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Principal Examiner Feedback

June 2011

GCSE Business Studies (5BS06)  
Paper 01

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# INTRODUCTION TO SMALL BUSINESS

## General comments

This was the third series of the new multiple-choice format of examination and once again the evidence suggests that this paper was accessible and enabled candidates to demonstrate effective knowledge and understanding of content from Unit 6.

Centres are reminded that whilst it is undoubtedly true, Unit 6 is more heavily weighted towards Assessment Objective (AO) 1 and AO2, it still requires candidates to think carefully about the question.

Centres should note that when examination papers are being produced they are designed to test the full range of ability. Different questions are written to target different grades. Each paper must be sufficiently accessible for candidates targeted to achieve grades G, F and E, whilst at the same time being challenging for candidates targeted to achieve the highest grades.

Centres should also note that it is a requirement that over time the unit specification in full has been covered within the written paper. As a very young qualification, with the first examination only last year, this may therefore result in questions on topic areas within the specification that have not been assessed on previous papers.

Below is a summary of performance in the questions for which particular issues were evident, or for which we feel comment is worth making.

**Question 1** – the first question served its intended purpose and proved to be an accessible opening question on the subject of goods and services. This was pleasing as we had planned the paper to have as inviting an introduction as possible. This approach will continue in future series.

**Question 2** – a large majority of candidates scored two marks by accurately identifying two commodities used by a bakery. The purpose of this question was to ask slightly more of candidates than simply identifying different commodities. By linking to a particular context, candidates have to apply their knowledge of the subject. This question worked well.

**Question 3** – the subject of franchise, as a possible option for a business start-up, is made clear in the specification (Topic 1.1 – What options exist for starting-up a business?), and makes explicit reference to the advantages and disadvantages of this option. A large majority of candidates scored at least 1 mark here. Pleasingly, performance on this topic compared to the January series appears to have improved, suggesting that centres are approaching this topic area with greater rigour.

**Question 4** – whilst a majority of candidates answered this question successfully, a sizeable number did not. The subject of net cash flow is covered in Topic 1.3 of the specification. Evidence from this question

suggests that candidates perhaps find more challenging the idea of net cash flow.

**Question 5** – a large majority of candidates scored one mark for this question. Centres are pointed to the specification (p19), which states that students need to know how cash flow is affected by stock levels and credit terms.

**Question 6** – continuing the cash flow theme, this question required candidates to consider how cash flow might be improved. A sizeable number chose B as a correct answer (the use of quantitative market research), whereas C and D were the right answers. The question asked which methods were, 'most likely ... to improve the cash flow position (of the business?)'. Whilst carrying out market research may well achieve this objective in the longer term (by leading to higher sales volumes), both C and D offered more immediate and obvious ways by which cash flow might be improved.

**Question 8** – this was one of four questions based on the double page market research data. Candidates needed to use the different sources of data (Table 3 and figure 1) to arrive at the correct answers. As stated above, this fits with the specification requirement for candidates to 'interpret' market research information. Over four fifths of candidates scored two marks or more, with around half of this figure scoring the full three marks. This suggests the question worked well as a discriminator.

**Question 9** – the topic of added value has appeared on previous series and is generally an inviting topic. The specification indicates that the sources of added value for a business are: convenience and speed, branding, quality, design and unique selling point. Correct answers to this question for which learners were required to select two were therefore B (loyalty scheme/USP), C (quality/USP) and D (brand).

Centres should note with reference to option B it is the 'loyalty scheme' aspect which is regarded as a source of added value, and not that of 'price discounts'. 'Price discounts' is not a source of added value.

Centres are directed to the demands and detail of the specification on the subject and sources of added value

**Question 14** - Statistically, this proved to be the one of the most challenging question on the paper (although a large majority did answer correctly). As noted in January, exchange rates remain an important part of the specification and will continue to feature in future examination series. Some guidance for centres is once again provided at the end of this report.

**Question 17** – most candidates scored one of the two marks on this question. The main mistake was in not choosing National Insurance Contributions as a correct answer. This is stated in the specification, along with income tax, VAT and corporation tax. The fact that National Insurance Contributions does not include the word 'tax' may be one reason for its unpopularity. This can be easily dealt with by centres in preparing candidates in this topic.

**Question 19** – as with the January paper, this question was well answered. Indeed, there is evidence that candidates are very well prepared for this question; over 90% scored four or five marks. This type of question relies on candidates having secure knowledge of key terminology. The format of this question is easy to identify. Identify 5 correct definitions from a list of 8. By preparing candidates effectively in the language of Unit 1/6, and by ensuring they take the necessary time to read the question and the options, there is a greater likelihood that candidates will score highly on this type of question and avoid the pitfalls that can exist.

**Question 20** - the 6 mark extended writing question is a feature of the Unit 6 examination. A large majority of candidates scored either 3, 4 or 5 marks, indicating that most centres are preparing their candidates effectively for this particular type of question. This question requires evidence of the skills in AO1, 2 and 3. Candidates need to make a decision and provide reasoned justification for this decision. Note that there is no right or wrong answer: a candidate could have argued that protecting the business idea or innovation was the most important strategy for Farirai provided, support their decision with appropriate business understanding.

To score full marks candidates must offer some evaluation. Here, the 'it depends' rule can be used to good effect. It may well be that 'protecting the business idea' is the most important strategy. Evaluation could be offered suggesting that this depends on the cost involved in protecting the idea. If costs are excessive it may well be appropriate to take the product to market immediately.

In a significant number of cases candidates provide too much detail – sometimes using additional sheets- often with the result that their arguments and justification are difficult to understand in the detail. Centres need to ensure that candidates know that full marks can comfortably be gained by writing in the amount of space provided.

Note that full marks can be gained by reference to just on business, providing sufficient analysis and justification is provided.

### **Advice for centres**

Below is a summary of advice specifically arising from this examination. This includes some of the guidance which is reproduced from previous series.

1. **Multiple-choice does not necessarily mean easier** – Centres should work with learners to ensure that learners are sufficiently prepared to attempt multiple choice questions. The questions are designed to require skills, including application and analysis.
2. **6 mark question** – advice from the experience of candidates in this series:

- Organise arguments using paragraphs. Indent or leave a line between paragraphs if necessary, to emphasise the organisation and structure.
  - A common approach is for candidates to make a decision, justify this using appropriate terminology and concepts, suggest how the other business may be affected and finally state why the chosen business is **more** affected than the other. Importantly, candidates should try to arrive at an original conclusion that does not simply repeat what has already been said. Use can be made of the 'it depends' rule.
  - Don't write too much: arguments become unclear and more vague when too much detail is provided.
3. **Cash flow** – candidates' grasp of cash flow, and in particular net cash flow, was not as strong as we expected. This is one topic for centres to cover in sufficient detail to ensure that candidates can tackle numerical questions on this topic. Understanding the reasons for worsening cash flow is also an area for centres to consolidate. Specifically, the specification refers to the role of stock levels and credit terms.
  4. **Key terms** – a number of marks on this paper are gained through knowledge of key terms. Centres should plan to consolidate this knowledge on a regular -weekly basis with their students. This may take the form of weekly quizzes, wall displays, crosswords, and so on. Whatever strategies are used, this will prove to be time well spent in preparing for the Unit 6 examination.
  5. **Exchange rates** – as stated above, this is almost certainly one topic that will prove very challenging for some candidates. As such it serves as a useful discriminator. This is not to say, however, that candidates of all abilities cannot to develop an understanding of the requirements of this topic. The specification states that students need to learn:

*'how changes in the £/\$ or £/€ affect small firms that trade abroad or face competition from abroad'*

There are techniques which centres can use to help candidates secure their understanding of the topic. Many centres use the 'SPICED' mnemonic with their students: **S**trong **P**ound **I**mports **C**heaper **E**xports **D**earer.

6. **Practice makes perfect** – as a relatively new format of examination, centres should seek to develop the exam technique of candidates by running mock exams under the same timed conditions as the real paper. In addition to any internal papers which centres may produce, there are now five papers from Edexcel: two Sample Assessment Materials papers, plus the Summer 2010, January 2011

and Summer 2011 papers. These should be used effectively as formative exercises to develop the skills of candidates.

7. **Timing** – whilst many candidates scored highly on this paper it was considered at times incorrect response were selected by learners are a result of questions not being read thoroughly enough. Centres are encouraged to work with learners in using the 45 minutes available to think carefully about each question, identify distracters, and finally identify the correct answer. A check by learners of all of answers is also encouraged before the end of the exam. Candidates need to be aware that questions are designed to include some strong distracters

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There are exemplar materials and regular updates on training, including online training on the GCSE Business web site –

<http://www.edexcel.com/quals/gcse/gcse09/Business/Business/Pages/default.aspx>

Customised training can be arranged to deal with specific queries that centres have –

<http://www.edexcel.com/quals/gcse/gcse09/Business/Business/Pages/training.aspx>

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