisions.



The candidate offers a simple reason without development 'take longer to make decisions'.

Score: 1 Mark.

Q06d

Almost 30% of candidates scored 0 on this question as they failed to understand the mechanism of a tariff and how it would affect SCC. Although most candidates were able to explain that the tariff would be a bad thing for SCC as they trade with other nations, sufficient understanding of the concept limited their responses to Level 1 or level 2.

Example 1:

Some countries impose restrictions when trading with other countries.

*(d) Assess the impact on the *Snowdonia Cheese Company* of a tariff on its cheese.

(8)

The negative impact of a ~~tariff~~ tariff on the ~~companies~~ company's cheese is that it will cost them more to export ~~and~~ to other countries and this will increase their costs and may lead to the businesses failure.



A simple response and an example of a candidate who has stated that a tariff will increase costs for SCC.

Score: 0 Marks

Example 2:

Some countries impose restrictions when trading with other countries.

* (d) Assess the impact on the Snowdonia Cheese Company of a tariff on its cheese.

(8)

A tariff is a tax placed on an imported product. This ~~cause~~ would cause the price of SCC's cheese to increase in the country eg. USA that it was exported to. This ~~to~~ would result in the increase in price ^{overseas} likely to lead to a reduction in sales as the product is price sensitive as alternatives are available. ~~It~~ Ultimately this would ~~be~~ result in a fall in revenue brought in from overseas and would cause a decrease in profit produced.

However, Snowdonia Cheese Company mainly sell their cheese within the UK so as their ~~market~~ main market would be unaffected by tariffs overseas, there is likely to be little effect to them. It could even have a positive impact on the business as if the tariff was expanded to its competitors as well, there may be little effects as ~~it~~ ~~an~~ substitutes would also increase in price.

Overall, I think a tariff on SCC's cheese is unlikely to have any huge effects on the company. ~~It~~ Firstly, the main market would be ~~or~~ unaffected as tariffs are only placed on imports so SCC's UK market would not ~~be~~ see price increases. Secondly, tariffs are unlikely to be placed on a selling company's product so SCC's ~~any~~ competitors will likely be affected by price

20



A good answer. The candidate clearly understands how a tariff on cheese would affect SCC as an exporter. The candidate has shown balance by suggesting that the impact of the tariff may not be as significant because the majority of their sales are currently in the UK. Other candidates also went on to explain that the premium nature of the cheese may make the price insensitive therefore sales of cheese abroad may not be affected severely

Score: 7 Marks.

Q07


Most candidates understood the term 'differentiated' but the modal score was 1, with many candidates simply using 'make something different' without further development.

Example 1:

SECTION C

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

Read the following passage carefully and then answer questions 7 to 10.



Mercedes-Benz

Mercedes-Benz, the German car manufacturer, has set a new goal to launch four new electric-powered models by 2020. Each of the four models will fit in with other *Mercedes-Benz* models, but will also have distinct design features to ensure they are clearly differentiated from any of the other electric-powered cars on the market. The electric vehicle market continues to grow with rival car manufacturers such as *Tesla* and *BMW* already selling popular models.

The company's decision to speed up the development of its electric-powered cars is partly due to the German government's new policy of offering subsidies to customers who buy an electric-powered car priced less than €60 000. *Mercedes-Benz* has already made significant investment in its electric-powered vehicles range, most notably a €500 million expansion of its existing car battery production facilities in Germany.

(Source: adapted from <http://www.topspeed.com/cars/car-news/mercedes-benz-plans-to-release-four-electric-vehicles-by-2020-ar173347.html>)

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

The term means when a ~~prod~~ good/service is ^{made differently} ~~different~~ compared to any of other businesses on the market.

(Total for Question 7 = 2 marks)



An example of an imperfect definition..

Score: 1 Mark.

Example 2:

SECTION C

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

Read the following passage carefully and then answer questions 7 to 10.



Mercedes-Benz

Mercedes-Benz, the German car manufacturer, has set a new goal to launch four new electric-powered models by 2020. Each of the four models will fit in with other *Mercedes-Benz* models, but will also have distinct design features to ensure they are clearly differentiated from any of the other electric-powered cars on the market. The electric vehicle market continues to grow with rival car manufacturers such as *Tesla* and *BMW* already selling popular models.

The company's decision to speed up the development of its electric-powered cars is partly due to the German government's new policy of offering subsidies to customers who buy an electric-powered car priced less than €60 000. *Mercedes-Benz* has already made significant investment in its electric-powered vehicles range, most notably a €500 million expansion of its existing car battery production facilities in Germany.

(Source: adapted from <http://www.topspeed.com/cars/car-news/mercedes-benz-plans-to-release-four-electric-vehicles-by-2020-ar173347.html>)

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

differentiated is the clear change or difference from other products in the market that are recognisable, often specialist. Such as ~~Ferrari~~ producing extreme cars like Bugatti creating the fastest car on the world, differentiated from normal cars.

(Total for Question 7 = 2 marks)



A clear and detailed definition.

Score: 2 Marks.

Q08

As on other series, many candidates understood the concept of 'trade-off'. As with other outline questions, the second mark required some development in context. 28% of candidates were able to do this by applying their answer to Mercedes.

Example 1:

8 Outline **one** possible trade-off Mercedes-Benz may experience from launching four new models of electric-powered cars.

One trade off they may experience is the prices of the competitors. Even though Mercedes have a high reputation and demand, they have a lot of competitors. They may experience a lot of competition or a fall of demand as prices for these cars would be expensive.

(Total for Question 8 = 2 marks)



P 5 5 2 4 2 A 0 2 3 2 8

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Turn over ►

In this example the candidate has not understood the concept of a trade-off and instead has given an example of a disadvantage of investing in four new electric car models.

Score: 0 Marks.

Example 2:

8 Outline **one** possible trade-off *Mercedes-Benz* may experience from launching four new models of electric-powered cars.

The money ~~to~~ Mercedes ~~has~~ must invest in the development of the new electric cars - on which they have already spent a great deal, means they are unable to use the money for other things, such as improving their non-electric cars which could fall behind the market.

(Total for Question 8 = 2 marks)



The candidate has shown an understanding of trade-off and applied the concept to Mercedes by linking it to other models e.g. petrol/diesel cars.

Score: 2 Marks.

Q09

To achieve full marks on this question, candidates were required to develop two reasons why the investment in capital stock by Mercedes would benefit the German economy and give a limiting factor (such as a negative externality) to provide balance. For the sixth mark, candidates were required to answer in context and provide a simple evaluation. Only 8% of candidates achieved level 3 (5 or 6 marks).

Example 1:

*9 Discuss the likely impacts on the German economy of Mercedes-Benz investing in its car battery production facility.

If the company invests that much in a car battery production facility it will make it ~~more~~ much more capable of making very high quality car batteries which can make a very high profit for Mercedes-Benz.*

Investing in this facility will also increase employment meaning more individuals will have a high income which can be spent in the economy ~~and~~ therefore will increase the GDP of the country and also * improve the standard of living in the country.

* this will cause an increase in the country's GDP and economic growth.

(Total for Question 9 = 6 marks)



Example 2:

*9 Discuss the likely impacts on the German economy of Mercedes-Benz investing in its car battery production facility.

The likely impacts on the German economy of Mercedes Benz investing in its car battery production facility, would increase the economic growth in Germany and create more employment opportunities for the German people, and could also reduce the risk of job losses from existing departments and moving ^{more} people into battery production. Mercedes-Benz can also hire specialists in battery production.

(Total for Question 9 = 6 marks)



Many candidates explored the reasoning that the investment by Mercedes will lead to job opportunities and economic growth. This answer gives a point with some simple development. Level 1 - 2 marks.

Score: 2 Marks.

Q10

The final question on the paper required candidates to explore the impact on Mercedes of a subsidy on electric-powered cars by the German government. Most candidates were able to explain that a subsidy would lead to increased demand for electric-powered cars and therefore increased sales. Candidates were required to develop two reasons and demonstrate balance through a limiting factor. To achieve level 3, candidates had to answer in context and provide a justified conclusion. The top marks were awarded to candidates who were able to use the context and perhaps discuss how the extent of the benefits may depend on a number of factors. The majority of candidates scored between 4-6 marks.

Example 1:

*10 Using your knowledge of business and economics, assess the likely impact on Mercedes-Benz of the German government giving a subsidy to buyers of new electric-powered cars.

(10)

The government providing subsidies for buyers of new electric-powered cars, ^{could} benefits Mercedes-Benz in a positive way. This is because people may find ^{Mercedes-Benz electrical cars} ~~this as~~ as a more affordable option in Germany ~~to buy electric cars~~ compared to ordinary fossil fuel powered cars. This is because the government will be providing an amount of the car due to the car being environmentally friendly.

Less people ~~will~~ will also ~~hesitate~~ hesitate to buy the new Mercedes cars as not only is it environmentally friendly, it would also be more affordable. The subsidy adds on to the attractiveness of the ~~the~~ new environmentally friendly car.



The candidate has given a fairly detailed response, but has only given one reason as to how the subsidy can benefit Mercedes. The reason is developed but there is some repetition. The answer is a level 1 response and scored 3 marks.

Score: 4 Marks.