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Examiners' Report January 2011

GCE Economics & Business Studies 6EB02 01

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Introduction

The overall performance was much better in Section A than in previous examination series with majority of candidates showing a sound grasp of business and economic concepts. Answers suggested that candidates on the whole had been well prepared for this paper. There appeared to be use of precise Economic and Business terminology throughout all responses rather than generalised comments. Again, the best students demonstrated excellent application of their knowledge to the precise question set, while the weakest students attempted questions from a 'common sense' approach rather than demonstrating any economic and business concepts. The examination paper required candidates to apply their understanding; good students did this well with clear development of points. Examination timing skills appeared to be very good as a whole with the majority of candidates completing all questions fully with very few unanswered questions for 13a and 13b.

Section A

Examiners encountered a full range of approaches, from what appeared to be candidates carefully prepared on how to handle supported multiple choice questions, to others where there still appeared to be little evidence of preparation. At GCE level, the use of supported multiple choice questions enables the testing of more than straightforward recall. The three explanation marks in part (b) of the supported multiple choice questions proved good discriminators which required candidates to explicitly analyse and evaluate.

There are a variety of ways to gain marks for part (b) Supported Multiple Choice questions and it is worth noting the following points:

1. If responses in part (a) are wrong then the maximum mark available for part (b) is 2 marks.
2. If a candidate does no more than explain distracters in part (b) then a maximum of 2 is awarded even if all 3 distracters are fully explained.
3. Examiners expect to see at least a definition or explanation for selecting the correct response. Some candidates may only explain why their chosen answer is correct and depending upon the quality/development of this answer, can score 3 marks for part (b).
4. Some candidates briefly explain the correct answer followed by explanations as to why the other options are correct. This method can gain the candidate 3 marks.

It is essential that candidates are taught how to tackle these questions and it is quite evident that some centres do spend time preparing and practicing SMC and this will only pay dividends in the examination for the candidates.

Section B

The case study evidence provided must be read thoroughly to enable candidates to fully contextualise their responses. It is very disappointing to read very good answers but without any context or reference to the evidence provided. Command words are also being ignored by some candidates. It would be wise for centres to spend time looking at the various command words and what each of them is asking the candidate to do. The questions with 'Assess' or 'Evaluate' command words are key to raising attainment on this paper and many candidates do not consider the advantages or disadvantages therefore restricting marks to Level 3. Better candidates do structure their responses, write in context and provide a balanced answer with a supported conclusion. From June 2011, there will be one less question in Section B as the definition question has been removed in order to reduce time pressures on candidates.

Question 1

This question has been tackled well by most candidates with many being able to write down the correct formula and calculate the correct answer. All marks were gained by the PED formula and correct calculation. Very few candidates have just written down the formula and examiners did award 1 mark for this. In addition, 1 mark was available for candidates who simply defined PED but couldn't calculate the PED.

(b) Explain your answer (show your workings).

(3)

$$\begin{aligned} \text{PED} &= \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} \\ &= \frac{50\%}{-25\%} \\ &= \underline{\underline{-2.0}} \end{aligned}$$



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Examiner Comments

This response scored 1 mark for part a and 3 marks for part b. The candidate has gained the full 3 marks for part b by stating the correct formula as well as showing the correct calculation.



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Examiner Tip

For any SMC which asks for a calculation, always write the formula as this can gain 1 mark even with an incorrect calculation.

Question 2

This has been answered well with most candidates selecting the correct answer for part (a). Most candidates have managed to gain up to 2 marks by explaining why the distracters were incorrect plus some merit as to why 'Price' is unlikely to rise. There have been some good contextualisation in responses (in terms of ebay). Some candidates have selected the correct answer for part (a) but have failed to explain why Price is the correct answer resulting in a maximum of 2 marks for part (b) if no reference is made to why Price would decrease.

(b) Explain your answer.

(3)

E-tailing (selling online) increases consumer choice as there is a much wider range of products available to meet the demand of all niches. There are often much lower costs associated with selling online rather than in a shop which has high running costs with no guarantee of sales. For this reason, the number of suppliers also increased online. However, the price of specialised products on online marketplaces such as Ebay is likely to decrease, because there are more suppliers, creating a much more competitive market, forcing prices online down.

(Total for Question 2 = 4 marks)



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Examiner Comments

This scored 1 mark for part a and 3 marks for part b. The candidate has gained the 3 marks for part b by a combination of explaining why Price would be unlikely to increase as well as explaining why some of the distracters were incorrect.



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Examiner Tip

All 3 marks can be gained by FULLY explaining why the answer is correct so make sure the correct answer is linked to the question stem to give application marks. Try to explain the correct answer first before explaining why the distracters are incorrect as many candidates did not explain why Price was the correct answer and therefore limited their mark to 2 for part b.

Question 3

This question has also been fairly well tackled with the majority of candidates able to explain why product differentiation is most likely to occur. Some candidates have not fully read the stem and stated that there would be high barriers to entry for a hairdresser. Although there are high barriers to entry in an oligopolistic market, hairdressing tends to be run on a small scale with each owner having a very small market share and it is very easy to set up a hairdressing business in the UK. If the stem had referred to an industry such as banking or petrol, then this would be the case. Most were able to explain why there are lots of suppliers and better candidates were able to refer to perfect competition characteristics such as many sellers, homogeneous products and identical prices.

(b) Explain your answer.

(3)

Identical prices are seen in perfect market situations, not imperfect, as all products are homogeneous. An imperfectly competitive market has some, but not all, of the features of a perfect market. There are likely to be ~~many~~ ^{many} suppliers in the market, all competing to increase their market share. A common way of doing this is by differentiating a product, to make it stand out and appeal to consumers more than the products of rival companies.

(Total for Question 3 = 4 marks)



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Examiner Comments

This response gained 3 marks for part b. There is very good use of economic and business terminology and the candidate clearly explains why product differentiation is the correct answer. It could have been improved with more specific reference to hairdressing but the response is fully developed so gained 3 marks.



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Examiner Tip

Try to link to the context in the question. This will often improve the overall mark for part b especially if the response is vague or not fully developed.

Question 4

This question was generally well tackled with many candidates defining market share or takeover at the start of their answer. Many were able to explain the impact of an increase in market share with some candidates picking up all 3 marks for explaining the correct answer (if in context). Better candidates were able to fully explain market share and explain why the distracters were incorrect or may not in fact increase due to the takeover.

(b) Explain your answer.

(3)

One of the reasons for this takeover would have been to increase market share. Marvel Entertainment is an animation rival of Walt Disney Inc, so the takeover will increase Walt Disney Inc's market share, as it combines it's own with Marvel's, creating benefits such as more customers and distribution channels. The takeover would decrease competition rather than increase it, because one of Walt Disney's rivals would be gone and under ~~it's~~ its control.



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Examiner Comments

This is a good response which has contextualised their answer and clearly show why Marvel Entertainment was bought by Walt Disney Inc. This scored 3 marks for part b.

Question 5

Generally answered well by most, with many candidates able to define consultation.

As well as developing their answer as to why productivity is likely to increase for John Lewis. Some candidates have picked up a further 2 marks by explaining the distracters fully. Not many candidates have referred to John Lewis which is disappointing and this would have lifted some of the weaker and more generalised answers by 1 mark.

(b) Explain your answer.

(3)

Consultation is involving employees in decision-making processes, and gaining their opinions and ideas on the running of the business. If employees feel they are contributing, and that their thoughts are appreciated, this involvement improved motivation in their job. Motivated workers will show dedication and hard work, and are likely to increase their productivity (ie they will produce more outputs in the same period of time than before). (Total for Question 5 = 4 marks)



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Examiner Comments

This response clearly shows an understanding of consultation and the benefits of this type of approach. The answer does show why productivity is likely to increase and although not in context, does score 3 marks for part b.



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Examiner Tip

Be careful not to just list the incorrect answers - always explain WHY the distracters are incorrect and try to write in context.

Question 6

This question has differentiated between students. Many candidates still do not understand supply and demand factors and this is essential for both Unit 1 and Unit 2b examination papers. There is also a basic lack of understanding between a shift and a movement. Better candidates were not only able to fully explain the correct answer, but could explain the distracters. It was pleasing to see good use of economic and business terminology to answer this question such as the use of substitute goods.

An increase in the cost of steel would cause a shift in the supply curve, as costs increase for businesses. Re-introduction of subsidies for scrapping old cars would then increase demand for new cars, not decrease it. The demand curve shifts to the left when we see a contraction or reduction in demand. Economic growth would again see an increase in demand. If public transport fees fall, it will be more attractive than driving everywhere, so decreasing the demand for new cars.

(Total for Question 6 = 4 marks)



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Examiner Comments

This response gained all 3 marks by systematically explaining all of the incorrect answers and then at the very end of the answer, explaining why D is correct. If the candidate had not included this, then this would have only scored a maximum of 2 marks for part b because there MUST be some reference as to why the correct answer is correct!



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Examiner Tip

Always explain the correct answer first - this will avoid candidates only scoring 2 marks on part b because they have not mentioned the correct answer.

(b) Explain your answer.

(3)

A shift in the demand curve to the left means that demand has fallen for the product. In this case this is because the cost of a substitute (public transport) has decreased leading to increased demand for that product. This means that less people will need cars because it has become more affordable to use public transport.



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Examiner Comments

This answer is a very good example of how all 3 marks can be gained just by FULLY explaining the correct answer.



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Examiner Tip

If a candidate is unsure if they have enough development in their explanation of the correct answer, then always (time permitting) explain at least 1 of the incorrect answers.

Question 7

This question was answered well by the majority of candidates who could clearly define market share. Some candidates have used a formula to express this. Examiners did see the typical response of 'it is a share of the market' which is not valid. Examiners looked for a context to lift a vague answer to 2 marks.

It is important to note that there will **NOT** be anymore definition questions on 6EB02 papers in order to reduce the number of questions candidates have to tackle and hopefully reduce time pressures on candidates.

7 What is meant by the term 'market share' (see Evidence A, lines 7–8)?

the % of the total sales in a market which is for one business
for example Land rover may have 15% market share of the UK car
industry. Stronger large market share can be linked with
monopoly + monopsony power.



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Examiner Comments

This gained 2 marks and used the evidence to support the definition. There will be no definition questions from now on.



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Examiner Tip

It is useful to define key terms in a response as there are knowledge marks available in every question, even in the SMC.

Question 8

Many candidates were able to suggest valid ways in which JLR might increase market share. The assessment objectives were weighted towards application and analysis so examiners were looking for specific and relevant reference to JLR. Examiners were looking for real development and context to get full marks (4 marks) on this question.

Most candidates were able to score 1 or 2 marks for this question with basic business knowledge.

8 Briefly explain **one** way in which JLR could increase its market share.

Jaguar Land-Rover could increase its market share by diversifying its product range. As they usually operate in the premium car sector, JLR could develop a new product line of more average priced cars rather than luxury. This would attract a lot more customers who would look to buy a car with a lower budget than needed for a normal Jaguar. By attracting a larger number of customers, JLR could increase its ~~market~~^{overall} share of the car market as a whole.

(Total for Question 8 = 4 marks)



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Examiner Comments

This is a well structured response which shows clear development and is contextualised.



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Examiner Tip

Do not list lots of different 'ways' in a question such as this. Always show development and if possible a consequence which will gain analysis marks.

Question 9

Many candidates were able to clearly explain the social costs of unemployment and why the Government would want to reduce it. There were some very good answers which considered the opportunity cost of unemployment. As with question 8, the assessment objectives were weighted towards application and analysis so examiners were looking for real development and context for full marks (4 marks) on this question.

9 Briefly explain **one** reason why the Government might want to reduce unemployment.

Unemployment creates a huge cost to the Government in the UK due to the large amount of subsidies that are available. The majority of people who are unemployed obtain job-seekers' allowance and other benefits which they are entitled to under UK law. This puts huge strain on the finances of the government, a reduced opportunity cost as this money could be spent elsewhere (eg on something more useful to the economy such as education). Reducing unemployment would mean less pay-outs, with (Total for Question 9 = 4 marks) people instead earning and contributing to the economy through work and spending instead of just taking away from it through benefits paid for by the working tax payer.



This response is well developed and has excellent use of terminology throughout, developing the concept of opportunity cost and is in context.

Question 10

This question required the candidate to actually read the evidence in order to contextualise their response. Some candidates gained their knowledge marks by defining and showing an understanding of a recession. There were some very good answers from candidates who are also sitting Unit 3 (International Business) who have brought in the concepts of outsourcing/off shoring which was given credit. Weaker students have failed to understand the type of market JLR targets and why their cars would be affected more than other car manufacturers by a recession. The more able students have also explained how the very small range of cars which JLR have may have also had a greater impact than say Ford. Better candidates could bring in the concept of YED.

10 Analyse why JLR may have been hit harder than other car manufacturers during the recession.

JLR might have been hit harder than other car manufacturers during the recession, as according to the evidence they make and supply "premium cars", meaning luxury products. During a recession, people are generally more careful about their money, meaning demand for inferior goods increases and demand for luxury goods decreases. This is because few people have the available disposable income to afford a luxury car. Because of this, demand and therefore sales of cars such as the ones that JLR make decrease, as they become unaffordable. The recession may not have hit cheaper car manufacturers such as Volvo as hard, because cars are still a necessity for most people, but in recessions people turn to cheaper alternatives, in this case meaning the cheaper cars. This allows sales to remain high as cars are a necessity for most people, but they can't afford goods such as luxury cars, so sales of JLR decline.

(Total for Question 10 = 6 marks)



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Examiner Comments

This response was very well structured and did show not only application but analysis. The candidate clearly understands why JLR was hit harder than other car manufacturers and would have scored full marks if there had been some reference to YED.



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Examiner Tip

The command word 'Analyse' will always require the candidate to consider the consequences of an event and in order to score highly on this type of question, it is essential to contextualise the answer.

Question 11

The assessment objectives for this question were split Knowledge 1, Application 1 and Analysis 2 for each method. Most candidates were able to give 2 ways which JLR could improve productivity. Most candidates suggested lean production/JIT, automation, non-financial and financial ways to increase productivity. Some candidates lost marks as they did not give 2 separate methods and there was repetition between the 2 methods provided. In order to get full marks (4 marks) on each method, candidates had to really contextualise their responses rather than just listing ways of increasing productivity. Many failed to gain the 2 application marks because they did not contextualise their responses and they could have been referring to any business.

11 Analyse **two** ways in which a business such as JLR could increase productivity.

Method 1

productivity is the ^{number of} efficiency of input
too number of output produced and the
rapid pace this can happen whilst
keeping costs low. To increase productivity
JLR could use ~~more~~ capital intensity.
Even though the business will have the costs
of the machinery, new technology can produce
it quicker and eventually reduce the
price of the product by increasing output.
This would also replace JLR's loss in
labour.

Method 2

Method 2

(4)

Another way to increase productivity is to create a more efficient and motivated work force. JLR can do this by including labour in decisions ^{of the business} and delegating specialised tasks to make them feel responsible and show your trust in them. JLR's productivity rate would increase meaning higher number of output. This concept is total quality management by creating an innovative workforce allows everyone ^{to be involved &} motivated. Training also allows for extra productivity.


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Examiner Comments

This response was typical in that there was no real context provided by the candidate. Both methods were awarded 3 marks each (total 6 marks for the question) as there was no reference to JLR or any business for that matter! There were 2 application marks for this question so if there was no context then a maximum of 6 marks could be awarded.


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Examiner Tip

Always contextualise your answer - either to the evidence provided or to a similar business of your choice if the question says 'a business such as.....'

Question 12

This question has been fairly well tackled with the majority of candidates able to show some knowledge and application of the impact of unemployment. Typical responses were one sided and focus on the negatives of unemployment e.g. falling incomes, falling sales, rising crime etc. One sided answers only gained a maximum of 5 marks. The higher level responses used relevant concepts (whether a business sells inferior goods or luxury goods) and looked at positive and negatives to create a balanced answer. Many of the better responses realised that some businesses may also see an increase in demand as well as a larger pool of workers to choose from.

1.52

12 Assess the possible implications for businesses of rising unemployment in areas such as Merseyside.

+ better wages. geographical
 - reduced disposable income + inferior goods !!! - long term e.g. structural
 unemployment is the number of people who are able + want to work but who are currently not in employment.

Rising unemployment does mean there is greater supply of labour so businesses such as retail outlets may be able to recruit more experienced workers e.g. a graduate for a ^{part} graduate post. This not only means a better skill pool = better decision making but also as the 'power' is in the hands of the employer often wages can be lower meaning reduced fixed costs long term = increased margin.

However as people become unemployed their disposable income falls as they either live off savings or unemployment benefits. This means that ^{aggregate} demand may fall across the whole economy which may cause reduced revenue and profits and more redundancies only adding to the problem.

However the income elasticity of demand of your product needs to be considered as if it is an inferior good demand may actually rise as unemployment rises leading to anticyclical profits for your business for example Poundland or Primark. However obviously premium luxury goods will see cyclical demand + reduced profits.

Overall the affect on the UK businesses depend on many factors such as the 4Es of your goods, whether recruitment is ongoing and ~~whether~~ ^{whether its} structural long term unemployment causing the rise.


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Examiner Comments

This is an example of an excellent response with the candidate scoring 8 marks. The answer starts by explaining what is meant by unemployment therefore gaining knowledge marks. The candidate then goes on to contextualise their response by considering both the positive and negative consequences of rising unemployment. The candidate covers a range of concepts and does provide a balanced response to the question set.


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Examiner Tip

For an 'Assess' question, always make sure the answer is well balanced and considers the positive/negative or advantages/disadvantages. One sided answers will be restricted to Level 3 (in this case 5 marks).

Question 13(a)

The assessment objectives were split: knowledge 1, application 2, analysis 1 and evaluation 3. Many candidates simply did not understand what was meant by structural change nevermind the knowledge economy. Both of these concepts are clearly stated in the specification. Very few candidates were able to evaluate the impact on businesses despite there being many references to winners and losers in the evidence. Candidates who showed an understanding of primary, secondary and tertiary sectors and how structural change may affect businesses in Liverpool were rewarded. There are plenty of clues in the case study evidence which show that Liverpool is seeing a change from secondary to tertiary sectors but many were not contextualising their responses to any region!

13 Evaluate the likely impact of structural change such as a rise in the knowledge economy on:

(a) businesses in the UK

(7)

A structural change means that there is a development in a new sector of the economy, for example, a development in the tertiary sector.

A ~~the~~ change in structure would lead to the closure of multiple businesses and the arrival of many more. It may also require a change in approach from businesses as they are now going to require employees with different sets of skills. Moreover, it may mean that costs of labour become higher as more skilled employees are required to form the base of the business. This would lead to increased prices and potentially a substantial rise in inflation. However, these increased prices may not affect the demand for products if ~~the~~ wages rise in line with them.

Overall, businesses may struggle to come to terms with a substantial structural change at first but it would be dealt with in not too long.



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Examiner Comments

This was a fairly good response as this question proved difficult for the majority of candidates. This was awarded 3 marks for showing an understanding of structural change with some application to the knowledge economy. There are some irrelevant comments regarding inflation towards the end of the response.



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Examiner Tip

Always read the evidence provided as this will often provide the context and help candidates to answer the question set. It is there for a reason and far too many candidates do not read it which then shows in the evaluation questions.

Question 13(b)

The assessment objectives were split: knowledge 1, application 2, analysis 1 and evaluation 3. Again many candidates simply did not understand what was meant by structural change. Very few were able to evaluate the impact on workers. We did award marks for reference to 'better pay' or retraining' but on the whole, despite references in the evidence and the impact of the knowledge economy being clearly on the specification, candidates did not do well on this question.

(b) workers in the UK

(7)

This would mean employers would be looking for workers who have specialist skills, and possibly qualifications and experience. Therefore those workers in manufacturing industries may suffer, because if UK does rely on imports for manufactured goods, factories may close down, making ~~these~~ ^{people} unemployed. It will then be hard to find work due to occupational immobility, and will lose out to those that will have the experience or qualifications. However it may also encourage more people to go into higher education such as university or apprenticeships, therefore will be able to find a job after. However this will lead to a loss of income for a short period, particularly if it costs to attend university. Although overall knowledge economy could have a good impact as more people are going into higher education for specific jobs.

for Question 13 = 14 marks)

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Examiners' Comments

This was one of the better responses we saw. The candidate has tried to consider both the positive and the negative impacts on workers in the UK of a structural change therefore did gain some evaluation marks. The candidate has read the evidence provided and is able to look at the impact on qualification and skills. Question 13b was on the whole answered better than Question 13a.

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Examiner Tip

If timing is an issue then it may be advisable to tackle Question 13 (usually worth 14 marks) first before answering the other questions.

Examiners marking this paper would like to see more candidates contextualise their responses in order to access the higher levels. Far too many responses are generalised comments and examiners would like to see economic and business concepts used to tackle the evaluation questions. Overall, the examining team feel that standards are improving on 6EB02 and that many candidates are able to show their knowledge and understanding in well structured responses. It is evident that both candidates and centres are working hard to improve standards.

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