

Examiners' Report
June 2012

GCSE Business Studies 5BS03 01

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June 2012

Publications Code UG031806

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Introduction

This year's examination paper in Business Studies proved to be accessible to the vast majority of candidates. There was also limited evidence of candidates unable to finish the paper and many candidates were able to write lengthy answers, although this is not necessary to score full marks. Recommendations offered at *Edexcel* training events and/or the advice provided in last year's Examiners' Report seemed to have been taken on board.

Almost all of the questions were answered well, with only 3(b), 5(d) and 6(d) proving troublesome. Here it was apparent that a significant minority of candidates had no idea what productivity or a salary was and had no conceptual understanding of the limitations of the break-even model. What was particularly pleasing was the large number of candidates who were able to provide balance within their answers and this was particularly prevalent in question 4(d) and question 10.

The perennial constraint on many candidates gaining a higher score is the issue of context. Almost all questions make reference to a particular business. This is highlighted in the question or stem since the name of the business and/or product is italicized. This is significant because it means that marks are specifically allocated to the written skill of application (AO2). Thus, high-powered generic answers that use lots of business terminology cannot access the top of the marking range unless the correct blend of skills have been demonstrated within the response. This became apparent in question 5(d) and 6(d) where very few answers attained a mark close to the maximum mark available. In Section A context proved to be less of a problem with question 3 on *Easyjet* proving to be particularly well done. To demonstrate context, a candidate must go beyond using the words that are provided in the question. It is recommended that candidates practise this skill, since cumulatively, many marks cannot be accessed via a generic approach to answering the questions.

Question 1 (b)

This was a simple 'identify without context' question. Any two different ways to become more ethical were awarded 2 marks. 'Fairtrade' and 'reducing pollution' were the most common responses. A small minority of candidates thought the question was about ethnic discrimination which led to some unusual, but ultimately incorrect responses.

(b) Identify **two** possible ways in which a business might become more ethical. (2)

1. fair wages

2. sell fairtrade products



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Examiner Comments

Two valid ways were identified, therefore 2 marks were awarded.

(b) Identify **two** possible ways in which a business might become more ethical. (2)

1. Giving some of their local communities charity money from their profits.

2. Recycling waste material made by the business.



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Examiner Comments

Two ways were identified, so 2 marks were awarded. The candidate could have scored 2 marks by simply stating 'Giving to charity' and 'Recycling'.



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Examiner Tip

In 'Give', 'State', and 'Identify' questions, there is no need to write an explanation or develop a response. This simply wastes time and can lead to a candidate not completing the paper.

Question 1 (c)

'Outline' questions are always worth 2 marks. Candidates need to highlight one point ie in this case a benefit, and provide some kind of development.

(c) Outline **one** benefit to a business if it improves its ethical behaviour. (2)

If the business improves its ethical behaviour it may improve their image which may lead into to increase in profit sales which could lead to a increase in profit.



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Examiner Comments

The candidate has highlighted a benefit - 'increase in profit' and has provided development that explains why this may come about. 2 marks were awarded.

Question 1 (d)

This is an example of an 'explain' question which does not require any context, since the use of the word 'business' in the question allows for a generic response. Candidates must highlight a drawback and then provide two linked strands of development to secure the 3 marks on offer.

(d) Explain **one** drawback a business could face as a result of pressure group activity. (3)

One drawback a business could face as a result of pressure group activity is that the business could be boycotted. If the business was to be boycotted the business could lose investors, customers, sales, which would result in the business either closing down or be announced bankrupt.



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Examiner Comments

The drawback highlighted is a 'boycott', this is then linked to 'losing customers' which is then linked to the 'business closing down'. 3 marks were awarded.



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Examiner Tip

Some candidates included a definition at the start of each and every question. The mark scheme does not credit a mark for a definition in 'explain' questions. This can be a contributory factor in some candidates not completing the paper.

Question 2 (b)

This is an example of an '*identify with context*' question. The need for context is explicitly highlighted by the italicized use of the word '*Sainsbury's*'. As such the question requires the identification of non-monetary factors that could motivate a checkout worker. Thus extra wages, commission, piece rates and bonuses were not awarded a mark. Candidates who stated fringe benefits which could not be realistically attained by a checkout operator were awarded zero marks. The main culprit here was '*company cars*'.

(b) Other than increasing pay, identify **three** possible methods to increase the motivation of *Sainsbury's* checkout staff.

(3)

- Improve
- 1 ~~increase~~ working conditions so they feel more motivated and enjoy coming to work.
 - 2 Provide training for staff so that they know exactly what to do and feel more motivated about work.
 - 3 The business could put the staff on piece rates



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The candidate scored 2 marks for two valid non-monetary motivators. The candidate could have streamlined their response though by simply stating '*improved working conditions*' and '*better training*' and they would still have attained the same mark.

Question 2 (c)

This is an example of a '*describe with context*' question. As such, the candidate can access the marks through several methods. 1 mark can be awarded for a definition of motivation. Equally a mark can be awarded for one point or 2 marks for two points. One developed point can also score 2 marks. To access all 3 marks there must be evidence of context to score the AO2 mark, irrespective of the route used by the candidate to answer the question.

(c) Describe how an increase in pay might motivate *Sainsbury's* checkout staff.

(3)

If workers get increased pay they will feel as though they are being given basic rights and will appreciate it so they will return the effort back to the business and be motivated to be more productive and want to make the business successful.



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Examiner Comments

The candidate has made a point that an increase in pay increases '*basic rights*', which is then developed since the worker will '*return the effort*'. However there is nothing in this answer that makes use of the *Sainsbury's* context so 2 marks were awarded.



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Examiner Tip

Note that this question asks you to '*describe how*'. Many candidates scored zero marks on this question, since they answered '*describe why*' and thus focussed their answer around the benefits to *Sainsbury's* of having a more motivated workforce.

Question 2 (d)

This is an example of an 'explain with context' question. Candidates needed to explain one effect followed by two linked strands of explanation. To attain 3 marks there must be some evidence of contextualisation to score the final AO2 mark for application.

Sainsbury's employs large numbers of women in its stores. All female workers have maternity rights which Sainsbury's has to provide by law.

(d) Explain **one** effect the provision of maternity rights might have on Sainsbury's.

(3)

One effect is that Sainsbury's cost might go up as they have to pay both the woman on maternity leave and her replacement so cost will go up - as which may result in a decrease in profit.



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Examiner Comments

The candidate has highlighted 'decrease in profit' as the effect, which is developed through 'costs will go up' with a further linked strand 'as they have to pay the women on maternity leave and her replacement'. If there was some evidence of contextualisation this answer would have scored 3 marks. Since there is nothing which goes beyond the use of the word 'Sainsbury's' and the word 'maternity', which are contained in the question, the final mark cannot be accessed. 2 marks in total were awarded.

Sainsbury's employs large numbers of women in its stores. All female workers have maternity rights which Sainsbury's has to provide by law.

(d) Explain **one** effect the provision of maternity rights might have on Sainsbury's.

(3)

By wrongly having the right to maternity leave, this will ^{leave} Sainsbury's short staffed and as a result of this, the business may have to acquire a temporary contracted worker to fill the role of the employee. Moreover if staff are absent as a result of maternity leave in busy parts of the year, ^{such as Christmas when Sainsbury's will be selling seasonal items, the company} ~~the business~~ may have to acquire additional help as well as paying for the temporary worker. As a result of this, ~~the~~ ^{Sainsbury's} cash outflow will increase.



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Examiner Comments

By way of a contrast this response scored the full 3 marks. Although it is quite long-winded, the need to hire temporary workers due to short staffing is linked to higher cash outflows. Crucially context is provided through the understanding that Christmas is a busy time of the year for a retailer. This response scored 3 marks.



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Examiner Tip

One way to generate context is to consider what has been provided in the question stem. The question stem is a short sentence(s) which appear before the actual question. Candidates could have made use of the fact that Sainsbury's employ so many women, therefore the effect on its stores could potentially be very large.

Question 3 (b)

This was one of the most misunderstood questions on the whole paper. Many candidates wrote answers that appeared to have nothing to do with productivity at all and any kind of link with the question. As a contrast there were some outstandingly good answers that recognised that productivity could come from a more efficient use of the planes, therefore reducing unit costs, or having the ability to sell more tickets because the planes could make more trips in a day. Examiners were instructed to award 1 mark to answers that did not have at least some implicit understanding of productivity within the response. The use of context, yet again, proved to be a major discriminator between the 2 and 3 marks boundary.

The airline industry is very competitive. *Easyjet* faces many rivals such as *British Airways* and *Ryanair*.

(b) Explain **one** benefit to *Easyjet* of improved productivity.

With easyjets's improved productivity, the flight times should be shorter than ryanair and british airways which will open up a USP for them, which will increase the amount of customers they have. ⁽³⁾



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Examiner Comments

The benefit is 'increase the amount of customers' and this has been developed through having a USP because the flight times should be shorter. The candidate has demonstrated an implicit understanding of productivity and there is ample use of context through the use of the words 'flight times, Ryanair and British Airways'. 3 marks were awarded.

The airline industry is very competitive. *Easyjet* faces many rivals such as *British Airways* and *Ryanair*.

(b) Explain **one** benefit to *Easyjet* of improved productivity.

(3)

Easyjet's improved productivity would result in a better brand image. By increasing the brand image Easyjet would increase its sales as more people would fly with them. This will help gain a competitive advantage over Ryanair and British Airways. By increasing its productivity more clients will recommend it and so Easyjet would be better than its rivals.



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Examiner Comments

This answer, at first glance, reads very well but the problem with the response is that there is no clear or direct link with productivity. This answer could not be awarded more than 1 mark.

Question 3 (c)

This '*describe with context question*' was accessible and there were some good responses which focussed on better in-flight meals, online booking portals, larger baggage allowances and even an on-board gym! As a result, most candidates scored 2-3 marks.

Question 3 (d)

This is another example of an 'explain with context question'. Almost all candidates were able to state a drawback and then generate sufficient linked strands of explanation. The issue with most candidate responses was, once again, lack of context meaning that the third mark could not be awarded.

Budget airlines such as Easyjet are often criticised for delays and cancellations.

(d) Explain **one** disadvantage to Easyjet of providing poor customer service.

(3)

Poor ~~customer~~ customer service means less repeat purchase. They'll lose customers, reducing sales, reducing income ending with reduced profit.



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Examiner Comments

A totally generic response that scored 2 marks. This response could have been applied to any business from McDonalds to B&Q.

Budget airlines such as Easyjet are often criticised for delays and cancellations.

(d) Explain **one** disadvantage to Easyjet of providing poor customer service.

(3)

Poor customer service badly affects customer loyalty. If customers feel Easyjet are unreliable they will change their loyalty to another airline. Poor customer service will also damage Easyjet's brand image. It will make future customers reluctant to book a flight with Easyjet which would lead to a loss of revenue and profit margin for the business.

(Total for Question 3 = 10 marks)



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Examiner Comments

As a contrast this candidate has generated an answer which is far too long. The first disadvantage would not score full marks. However on the third line the disadvantage which starts 'Poor customer service will also...' is a response that scores full marks because 'loss in profit margin' is the ultimate disadvantage and this has been linked to 'customers reluctant to book a flight' and 'Easyjet which would lead to a loss in revenue'. The use of the words 'book a flight' demonstrates context so 3 marks were awarded.



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Examiner Tip

In 'explain' questions avoid the use of the word 'also'. It suggests that you are about to move onto a totally separate disadvantage, rather than develop **one** disadvantage fully.

Question 4 (b)

This was an 'identify with context' question. Most candidates scored 2 marks by identifying 'questionnaire' or 'survey'. 'Focus groups' was not awarded any marks since it is a vehicle to generate qualitative data. Equally 'primary research' and 'secondary research' scored no marks because they could both generate either quantitative or qualitative data. 'Tally charts' and 'graphs' also scored zero marks since they are not methods of collecting data they are ways of processing data.

Market research is a way of gathering information from customers.

(b) State **two** methods of collecting quantitative market research Nintendo could use.

(2)

1. Group gatherings to see first hand what people think when they test the product.
2. Questionnaire



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Examiner Comments

This response scored 1 mark since 'questionnaire' is valid but 'group gatherings' is not and the response implies that qualitative data would be collected from this method.

Question 4 (c)

An accessible question to all, but only a small minority scored 3 marks. Context was once again the problem as candidates could not go beyond mentioning 'Nintendo', 'consoles' or '3DS'. These were all terms that appeared in the question so mentioning them did not allow candidates to score any marks for AO2 (application). 2 marks was the modal score by a significant margin.

Before the launch of the Nintendo 3DS, Nintendo built up large stocks of the console to meet the likely demand.

(c) Explain **one** drawback to Nintendo of holding large stocks of 3DS consoles.

(3)

Large stock will waste more space and will be more expensive as they have to pay for a place to keep the stock and have to pay for the actual stock. This could lead to less profit.



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Examiner Comments

An excellent example of a generic answer that only scored 2 marks due to lack of context.

(c) Explain **one** drawback to Nintendo of holding large stocks of 3DS consoles.

(3)

They don't know for sure whether their products will sell. Throughout this time, they are paying rent for the warehouse. After launch, some people reported of feeling ill after playing the game, this could put other customers off from buying the console. This may lead to sales coming to a halt or decrease and Nintendo are left with large stocks of unwanted ~~prod~~ consoles. This costs them as they still have to pay for renting the warehouse until they can get rid of the excess consoles.



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Examiner Comments

This is an overly long answer, but the candidate scored 3 marks since there is a drawback with two subsequent linked strands of explanation. The candidate has used the information provided at the start of the question to generate context (*some people reported of feeling ill*).



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Examiner Tip

Think! Why is the case study there at the beginning of the question? Why has an extra sentence been added before the start of the question (the question stem). They are there to help you generate the context and score the application (AO2) mark.

Question 4 (d)

This kind of 'choice' question is the first question in the exam paper where a degree of balance is required and it is intended as a bridge between more difficult styles of questioning that will be encountered towards the end of Sections B and C respectively. Most candidates have found it quite difficult to score full marks on this question. To do so candidates have to:

1. Make a judgement.
2. Provide two reasons/causes/consequences to support their judgement.
3. Demonstrate balance and context.
4. Provide a conclusion.

As a result most candidates scored 4 marks (judgement with two supporting reasons/causes/consequences but no balance) or 5 marks (added the balance but no context or conclusion). It is recommended that candidates need more practice opportunities on this type of question to achieve higher scores.

Increasing advertising and designing new features, such as being able to play games in 3D, are two ways in which *Nintendo* could improve the sales of its consoles.

(d) Which of these two methods do you think would be more effective in improving sales of *Nintendo's* consoles and why?

(6)

I think advertising would be a more effective way to increase sales as it allows the customers/consumers to know about the product which will therefore increase sales as the customers will purchase it.

I also think better advertising will increase sales as customers will know where to purchase the product from which will furthermore increase sales due to their knowing where to buy it - as the product may only be sold online.

Another reason why I think advertising is effective in improving sales as it will allow customers to see the whole product mix of *Nintendo* which could therefore lead to sales of other *Nintendo* consoles.



ResultsPlus Examiner Comments

A judgement was made and there are at least two reasons/causes/consequences that support the judgement. There is no balance, no context beyond what is in the question and no conclusion. The response is stuck at the top of level 2. 4 marks were awarded.



ResultsPlus Examiner Tip

Look at past mark schemes! The mark scheme provides a recipe to score 6 marks on these style of questions. Pay particular attention to the level 3 part of the mark scheme. Candidates have to do a lot to score 6 marks.

Designing new features will be more effective since the product has been improved giving Nintendo a USP. This will increase sales and allow Nintendo to make a greater profit. Increased advertising will cost Nintendo a lot of money and may increase sales but if a rival like Sony was also advertising then sales would not be so high. Increased advertising will most likely make a loss since it is expensive and would require a lot of sales to break even.

Designing new features will improve Nintendo's brand image and will increase the number of sales since customers are loyal to the brand and can associate it with good quality and value.



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Examiner Comments

This response scored 6 marks. There is a judgement and two reasons/causes/consequences and balance is provided in that 'advertising costs a lot'. There is also context provided through the mention of 'Sony', a rival console manufacturer, and the final paragraph acts as a conclusion.

Question 5 (a)

A very straightforward question. The vast majority of candidates were able to score 2 marks for stating 'cash inflow' and 'cash outflow' within their responses. It was pleasing to see that fewer candidates than expected confused cash flow with profit.

5 (a) What is meant by the term **cash flow**? (2)

The flow of money in and out of the
business over a period of time.



ResultsPlus Examiner Comments

This was typical of the responses encountered and scored 2 marks.



ResultsPlus Examiner Tip

Only terms that appear in the specification can appear in 'What is meant by the term...' questions. Ask your teacher for a copy of the specification or download a copy yourself at www.edexcel.com

Question 5 (b)

Almost all candidates were able to identify two examples of cash outflows. Note that generic 'fixed costs' and 'variable costs' scored zero marks since the question was asking for outflows applicable to *Shiftyjelly*. Most candidates opted for 'salaries for developers' or 'software costs'.

Question 5 (c)

Another accessible question. Those candidates that scored 1 mark, did so because they provided a list of two (or more) methods and did not develop one of the methods stated within their response.

(c) Outline **one** method Shiftyjelly could use to improve its cash flow.

(2)

Use less part-time developers. Decreasing the number of staff decreases cash outflow due to less salaries being paid.



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Examiner Comments

This response scored 2 marks. 'Use less part time developers' is linked to 'decreasing cash outflow'.

Question 5 (d)

This question proved to be difficult for many. One common mistake was that candidates stated an advantage/disadvantage for an employee rather than for *Shiftyjelly*. This was compounded by many candidates not making their stated advantage/disadvantage clear enough. Some candidates then used the 'explanation' space to explain the advantage/disadvantage ignoring the effect that it would have on the business. Very few candidates were able to contextualise their responses and as a result only a minority of answers scored a mark above 6.

(d) State **one** advantage and **one** disadvantage to *Shiftyjelly* of paying its app developers a salary, rather than any other form of remuneration.

For each advantage/disadvantage explain the effect on the business.

(8)

Advantage

The staff of Shiftyjelly know what they will get paid.

Explanation

One advantage of Shiftyjelly paying its workers a salary for creating apps is that ~~the business~~ Shiftyjelly knows how much money they will be paying to its workers, and also the workers know exactly how much they will be getting paid. A salary is a certain amount paid to a worker over 1 year. So paying Shiftyjelly's workers a salary is good as the workers will know what they are getting paid.

Disadvantage

workers less motivated.

Explanation

The workers at Shiftjelly may feel like they know that the amount they are going to get paid will not change no matter how much work they do. Therefore Shiftjelly app designers and workers may not do as much work, they may not put as much effort in to the work they are doing, and therefore, not as much work would be being done. If Shiftjelly was to pay its workers in piece rate they may perform motivated to work more, as they know their pay would change depending on the amount of work they do.

(Total for Question 5 = 14 marks)



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Examiner Comments

This response scored 4 marks in total. The stated advantage was not an advantage to *Shiftjelly* so this scored zero marks. The explanation of the advantage was focussed around the worker, but 1 mark was awarded for '*Shiftjelly knows how much they will be paying to the workers*'.

The disadvantage fared better. The stated disadvantage was clearly relevant to the business and scored 1 mark. The subsequent explanation scored 2 marks since the response explained why workers would be less motivated and that '*less work will be done*'. There was insufficient context to allow 3 marks to be awarded for the explanation because the response just used words that were contained within the question.



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Examiner Tip

In this style of question make sure that you do not waste time by re-stating the advantage/disadvantage in the '*explanation*' part of your response. You will not score any additional marks for this.

Question 6 (a)

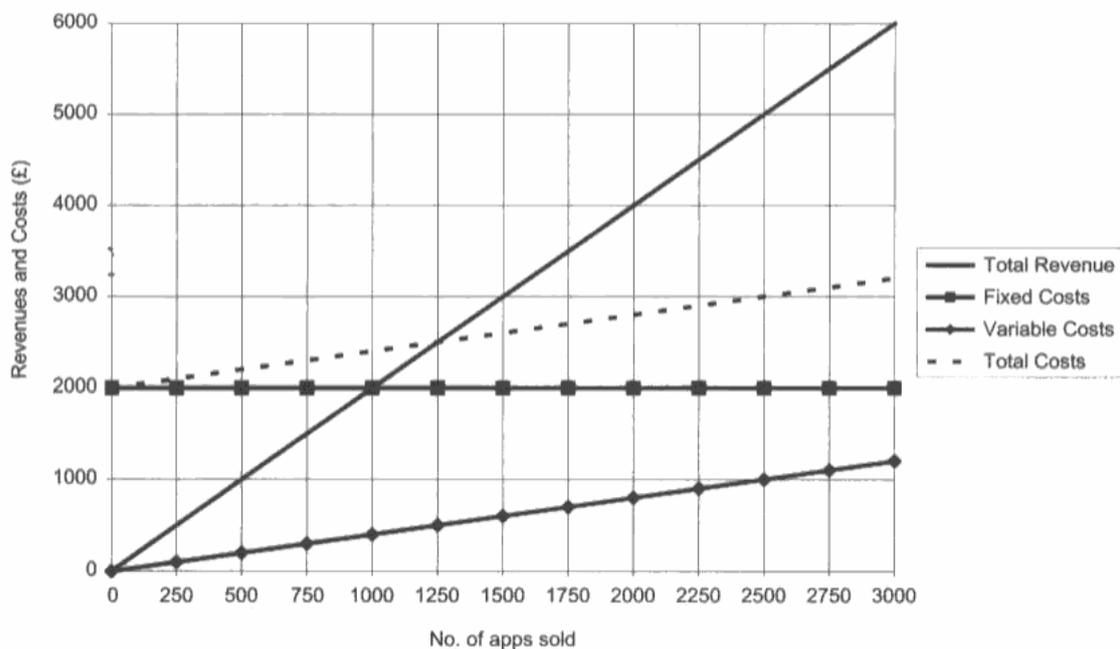
In this question to score full marks a candidate had to refer to 'the level of output/sales where total cost equals total revenue'. An imperfect response such as 'point where $TR=TC$ ' could be raised to full marks by subsequently stating 'this is where no loss or profit is made'. This is an important technical point because too many candidates in the subsequent question, 6(b)(i), stated that breakeven occurred at £2500.

Shiftyjelly is currently designing a new weather app for tablet computers such as Apple's iPad. The company wants to sell the app for £2. The estimated costs of developing the app are:

Fixed costs = £2 000

Variable costs = 40p per app

Below is a break-even chart for the new weather app.



(Source: adapted from <http://shiftyjelly.com>, June 2011)

6 (a) What is meant by the term **break-even point**?

(2)

A break-even point for a business is when its total revenue is equivalent to its total costs.



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Examiners Comments

There is no reference to 'output/sales' within the response and there is no subsequent development of the term through elaboration. Therefore 1 mark was awarded.

Question 6 (b) (i)

A sizable minority of candidates stated '£2500' or '1000' and scored zero marks. These candidates seem to take the route of reading off the vertical axis, or to select the point where FC=TR. This is a very basic break-even question and similar question appeared in the SAMs (Sample Assessment Materials). It was disappointing that approximately 5% of the responses marked were incorrect.

Question 6 (b) (ii)

It was clear that many candidates had limited familiarity with the margin of safety. If they had, they appeared only to know what it was as a definition without calculating it using figures from a break-even graph. As a result, this question generated either an easy 2 marks or a very confused zero marks.

(ii) Shiftyjelly is expecting to sell 3000 copies of its weather app. Calculate the margin of safety for this product. Show your workings. (2)

Margin of safety = Total output - Break Even output

3000 - 1250 = 1750

Margin of safety = 1750



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Examiner Comments

This was a 2 mark response.



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Examiner Tip

In calculation questions try and set your answers out in a way that an examiner can follow. Just lots of calculations/numbers on a page is unhelpful. This candidate has stated a formula, imported numbers into it and arrived at the correct response.

Question 6 (c)

Calculation questions will not appear every year in the exam paper, but when they do they should be a route to 'easy' marks. Many candidates did not state the formula and approached the question in a scattergun fashion. Those candidates that did what the question asked were able to score some marks even if they ultimately calculated an incorrect profitability figure.

(c) Calculate *Shiftyjelly's* profit/loss if it manages to sell 3000 copies of its weather app. Show your workings and the formula used.

(3)

$$\begin{aligned} \text{S.P.} & \times \text{products sold} = \text{revenue} \\ \text{£2} & \times 3000 = \text{£6000} \\ \text{V.C.} & \times \text{products sold} = \text{total V.C.} \\ \text{£0.40} & \times 3000 = \text{£1200} \text{ V.C.} \\ & \text{£2000 F.C.} \\ & \underline{\text{£3200}} \text{ total costs} \\ \text{revenue} - \text{total costs} & = \text{profit} \\ \text{£6000} - \text{£3200} & = \text{£2800} \end{aligned}$$



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Examiner Comments

Clear setting out, with the formula stated towards the end of the response. The candidate has done what the question asked him/her to do. 3 marks were awarded.

Question 6 (d)

This question proved to be tricky for large numbers of candidates. Very few answers were able to access level 3 (6-8 marks) due to a lack of context. Many answers also had limited balance and, as a result, large numbers of responses only scored 3 or 4 marks. It was also clear that several candidates did not understand the value of break-even analysis to a business, despite it being clearly identifiable in the specification (topic 3.3). This led to some responses that had nothing to do with the question.

*(d) Assess the extent to which break-even analysis is a valuable tool in allowing Shiftyjelly to plan the successful launch of its new weather app.

(8)

It shows ~~how much~~ ^{the} revenue, fixed costs, variable costs and total costs on a graph which is easy to analyse. Also shows how many apps must be sold to break even. Furthermore shows the total costs and if the variable cost increase, the graph can be changed accordingly to suit it.

It cannot help a 'successful launch' to an extent where everything is taken care of. Promotion, price, product and place have to be considered. Without these aspects, the weather app may not sell. For example, if it isn't released on the Apple store then it won't sell (place).

To conclude this chart is a tool which helps a successful launch but the marketing mix and Boston Matrix ~~can~~ also need to be considered.



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This answer contains two factors relating to the use of break-even analysis which have been developed in the first paragraph. In the second paragraph balance is provided and context is added through the use of the *Apple* example. There is a conclusion, but there is no use of the 'it depends rule' which would have cemented the answer to the top of level 3. This response was awarded 7 marks in total. There is no need to re-adjust the response within the level since the Quality of Written Communication (QWC) is strong (the question is asterisked).



ResultsPlus Examiner Tip

The use of a paragraph structure makes it easier for an examiner to read your response. It will also make it more likely that you will add balance. A paragraph starting with the word 'however' can help you to demonstrate this key written skill.

Question 7

Most candidates scored 1 mark on this question and were unable to go beyond simply stating 'promotion' or 'selling' or listing the elements of the marketing mix. Many candidates tried to use an example to enhance their response but simply stating 'e.g. Mulberry selling bags' did not improve their response.

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

The process of identifying, anticipating and ~~and~~ satisfying customer needs.



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Examiner Comments

Straightforward. 2 marks awarded for a full and comprehensive definition.

Question 8

Almost all candidates scored 2 marks on this question. 'Repeat purchases', 'ability to charge more' and 'more consumer loyalty' were amongst the most popular responses. Candidates did not score marks when their response focussed on the benefit to the consumer rather than the business e.g. 'will last longer so they do not need to buy a replacement'. This is why reading the question closely is such an important skill.

Question 9

This question proved to be fairly straightforward and most candidates could write something sensible about the benefits of using internal sources of finance. One of the main problems was that candidates did not note the word '*benefits*' in the question. As a result they only considered one developed benefit, limiting their ability to go beyond level 1 (1-2 marks). Most candidates considered the ability to avoid using loan capital and the resulting interest that has to be paid when borrowing money. Very few answers provided evidence of the counterbalance necessary to enter level 3 (5-6 marks) and fewer still were able to provide a response that included balance and context (necessary to reach 6/6).

*9 Discuss the benefits to *Mulberry* of using internal sources of finance to fund its expansion.

~~By~~ The huge benefit to internal sources of finance is there is no need to pay interest. This means they can use the money more freely without having to worry about paying it back. It also gave them full control of the money put into the expansion, therefore how slowly and carefully they expanded was down to them. They didn't have to rely on banks and were more independent.



ResultsPlus
Examiner Comments

This was a response typical of those encountered by examiners. The candidate has considered, and developed, two benefits of using internal sources of finance. This allowed the candidate to access the top of level 2 (3-4 marks). However there is no balance whatsoever within the response, so the command word '*discuss*' has not been acted upon. The Quality of Written Communication (QWC) was strong so no re-positioning within the marking band was necessary (the question was asterisked). 4 marks were awarded (top of level 2).

*9 Discuss the benefits to Mulberry of using internal sources of finance to fund its expansion.

Using internal sources of finance to fund expansion can be less risky than more external sources. This is as many external sources involve getting into debt, such as by taking out a loan. By using internal sources, such as by selling outdated machinery used in production, the money doesn't need to be paid back, and so as a result the only cost of using these sources is the opportunity cost of not spending it on something else.

However, internal sources of finance can only raise a limited amount of money. External sources, such as a loan, would allow the business to raise more money in the expansion, and as a result it the expansion could be more successful in the long term.

In conclusion, Mulberry is right to use internal sources of finance as in the fashion industry sales fluctuate wildly and so getting in debt can be dangerous.

(Total for Question 9 = 6 marks)



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Examiner Comments

This answer scored 6 marks. There are two separate, developed points as to why internal sources of finance could benefit the business contained within the first paragraph. This is then counterbalanced since the candidate considers the problem of internal sources being insufficient in size. The response is prevented from becoming too generic since the conclusion refers to the fashion industry's fluctuating sales. The quality of written communication (QWC) is strong so no adjustment within the level 3 band was appropriate.

Question 10

This year's final extended writing question proved to be more accessible than the one set in 2011. Candidates appeared to appreciate the context and the vast majority of answers were able to generate a mark in the level 2 marking band (5-7 marks). In order to reach the top of level 2, responses needed to demonstrate a hint of balance, with more explicit balance being required to access level 3 (8-10 marks). To reach the top of level 3 context was required together with the use of the 'it depends rule' or evidence of other sophisticated ways of expressing counterbalancing points. As mentioned in the introduction to this year's Examiners' Report, there was limited evidence of candidates not completing this question due to time constraints.

*10 Using your knowledge of business, assess the importance of 'giving celebrities free bags' in allowing Mulberry to build a successful marketing mix.

The marketing mix is price, product, promotion and place and if a business have a successful marketing mix then that business will be successful. Marketing mix is used to set up and improve a business in order to make it more successful.

Giving celebrities free bags means that Mulberry get free advertisement on all the magazines and media that the celebrity is seen in with that bag. If a celebrity is photographed wearing the bag and the photo is placed in a magazine then all the readers of that magazine will see the bag.

It also means that people will want to own the bags. If people see the bag being worn by a celebrity then they will think that it is a cool product and they will be tempted to buy it. Because many people follow the trends of celebrities many people will follow buy the bag. This makes for a successful product.

Because the demand for the bag will be high after they see it a celebrity wearing it the Mulberry can raise the price of the product and still keep sales high. People will pay lots of money to get it like their favourite celebrities and if their favourite is wearing it a Mulberry bag, then they will pay a lot for it.

However giving celebrities a free bag does not considerably benefit the place aspect of the marketing mix. Also it will cost Mulberry money to give celebrities bags for free and so Mulberry has money if no sales are made. The celebrity then might not wear the bag often enough to make a large impact on sales either.

Considering the arguments, I think that giving celebrities free bags is very important in allowing Mulberry to build a successful marketing mix.



ResultsPlus Examiner Comments

This response considers more than two reasons as to why giving away free bags to celebrities could be important to *Mulberry's* marketing mix. These are developed in the context of *Mulberry*. Counterbalance is fairly sophisticated in that there is a cost attached to giving away free bags and the possibility that the celebrities may not wear them. This could have been developed further to strengthen the case for awarding above 8 marks. A judgement was made about the importance of celebrity endorsement to *Mulberry*. This answer is on the border of level 2 and level 3. There is just enough to award it 8 marks and tip the response into level 3. The Quality of Written Communication (QWC) is strong (this question has an asterisk).

*10 Using your knowledge of business, assess the importance of 'giving celebrities free bags' in allowing Mulberry to build a successful marketing mix.

Giving celebrities free bags means that the bags gain an added value in the minds of customers, this allows mulberry to charge higher prices ^{or premium} for the bags as people will be more willing to pay for them if they see that celebrities have them and this can lead to increase profit for the business but on the other hand it could also put some people off buying the product as they might think that if a celebrity has them then they are too expensive and if people think like this it could lead to lower sales.

However giving free bags also gives more promotion for the bags and also the brand name of mulberry, in today's society we are constantly influenced by the media and have continuous knowledge on what celebrities where this means that people are more likely to know about designer brands like mulberry and be more aware aware of it which could mean they buy it as they have a positive feeling about the brand in their head so can lead to increase sales therefore increase profit for mulberry.

However giving the products to celebrities means that the ~~be~~ mulberry still has to pay

The production costs for those bags without receiving revenue for it which could lead to a bad cash inflow so worsen the cash flow position and could lead to less of profit but if due to the increased worth of the brand sales increase then the revenue might make up for the loss but this depends (Total for Question 10 = 10 marks) on whether Mulberry sell

enough bags in order to cover their costs and just

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

because celebrities have it doesn't mean that fashion doesn't change so they have to be careful to make sure they change with the customer needs change.

But overall, I think that it is important as it gives the bags extra publicity for not much extra cost per say but you can't always be sure as external factors e.g. recession and job losses could mean less money so less sales so it really depend on the time.



ResultsPlus Examiner Comments

This response was scored at the top of level 3 and attained 10/10. There were more than two reasons as to why giving away free bags was important to *Mulberry's* marketing mix and these were well developed. The evaluation is very strong indeed and there is plenty of context in evidence. Note the use of the 'it depends rule' on the second page (next to total for question 10 = 10 marks). Quality of Written Communication is excellent (this question is asterisked).

Paper Summary

The paper, as a whole, appeared to be well answered compared to last year's. There was clear evidence within some candidates' scripts that they had had the opportunity to discuss last year's paper, mark scheme and examiner's report, which enabled them to access higher levels of achievement. At the top end there were some examples of outstanding answers that demonstrated all of the written skills the exam paper was designed to test.

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