

Examiners' Report  
June 2012

GCSE Business Studies 5BS05 01

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## Introduction

It was pleasing to note that it was evident many centres had accessed the numerous channels of information available via the Pearson/Edexcel website and from feedback and training sessions provided to prepare the candidates.

The multiple choice questions were successfully answered by the vast majority of candidates. The "outline" questions, where a point needs to be identified and then developed for the second mark, were similarly well answered. The same can be said for the 2 mark "define" or "what is meant by" questions, although some candidates did not fully understand the terms. The "state" questions follow in the same vein in that candidates tended to score full marks or otherwise much fewer marks owing to candidates' lack of specific knowledge.

The 3 mark explain questions need to have a relevant point/effect etc. identified and then 2 linked developed points. Where there is a stem i.e. written evidence/background information provided, the candidate's response must be contextualised. Far too often it was not and, despite there being one point identified and two linked developed points, the candidate could only score 2 marks. The context is there to be used in the response and far too many candidates are failing to use it. The "describe" question for 4 marks allows candidates a variety of ways to access all the marks. It could be one reason etc. with three developed points in context. However, it is highlighted in the mark scheme, there could be two reasons etc. identified with one developed point or a definition and point(s) with or without development.

Questions 4(d) and 7 are choice questions with marks awarded in levels. A choice has to be made, justified with developed analysis i.e. to show the advantages and then balance to that choice i.e. the disadvantages. For the highest marks the response must be in context. Again, this proved to be a weakness for most candidates. Many candidates, for example in Question 4(d), said "interest rates" and then provided valid analysis. Then in an attempt to provide balance used the "it depends" rule, but just said "it depends on how high the rise is" and did not develop the point at all.

The "assess" questions 8(b) and 11 followed the same pattern i.e. lacked contextualisation and, consequently, candidates again did not maximise their potential.

## Question 1 (b)

This question was clearly understood and answered well.

(b) Outline **one** method a business might use to increase its profit.

(2)

They could bulk <sup>buy</sup> from their suppliers, making it cheaper. This will reduce costs so profits will increase.



**ResultsPlus**

**Examiner Comments**

The candidate has identified one method "bulk buy" (1 mark) and developed it "reduce costs" (1 mark) as the development point.

(b) Outline **one** method a business might use to increase its profit.

(2)

They might use economies of scale to lower production costs and therefore increase their profit if they then sell the product at the original price. They may lower the price by a small amount, so more people may buy the product and thus generate more revenue.



**ResultsPlus**  
Examiner Comments

Here the candidate has provided two methods. Both are assessed to arrive at a mark. "Use economies of scale" (1 mark) is the method, "lower production costs" is the development/consequence (1 mark). "Lower the price" (1 mark) is the method, "more people buy the product" (1 mark) for development. The candidate has penalised his/herself by writing too much. Only 2 marks can be awarded.

## Question 1 (c)

The concept of cash flow was well understood by the vast majority of candidates.

(c) Define the term **cash flow**.

(2)

The amount of money that comes into a business and also ~~goes out~~ the amount of money that goes out.



**ResultsPlus**  
Examiner Comments

This candidate's response clearly states "money that comes in" (1 mark) and "money that goes out" (1 mark).

(c) Define the term **cash flow**.

(2)

Cash flow is the path made by money in a business where it is decreased and increased due to certain factors e.g. total costs deducted. It involves taking risks to enable a good cash flow.



**ResultsPlus**  
Examiner Comments

There is no clear identification of any flow, either in or out. However, the candidate has written of the "path" made by money, thus intimating a flow. This is an example of where the response suggests that the candidate has some understanding of the term.

## Question 1 (d)

Despite the vast majority of candidates knowing what cash flow is, a disappointingly small number could apply the concept of "poor cash flow on a business". Quite often there was confusion between "cash flow" and "profit".

(d) Explain **one** effect of poor cash flow on a business.

(3)

poor cash flow into a business could mean there isn't enough money to pay off costs and expenses so production falls thus sales fall and revenue falls resulting in even less inflow of cash.



**ResultsPlus**

**Examiner Comments**

The candidate has identified an effect - "isn't enough money to pay off costs and expenses" (1 mark), but the development is not a clearly linked strand following the reason. There is no explanation/link as to why "production falls". Therefore this response merits 1 mark.

(d) Explain **one** effect of poor cash flow on a business.

(3)

If a business had poor cash flow this could mean they are not managing their costs very well, and it could lead to them being in debt. They would then not have a lot of money to pay for their employees meaning they will not work for the business and they will be forced to shut down.

(Total for Question 1 = 8 marks)



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**Examiner Comments**

In this response there is an effect identified - "being in debt" (1 mark). This leads on to a consequence - "not have a lot of money to pay their employees" (1 mark) and a further linked consequence - "they will not work for the business etc." (1 mark). Therefore, this response merits 3 marks.

## Question 2 (b)

Most candidates cited the lack of substitutes/alternatives or necessity and linked to price as the development point. Some said it was a necessity and linked it to cooking/heating which was NOT a valid point of development.

(b) Outline **one** reason why the demand for gas is price insensitive.

(2)

it is a necessity for many people so demand  
won't ~~fall~~ <sup>should</sup> not fall even if the prices are  
increased



**ResultsPlus**

**Examiner Comments**

The reason highlighted is that gas is a "necessity for many people" (1 mark) and the development/consequence is "demand should not fall even if price increases" (1 mark)

(b) Outline **one** reason why the demand for gas is price insensitive.

(2)

Gas is a ~~nesse~~ ~~necessity~~ necessity to people  
to cook food and business in their production line.  
The business will have to pay to price of gas to  
make sure the business remain productive.



**ResultsPlus**

**Examiner Comments**

The candidate has identified a reason "necessity" (1 mark) but the development refers to why it is a necessity and adds nothing as to why it is price insensitive. Therefore, this response merits 1 mark.

## Question 2 (c)

Generally well answered with the effect identified, but too often with only one consequence/development point made.

(c) Explain **one** likely effect on the customers of *British Gas* of its price increase.

(3)

They would be less likely to spend money on other ~~products~~ luxuries which would have a negative impact on the economy as they would have less money to spend



**ResultsPlus**

**Examiner Comments**

An effect has been identified - "less likely to spend money on other luxuries" (1 mark), but the explanation - "negative impact on the economy" does not follow from the effect identified. Therefore, this candidate scores 1 mark.

(c) Explain **one** likely effect on the customers of *British Gas* of its price increase.

(3)

Customers will pay more for the gas, so will have less disposable income and there will be a decrease in the standard of living so customers may not be able to afford luxuries like TVs or computers.



**ResultsPlus**  
Examiner Comments

The candidate has identified the effect - "less disposable income" (1 mark), has shown a consequence - "lower standard of living" (1 mark) and a further consequence in context - "afford luxuries like TVs etc." (1 mark). Therefore, the candidate scores 3 marks.

## Question 2 (d)

This was a question which many candidates found challenging. This may be an area of the specification that is more difficult to understand. Too many responses were with regard to competition and not the Competition Authorities and there were several responses that talked of British Gas.

(d) Describe why the competition authorities might launch an investigation into the large increase in gas prices charged by suppliers.

(4)

They would have to investigate the reasons why the price has increased. It may be due to the scarcity of non renewable resources which would cause an increase in their price. They would have to see if the rise is necessary as it would have a big effect on many consumers.



**ResultsPlus**  
Examiner Comments

The candidate, in the first part of the response, has merely repeated the question, but the last sentence has merit; "they would have to see if the rise was necessary" is a reason why the Competition Authorities might launch an investigation (1 mark) and "as it would have a big effect on many consumers" is a development of the first point (1 mark). Therefore, this candidate scores 2 marks.

(d) Describe why the competition authorities might launch an investigation into the large increase in gas prices charged by suppliers.

(4)

~~As the competition commission are said~~

As the competition authorities, such as the Competition Commission are there to prevent large businesses <sup>or monopolies</sup> from exploiting their customers. They may launch an investigation as British Gas is not acting in the interest of their customers and due to its large market power and the difficulty of switching to alternate suppliers. So the competition authorities might investigate to prevent the increase if they believe it is exploiting the public.



**ResultsPlus**

**Examiner Comments**

The first sentence has a description of a Competition Authority (1 mark). The second sentence has "not acting in the interests of customers" (1 mark) and expands this in context with "large market power" and "difficulty of switching to alternate suppliers" (1 mark). Additionally, the last sentence "prevent the increase if etc." merits 1 mark. However, there are only 4 marks available and this is what the candidate scores.

### Question 3 (b)

Candidates were generally aware of ways of measuring the standard of living, but there was a distinct lack of specificity from some candidates.

(b) Other than economic growth, state **three** ways that measure the standard of living in countries such as India.

(3)

1 Literacy rates

2 Poverty ~~rates~~ levels

3 Life expectancy



**ResultsPlus**  
Examiner Comments

Poverty levels is acceptable as a reason; we do not need to have candidates mention those in absolute or relative poverty, although it would have been nice!

### Question 3 (c)

This was a well answered question, although it was surprising how many candidates wrote about inflation, unemployment and exchange rates, amongst other things.

(c) Explain **one** negative externality that India may experience as a result of its economic growth.

(3)

There will be more air pollution in India as more people will have cars and motorcycles. Industry will also cause a lot of air pollution as more people will be working in the secondary sector.



**ResultsPlus**

**Examiner Comments**

The candidate has identified "air pollution" (1 mark) and provided a reason/point of explanation "as more people will have cars" (1 mark). The remainder of the response from "industry" to the end is the same negative externality with development, but this has no link to the previous statement. The word "also" is very often the precursor to a separate, unlinked statement. Therefore, the candidate scores 2 marks.

### Question 3 (d)

It was surprising how the Single European Market was misunderstood by many candidates. Several wrote at length on the euro and several substituted "fair trade" for "free trade". Candidates could benefit from revisiting this area of the specification.

(d) Explain <sup>more exports</sup> **one** way in which the Single European Market has led to higher standards of living within the EU. <sup>free trade</sup> (3)

The single European Market has free trade, so there is no protectionism. Because of this, there are no limits or restrictions (tariffs/quotas/non-tariff barriers) to the imports from another country within the European Union. This means that a country has more exports because more people are buying from other countries or buying them (they may be cheaper), so the country selling the products has an increased GDP. This leads to a higher average standard of living because they have more money to spend on goods/services. (Total for Question 3 = 10 marks)



#### ResultsPlus Examiner Comments

The one way identified is "free trade" (1 mark) and there is development in context - "more exports etc." (1 mark). This then leads to "increased GDP" (1 mark) and the candidate then develops this in the last sentence "more money to spend on goods/services". Therefore, the candidate scores 3 marks.

(d) Explain **one** way in which the Single European Market has led to higher standards of living within the EU. (3)

One way the single European market has led to higher standard of living is the introduction of fair trade, this means farmers would get a fair price for their produce, so they are able to generate an income, which would then result in a higher standard of living.



#### ResultsPlus Examiner Comments

The candidate has confused "fair trade" for "free trade" and has, consequently, not answered the question. No marks could be awarded.

### Question 4 (b)

Generally well answered, but some simple errors made that could have been rectified if answers were reviewed when candidates completed their papers.

(b) State **two** possible causes of inflation in a country such as the UK.

(2)

- 1 high taxation
- 2 high interest rates



**ResultsPlus**

**Examiner Comments**

Both answers are incorrect as they would lead to lower spending and, therefore, less pressure on price rises.

(b) State **two** possible causes of inflation in a country such as the UK.

(2)

- 1 Higher cost in production of products
- 2 ~~From demand~~ The scarcity of raw materials



**ResultsPlus**

**Examiner Comments**

Both answers are correct as they both relate to supply.

## Question 4 (c)

This was a well answered question, but many candidates did not write in the context of Waitrose/supermarkets.

Waitrose is a chain of supermarkets based in the United Kingdom (UK). The market it operates in is very competitive. Waitrose focuses on the quality of its products and customer service in order to compete.

(c) Explain **one** effect of inflation on retailers such as Waitrose.

(3)

Inflation would mean that the pound is worth less. If Waitrose keeps its prices the same, customers pay the same number of pounds - however the pounds will be worth less. Since Waitrose's products are <sup>more</sup> expensive due to their quality, customers will go to cheaper, poorer quality supermarkets. Because, customers have to cut down on luxury products when their income is worth less. So Waitrose gets less profit.



### ResultsPlus Examiner Comments

The effect, as is often the case, is not immediately identified and is found in the last sentence - "Waitrose gets less profit" (1 mark). There are 3 other relevant causes/consequences/reasons that build on the effect in the Waitrose/supermarket context i.e. "more expensive due to their quality", "luxury goods" etc. Therefore, the candidate scores 3 marks.

Waitrose is a chain of supermarkets based in the United Kingdom (UK). The market it operates in is very competitive. Waitrose focuses on the quality of its products and customer service in order to compete.

(c) Explain **one** effect of inflation on retailers such as Waitrose.

It would generate less sales <sup>because</sup> ~~and~~ <sup>(3)</sup> ~~change~~ their  
marketing mix strategy would be changed



**ResultsPlus**

**Examiner Comments**

The candidate has identified a consequence of inflation on Waitrose - "less sales". No merit is given for "marketing mix strategy etc", although if the candidate had identified "price", the effect would have been identified. Therefore, the candidate scores 1 mark.

## Question 4 (d)

This question was generally well answered. Candidates understood the impact of higher/lower interest rates/taxation. Unfortunately, not all candidates linked this to economic activity, which is what the question was asking. Several candidates used the "it depends" rule, but just said "it depends on the size of the interest rates" and added no further development as to why.

Changes in interest rates and taxation are two ways in which the level of UK economic activity can be affected.

(d) Which of these two methods do you think would be more effective in influencing the level of UK economic activity and why?

(6)

If interest rates were reduced, businesses who were starting up would find it easier to borrow money and so they would be able to buy property for their business more easily. This would mean that jobs would be created and more money would be earned so the UK's GDP would increase. Whereas, if taxes were reduced, people would pay less, for example, income tax and so they would have more disposable income which they could spend buying things. This means business would see an increase in demand and so economic growth.

But, if taxes were reduced the government would have less money to pay subsidies so perhaps lower interest rates is better.



**ResultsPlus**  
Examiner Comments

A judgement is made in the last sentence "interest rates". The candidate has shown the benefit of lower interest rates "easier to borrow money" and consequence in context "able to buy property", so the response is at level 2, 3 marks. There is a further consequence - "jobs would be created" and with "more money being earned", again, is clearly in context. Therefore, as it stands, 4 marks are merited. The second paragraph follows the same analytical development as the first and, by itself, would merit 4 marks, but candidates need to make a judgement and justify it i.e. why and then to provide balance to access level 3. The balance provided is brief, but relevant - "less money to pay in subsidies", therefore, this moves the response into level 3, but only scores 5 as the balance/negative/downside is limited.

Changes in interest rates and taxation are two ways in which the level of UK economic activity can be affected.

(d) Which of these two methods do you think would be more effective in influencing the level of UK economic activity and why?

(6)

The lowering of taxation would be the best way to improve the economic growth because this ~~lowed~~ would leave more money to improve the standard of living or generated GDP.

Lowering in interest rates would be persuasive but couldn't do as well as lowered taxation because with that, the money is there and interest rates aren't as things have to be bought and paid over time. Taxation

(Total for Question 4 = 12 marks)

~~Lowering~~ lowering brings more money to a household, definitely more efficient than any changes in interest rates.

TOTAL FOR SECTION A = 40 MARKS



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**Examiner Comments**

In the first sentence "lowering taxation" a judgement has been made. There is simple support/development. The paragraph on interest rates is a judgement and the development is merely more judgement/opinion. The last sentence "taxation" is a judgement. Therefore, there is a lot of judgement with some simple development. This corresponds to the level 1 descriptor and is awarded 2 marks.

## Question 5 (a)

This was a question that was answered well with many candidates citing economies of scale and market power as benefits. However, despite the context of computers/software provided in the stem, few candidates accessed the full 4 marks.

### SECTION B

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



Hewlett-Packard (HP) is the world's largest maker of personal computers. In 2011 it announced a £7 billion takeover of Autonomy Corporation, the largest UK software company.

HP announced it was to make changes to how the new business would operate.

5 (a) Identify and explain **one** benefit for HP of the takeover.

Benefit

(1)

More of a profit.

Explanation

(3)

This is because when these two join together more people will think that the quality of the product is much better because of merged ideas. Getting more customers to buy their computers which will increase their profit. Also the money from HP and Autonomy combined will get more money to invest in new products, and the new products could get a high profit.



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**Examiner Comments**

"Profit" (1 mark) is allowed as a benefit. There is a reason given "better quality etc." and a consequence in context - "more customers to buy their computers" (1 mark). There is a second point made re: profits, but this is not linked to the first. Therefore, the candidate scores 3 marks.

SECTION B

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



Hewlett-Packard (HP) is the world's largest maker of personal computers. In 2011 it announced a £7 billion takeover of *Autonomy Corporation*, the largest UK software company.

HP announced it was to make changes to how the new business would operate.

5 (a) Identify and explain **one** benefit for HP of the takeover.

Benefit

(1)

increased market power.

Explanation

(3)

If ~~the~~ HP has increased market power, then ~~it~~ it will be able to influence its customers & suppliers. As a result it can take advantage of economies of scale & charge lower prices to customers. Therefore HP will increase its sales & therefore increase its profits.



**ResultsPlus**  
Examiner Comments

"Increased market power" is a benefit (1 mark). There are more than 3 linked statements - "influence suppliers", "charge lower prices", "increase sales", "increase in profits", but this could apply to any other large firm e.g. Waitrose, Ford, Cadbury and, because there is no computer/software context, only 2 marks are awarded for the explanation. Overall, the candidate scores 3 marks.

## Question 5 (b)

This proved to be a challenging question for many candidates and surprisingly so. Not only was there the lack of context, but, also, many candidates did not know any valid drawbacks and this might need addressing in the future.

(b) Identify and explain **one** drawback for HP of the takeover.

Drawback

(1)

Certain jobs may be lost

Explanation

(3)

As this is a takeover jobs will be lost; especially in the higher-managerial roles, as HP will already have those positions in the company already so autonomy managers would be made redundant and replaced by HP managers.



**ResultsPlus**  
Examiner Comments

No mark is awarded for the drawback; the explanation is not valid as it does not relate to HP. Therefore, the candidate scores 0 marks.

(b) Identify and explain **one** drawback for HP of the takeover.

Drawback

(1)

It is a large risk.

Explanation

(3)

To spend £7 billion on a takeover into a ~~£~~ segment of a market that HP do not usually produce in is a big risk. HP may not be able to adapt to the market and be able to produce software for consumers that they find match the quality ~~form~~ of Autonomy before the takeover. Thus it may end in closure or bankruptcy of both businesses.

(Total for Question 5 = 8 marks)



**ResultsPlus**

**Examiner Comments**

The drawback is "big risk" (1 mark). In the explanation "£7 billion" is a reason in context (1 mark); "not able to adapt" is a consequence (1 mark) and "end in bankruptcy" is a further consequence (1 mark). Therefore, the candidate scores 4 marks.

## Question 6

Several candidates failed to realise that the "effect on Bob Lesh" was expected. Too many candidates wrote of the effects on the company either Autonomy or Hewlett-Packard.

Bob Lesh has been a senior manager at *Autonomy Corporation* for the last five years. He had been in management positions in several IT firms since leaving university in the early 1980s.

- 6 Identify and explain **one** effect of the takeover of *Autonomy Corporation* on employees such as Bob Lesh.

Effect

Risk of ~~re~~ redundancy.

Explanation

HP might replace all the workers in Autonomy Corporation with their own to run it how they want it to be run as opposed to keeping the old workers. Therefore Autonomy Corporation workers are at risk of redundancy which would mean a dramatic fall in income if they lost their job and therefore a fall in standards of living.

(Total for Question 6 = 4 marks)



**ResultsPlus**

**Examiner Comments**

The effect is "risk of redundancy" (1 mark); "HP...keeping old workers" is a reason in context (1 mark); "dramatic fall in income" is a consequence (1 mark); "fall in living standards" is a further, linked consequence (1 mark). Therefore, the candidate scores 4 marks.

Bob Lesh has been a senior manager at *Autonomy Corporation* for the last five years. He had been in management positions in several IT firms since leaving university in the early 1980s.

- 6 Identify and explain **one** effect of the takeover of *Autonomy Corporation* on employees such as Bob Lesh.

Effect

Unemployment / Redundancy

Explanation

IT may feel that they do not need more staff so will just use their own, leading to unemployment to staff, which could then make the people who become unemployed / redundant lose their self-esteem and eventually lose the skills that they have, making it harder for them to become employed again, decreasing their standard of living.

(Total for Question 6 = 4 marks)



**ResultsPlus**

**Examiner Comments**

The effect is "redundancy" (1 mark); there are more than 3 linked strands to the explanation, but there is no context, so, overall, the candidate scores 3 marks.

## Question 7

This was a question where all candidates had a lot to say, but responses could have been improved if the computer/software context had been provided and, also, if candidates had been more specific as to how "changing the marketing mix" might help. Many candidates said that sales would increase which is fine, but they did not say how e.g. by lowering price. It was just the generic "change the marketing mix" and not what specific aspect of it. What was very worrying was the number of candidates who regarded "Research" as being "market research" i.e. finding "customer" opinions. If candidates did write about research in this vein, very few correctly highlighted seeing what competitors had done as valid research. Fortunately, the majority wrote of "R & D" as new products, but only a few candidates used the opportunity within the context to write about "Apple" products for example.

\*7 Two ways in which companies such as HP might grow internally are to:

- change the marketing mix
- carry out more research and development.

In your opinion, which of these two ways is more likely to help the business grow and why?

~~By changing~~ A marketing mix consists of product, place, price & promotion. By improving these a company can effectively target different customers, make their prices more appealing & alter other key factors of the business.

However, by improving their research and development, the company can improve their product.

In my opinion, improving the marketing mix would have the best effect on the company as it includes improving the product whereas carrying out more research & development ~~improves~~ solely improves the product.



### ResultsPlus Examiner Comments

A judgement is made to select "the marketing mix" and is developed to show how the business might grow. The section starting "however" gives balance. The development of the marketing mix pushes the response into level 2 and with the balance and judgement i.e. in the last paragraph "best effect" - "more R & D solely". Therefore, the candidate moves to the top of Level 2 and scores 5 marks.

\*7 Two ways in which companies such as HP might grow internally are to:

- change the marketing mix
- carry out more research and development.

In your opinion, which of these two ways is more likely to help the business grow and why?

Because HP is a technology company, and the reason why a customer would choose a product from HP rather than a competitor ~~increase~~ would be if it was more technologically advanced, and this would only be achieved by carrying out more research and development so I think ~~that~~ this is more important. Because if more development and research is carried out then their products will become more advanced and they could overtake the competitors, this would help the business grow because more people would want to buy HP's products over the competitors if they saw it was more advanced, this would increase sales and therefore increase profit.

~~Marketing~~ Changing marketing mix would not be necessary because HP already has an established customer base and does not need to raise awareness about the business.



**ResultsPlus**  
Examiner Comments

The response has a judgement made, developed analysis in context re: R & D. The balance is limited in comparison, but given the constraints that candidates operate under, clearly meets the criteria for level 3 and is awarded the full 8 marks.

## Question 8 (a)

Too often candidates wrote of business in the singular and, consequently often did not move beyond 1 mark.

8 In the last 30 years there has been less government regulation of business, but a greater acceptance of self-regulation. However, the BP oil spillage in the Gulf of Mexico in 2010 has changed attitudes.

(a) Define the term **self-regulation**.

(2)

Independent bodies set up by the business from people in the industry. They monitor business activity to ensure rules and guidelines are being followed.



**ResultsPlus**  
Examiner Comments

An excellent example that has both strands identified.

8 In the last 30 years there has been less government regulation of business, but a greater acceptance of self-regulation. However, the BP oil spillage in the Gulf of Mexico in 2010 has changed attitudes.

(a) Define the term **self-regulation**.

(2)

Self regulation is when the business itself regulates its business by keeping a track record of how they are doing.



**ResultsPlus**  
Examiner Comments

An example of an imperfect definition.

## Question 8 (b)

This proved to be a challenging question with candidates being able to write at length about pressure groups, but far less on their effect on big business and the exploitation of stakeholder groups by big business as demanded in the question.

\*(b) Assess the extent to which pressure groups can prevent the exploitation of stakeholder groups by big business.

(8)

To some extent, pressure groups can prevent the exploitation of certain stakeholder groups by big businesses. Pressure groups, particularly trade unions can cause major impacts on business productivity. For example, when staff at BA went on strike in protest, BA was forced to ground a proportion of their planes, meaning they had to pay back customers. This leads to higher costs, reducing profitability. However, the success of a pressure group largely rests on public opinion, which is often negative. For example, Occupy Wall Street protestors are mainly seen as useless, reducing their impact on banks such as JP Morgan and Goldman Sachs. This means that more often than not, pressure groups have little effect on the success of a big business. To conclude then, big businesses are more likely to be prevented from exploiting stakeholder groups if the pressure group comes from within the company as this affects productivity. However, as most stakeholder groups are external, pressure groups have little effect.

(Total for Question 8 = 10 marks)



**ResultsPlus**

**Examiner Comments**

A very promising opening sentence "to some extent etc". We have context "trade unions", "BA" and two factors "forced to ground....planes" and "pay back customers" and in the next sentence "leads to higher costs" and "reduced profitability". This clearly puts the response into level 2, but only with 4 marks as, at the moment, there is no balance. From "However the success.....public opinion", there is balance and, at this point, the response merits 5 marks. We then have further balance with excellent context which clearly meets the level 3 criteria. The conclusion is excellent and the response merits the full 8 marks.

\*(b) Assess the extent to which pressure groups can prevent the exploitation of stakeholder groups by big business.

(8)

Pressure groups can affect ~~businesses~~ ~~and~~ ~~influence~~ a business's point of view and influence them to have another one. This can prevent the exploitation of stakeholders because the business may think about the effects that they have on their stakeholders and they may change so they don't exploit any stakeholder groups. For example they may lower their prices so their customers and other consumers are able to afford them. This will also benefit the business because they will most likely gain more customers and revenue.



### ResultsPlus Examiner Comments

In the first paragraph "affect a business point of view" - "influence... another one" is one factor identified with limited development. There is a second factor - "may think about the effects" and therefore the level 2 criteria are met. There is no balance; accordingly 5 marks cannot be awarded. Therefore, it merits 3 or 4. As the example is unlikely to be the case, 3 marks are awarded.

## Question 9

Candidates found this everyday term, "social problem" quite challenging to write about. Most gave a relevant example, but few highlighted the negative/cost aspect.

9 What is meant by the term **social problem**?

Within a community or country that the people who live there aren't happy with the way the government has been going about things and don't listen ~~to~~

(Total for Question 9 = 2 marks)



**ResultsPlus**  
Examiner Comments

The candidate has not shown any understanding of either "social" or "problem" and the example is not relevant. Therefore, 0 marks.

9 What is meant by the term **social problem**?

An issue which affects everyone in society. For example binge drinking is an issue because it causes crime rates to increase which affects everyone in society.

(Total for Question 9 = 2 marks)



**ResultsPlus**  
Examiner Comments

This is an imperfect definition with a valid example "binge drinking" and therefore the candidate scores 2 marks.

## Question 10

There were two issues with the candidates' performance on this question. One issue was context i.e. furniture/retail outlets and the second was that many candidates omitted to read "other than" within "other than as a result of the damage caused by the riots".

There are many reasons why a business might fail.

**10** Identify **two** possible reasons why a business such as *House of Reeves* might fail, other than as a result of the damage caused by the riots. For each reason explain how it would lead to business failure.

Reason 1 (1)

Lower supply of materials to produce ~~furniture~~ product.

Explanation (3)

A lower supply ~~could~~ <sup>would</sup> increase the ~~supply~~ <sup>cost</sup> of the materials which would therefore increase the costs of a business which the business would have to pass on to the consumer by increasing the products final price. If the product is more expensive then sales could drop. This could cause a business to fail because costs would be up and revenue down so the business could make no money.

Reason 2 (1)

Low demand for <sup>the</sup> product the business produces.

Explanation (3)

If a product is not popular the business could fail because the business might not make enough of a revenue in order to cover the costs that the business has because nobody will buy the product.



### ResultsPlus Examiner Comments

The first reason is valid (changing market conditions - supply) (1 mark). The explanation has at least 3 linked strands, but there is no context, so the candidate can only score 2 marks for the explanation (2 marks). Therefore, the candidate scores 3 marks for the first reason.

The second reason is valid (changing market conditions - demand) (1 mark). The explanation has just one consequence - "might not make enough revenue" (1 mark). The remainder of the explanation is a repeat of the reason identified. Therefore, the candidate scores 2 marks for the second reason and 5 marks overall.

There are many reasons why a business might fail.

10 Identify **two** possible reasons why a business such as *House of Reeves* might fail, other than as a result of the damage caused by the riots. For each reason explain how it would lead to business failure.

Reason 1

(1)

A Lack of variety of products.

Explanation

(3)

If this business has limited products, consumers won't want to shop ~~there~~ <sup>there</sup> as they can go elsewhere and get something that another business actually has, don't have the products that they want. This would cause them to shop elsewhere and as a result, the business would lose revenue.

Reason 2

(1)

High prices of products.

Explanation

(3)

If this ~~business~~ business has high prices for their products, consumers may go elsewhere as they may feel that the product isn't worth so much money. This would cause people to shop elsewhere and as a result, the business would lose money.



**ResultsPlus**  
Examiner Comments

Both reasons are correct as these are two aspects of a poor marketing mix. Although the explanation for both is very similar, there are two consequences in both explanations that are valid. There is no context and therefore the candidate scores 6 marks.

## Question 11

This question proved accessible to all candidates and, although there were some very judgemental responses, there were many excellent responses that made full use of the stem/evidence. It would have been good to have seen more responses using economic theory in conjunction with the evidence.

\*11 Using the evidence and your knowledge of economics and business, assess the strength of the case for increased government spending on police and prison services.

By spending more on recruiting and training more police, it would make it much easier and safer to catch the rioters. By spending more on prison services the capacity will increase, so more prisoners could be caught. Improving the services with money will also help to re-habilitate the prisoners to prevent them from breaking laws again.

However, it would be a waste of government spending to increase jail capacity if prisoners were re-habilitated properly, so <sup>investing in</sup> spending money on human capital would be very important to stop rioting.

By more of the government spending directed towards police services, less will be directed towards other essentials such as education. If education decreases for the new generation, this could trigger more rioting in the future (as stated at the end of the source on page 16).

Also, less money will be spent on infrastructure, so goods will take longer to be delivered. This reduces productivity, so the UK's GDP will decrease.



**ResultsPlus**  
Examiner Comments

In the first paragraph there are two reasons identified with development of both and therefore this pushes the response into level 2. The second paragraph provides balance and a judgement "however it would be a waste of government spending" and paragraph 3 gives a further valid balance. The last paragraph is relevant too and worthy of level 3. What is missing is a clear judgement/conclusion and therefore the candidate scores 8 marks.

\*11 Using the evidence and your knowledge of economics and business, assess the strength of the case for increased government spending on police and prison services.

Increased government spending on police and prison services means there was an opportunity cost involved. The reason that the ~~less~~ government spent money on this sector could suggest a high level of crime and drugs through society.

The opportunity cost involved would perhaps be spending money on education (build more schools) or even health services (build new hospitals). This is a decision that the government made after ~~assessing~~ assessing the issues facing society.



**ResultsPlus**

**Examiner Comments**

One relevant point is identified "opportunity cost" and developed with relevant links to the point "reason for", "money on education" and "money on health". As there is only one point identified, the response is placed in level 1 and is awarded 4 marks.

## **Paper Summary**

Given the points in the introduction, all candidates performed creditably. All questions had some excellent responses that showed real perceptiveness and this is a great credit to the candidates and their teachers.

It is hoped that, in the future, there will be a much better use of the context provided, as this is clearly a skill that needs to be worked on and developed, not only at this level but, very much so at AS/A2 level and beyond.

## **Grade Boundaries**

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

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