

Examiners' Report  
June 2013

GCSE Business Studies 5BS03 01

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June 2013

Publications Code UG035509

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## Introduction

This year's 5BS03 examination proved to be very accessible to candidates, with the exception of the final two questions (Questions 9 and 10). There was limited evidence of candidates not being able to finish the paper and it was observed that more candidates were thinking about the blend of written skills required for their responses to score well. It was clear that centres had acted on the advice provided in both previous Examiners' Reports and through the various online training events that take place during the year.

Almost all the questions in Section A were answered well. Some candidates struggled with a lack of context and in responses where context was provided there were, on occasions, insufficient strands of development for candidates to receive full marks. Question 4(d) was particularly well answered with a large number of responses scoring 4 marks or more.

In Section B, Question 5 was very well answered, but Question 6 was less so. For the first time in the life of this specification, questions were asked about import protection and export subsidies. The majority of candidates had clearly never come across the term '*export subsidy*' before and a significant minority were also unfamiliar with '*import protection*'. These terms are readily identifiable in the specification and in many cases candidates did not score the majority of marks on offer in Questions 6(a) and 6(b).

In Section C a significant number of candidates had no accurate understanding of revenue at all and viewed revenue to be no different to a 'cash inflow'. In Questions 9 and 10, which were designed to test and stretch higher ability candidates, the majority of responses showed a limited understanding of cash flow and how it differs from profit. As a result, the majority of responses, in Question 10 especially, did not access marks above Level 1. A large number of candidates were awarded zero marks for not answering the question set and drifting off into marketing or product innovation.

## Question 1 (b)

This question was designed to test simple knowledge. Candidates had to identify one method of collecting market research. The key word in the question was 'method'. Some candidates understood this to mean 'type' of market research and several candidates stated 'primary, secondary, qualitative or quantitative research'. These candidates were not awarded any marks.

(b) Identify **one** method of collecting market research.

(1)

one method of collecting research is secondary data



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**Examiner Comments**

The candidate failed to identify a 'method' of collecting market research data and instead provided a 'type' of market research. Zero marks were awarded.



**ResultsPlus**

**Examiner Tip**

Candidates need to read the key words in the question closely.

(b) Identify **one** method of collecting market research.

(1)

Online surveys



**ResultsPlus**

**Examiner Comments**

This response was awarded 1 mark. The word 'survey' would have been sufficient on its own to allow the mark to be awarded.



**ResultsPlus**

**Examiner Tip**

In 'give', 'state' or 'identify' questions examiners have been instructed to award a mark for a single word or phrase which answers the question. There is no need to provide any development.

## Question 1 (c)

For Question 1, the questions are deliberately designed to contain no context. Therefore the 3 marks are awarded as follows: 1 mark for the identification of a benefit, and then 1 mark for each linked strand that develops the benefit.

(c) Explain **one** benefit to a business of collecting market research data.

(3)

It benefits because it shows the business what people want and need in a product. Therefore a business can learn and adapt around its customers.



**ResultsPlus**

**Examiner Comments**

This response scores 2 marks. The benefit comes at the end of the response in '*business can learn and adapt around its customers*' and this was developed through '*it shows what people want and need in a product*'. This response lacks a second linked strand of development.

(c) Explain **one** benefit to a business of collecting market research data.

(3)

It helps them to meet the needs of customers which will lead to an increase in customer loyalty resulting in an increase in sales.



**ResultsPlus**

**Examiner Comments**

This is a good example of a three mark response. The response can score three marks despite being brief. The benefit to the business is the '*increase in sales*' at the end of the response. This occurs because of the '*increase in customer loyalty*', which in turn occurs due to, '*helps them to meet the needs of customers*'.



**ResultsPlus**

**Examiner Tip**

Practise writing 3 mark 'explain' question responses. This type of question accounts for a significant number of marks over the course of the whole paper. Try and use the linking words highlighted in the mark scheme such as '*therefore*' and '*because*'. This will encourage you to generate sufficient links within your response, allowing you to score full marks.

## Question 1 (d)

This question has exactly the same format as the previous question. It requires the identification of an advantage and then two linked strands of development if the candidate is to score the 3 marks on offer.

(d) Explain **one** advantage of branding for a business.

(3)

One advantage of branding a business is that it ~~is~~ is easy to recognise. This could either be with a logo or a name. As to this customers will be able to recognise the business easily.



### ResultsPlus Examiner Comments

This is an example of a response which does very little. The candidate has just identified an advantage, i.e. *'it is easy to recognise'*. The candidate then goes on to say how that can occur and then repeats the advantage in the final sentence. The candidate scored 1 mark because the advantage was not developed using linked strands.

(d) Explain **one** advantage of branding for a business.

(3)

One advantage is that customers will become familiar with the business. This is an advantage because customers can see that the business is well known, which could lead to repeat purchases. This would mean more revenue would be made, meaning the business will make a higher profit.



### ResultsPlus Examiner Comments

This response scores 3 marks, but the candidate could have streamlined what they wrote to allow for more time to be spent on more difficult questions later on in the paper.

Assuming that the benefit is *'more revenue'* this is developed through *'customers can see that the business is well known'*, which was developed by *'customers will become familiar with the business'*.



### ResultsPlus Examiner Tip

Candidates should be encouraged to state the advantage at the start of their response and then follow the identification of the advantage with the two linked strands of development. This way candidates are more likely to stop after they have offered two links. This prevents candidates from wasting precious time on low value questions.

## Question 2 (b)

In this question candidates were required to identify any realistic external source of finance that *Ryanair* could use to fund its expansion. Virtually every external source of finance was accepted with the exception of '*savings of friends and family*'. A minority of candidates did not know the difference between internal and external sources of finance and other candidates came up with incorrect responses such as '*raising prices*' or '*cutting back on airline meals*'.

(b) State **two** external sources of finance that *Ryanair* could use to fund its expansion plans. (2)

1 A bank loan

2 Fundraising



**ResultsPlus**  
Examiner Comments

One mark was awarded. '*A bank loan*' was fine, but fundraising is too vague to score a mark.

(b) State **two** external sources of finance that *Ryanair* could use to fund its expansion plans. (2)

1 a loan or overdraft

2 a grant



**ResultsPlus**  
Examiner Comments

This example is typical of many responses. Two marks would have been awarded for '*loan*' and '*overdraft*'. '*Grant*' was also acceptable but the candidate had already scored the two marks.

## Question 2 (c)

After Question 1, the 3 mark 'explain' questions now require one of the linked strands to be in context to score the full three marks. Note that the context must be part of a linked strand and cannot be a stand-alone word or phrase. Therefore, if a candidate simply wrote the word 'airline' and nothing else they would score zero marks.

This question was misinterpreted by some candidates. Instead of explaining one impact on the environment, they explained one impact on *Ryanair* of not being environmentally friendly. This limited the candidates' ability to score well on this question.

(c) Explain **one** impact that *Ryanair's* expansion plans might have on the environment.

(3)

~~Aer~~ Aeroplanes burn fuel to run which emits Carbon Dioxide and other harmful greenhouse gases. ~~A~~ Greenhouse gases trap heat from the Sun within the Earth's atmosphere causing our Earth to heat up. This will contribute to global warming, therefore harming wildlife. An increase in plane trips will increase the greenhouse gas emissions



**ResultsPlus**

**Examiner Comments**

This is an example of a response that does too much but still scores three marks. Assuming the impact is 'contribute to global warming', this was developed by 'greenhouse gases trap heat within the Earth's atmosphere causing it to heat up' which was also developed by 'aeroplanes burn fuel which emits carbon dioxide'. The candidate has identified an impact and has provided two linked strands one of which is in context.



**ResultsPlus**

**Examiner Tip**

The use of context, in this case 'aeroplanes', is not enough to score a mark unless it is part of a linked strand which answers the question. In this case it is, so three marks were awarded.



(c) Explain **one** impact that *Ryanair's* expansion plans might have on the environment.

(3)

It is not ethical for the environment, which may lead to local complaints and sales from locals may decrease. And also it could pollute the environment. Also however people may enjoy it as they could fly other places, which may increase sales which may lead to an increase in profit.



**ResultsPlus**

**Examiner Comments**

This is a good example of a response provided by a candidate who has not read the question properly. Most of the response considers an impact on *Ryanair*. The only valid part of the response is '*it could pollute the environment*'. An impact has been stated but not developed and 1 mark was awarded.

## Question 2 (d)

This question was a four mark 'describe with context' question and as a result there were several routes to scoring four marks. Candidates could offer a definition of 'pressure groups' to score one mark or they could offer four unrelated points, one of which must be in context, to score four marks. An alternative route to four marks could be the development of one or two points with sufficient linked strands (one of which must be in context).

This question proved to be very accessible with most candidates scoring 3 or 4 marks. Those that failed to score 4 marks did so because they did not include an unrelated point in context or a linked strand in context, depending on the approach they took to answering the question.



(©Plane Stupid 2012)

'plane stupid' is a pressure group which campaigns against airport and airline expansion.

(d) Describe the possible effects that a pressure group such as 'plane stupid' could have on Ryanair.

(4)

One of the possible effects is that it could damage the reputation of Ryanair. This is because they will be telling others about the bad things that they are doing. As a result less people might go with Ryanair so they lose sales and profit. However this could depend on other competitors.

Another effect is that it could cost them a lot of money. This is because they might have to change to become more ethical. As a result it could see a fall in profits.



**ResultsPlus**  
Examiner Comments

The candidate identifies an effect, 'less people might go with Ryanair so they lose sales', this is then developed through, 'telling others about the bad things that they are doing', which is further developed through, 'damage the reputation of Ryanair'. The candidate has developed their response before ending up with the effect which is a perfectly acceptable way of answering the question. However, the candidate then goes on to identify further effects which cannot score any more marks because they are not in context. Therefore the candidate was awarded 3 marks.



**ResultsPlus**  
Examiner Tip

When adding context candidates need to go beyond simply using words that exist in the question. In this case using the words 'plane stupid' or 'Ryanair' would not contextualise a response.



## plane stupid

bringing the aviation industry back down to earth!

(©Plane Stupid 2012)

'plane stupid' is a pressure group which campaigns against airport and airline expansion.

(d) Describe the possible effects that a pressure group such as 'plane stupid' could have on Ryanair.

(4)

Pressure groups would have a negative effect on Ryan-air because it would damage their reputation. This would be done through the media (TV, Newspapers). As a result, many people will hear the news and will spread a negative word of mouth. This would attract customers to Ryanair's competitors. Consequently, they will become less competitive as they won't be generating enough sales to keep up with competitors such as Easy-Jet. As a result, overall revenue will decrease which could lead to a decrease in profit.



**ResultsPlus**

**Examiner Comments**

The candidate identifies an effect, 'less competitive as they won't be generating enough sales to keep up with competitors such as Easyjet'. This is developed through, 'this would attract customers to Ryanair's competitors', which is developed through, 'spread negative word of mouth advertising', which is developed through 'damage their reputation'. The candidate has identified an effect in context and has three linked strands of development so therefore can score 4 marks.



**ResultsPlus**

**Examiner Tip**

'Describe' questions are designed to be more flexible than 'explain' questions, so in theory it should be easier to score full marks. A candidate can make unrelated points, define a term or develop a point(s) and they will score marks. In order to get full marks in a 'describe with context' question there must be use of context somewhere within a linked strand or unrelated point.

### Question 3 (b)

This question was another 'explain with context' question. Candidates had to identify a method and then provide two linked strands of explanation. One of the linked strands of explanation had to be in context. For this question context cannot include words that appear in the question, so 'milkshake' and 'ShakeAway' would be invalid.

The vast majority of candidates scored 2 marks on this question. They could identify a method and then develop it with one linked strand. More often than not, a second linked strand that answered the question was missing with candidates reverting to developing the benefit of a product trial to *ShakeAway* rather than further explaining the method used.

(b) Explain **one** method *ShakeAway* could use to encourage potential customers to give the Millionaire's Milkshake a product trial.

(3)

They could offer the "millionaires Milkshake" at a low introductory price. Low prices will attract their consumers and they will try it. If the consumers like it, they will continue to purchase it. Then, after the trial they could increase their prices if they find that the demand for the milkshake is high. Their consumers will hopefully continue to buy it, since they like it.



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**Examiner Comments**

The method identified was, 'introductory price'. This was then developed through, 'low prices will attract customers and they will try it'. There was then further development through, 'if the consumers like it they will continue to purchase'. There are then further unnecessary linked strands of development. However, there is no use of context in any of the linked strands and therefore 2 marks were awarded.



**ResultsPlus**

**Examiner Tip**

At the start of Question 3, the case-study provided was quite large. This was to provide candidates with the opportunity to contextualise their answers. Always use the case-study to help you and avoid using words/phrases that are contained in the question.

(b) Explain **one** method ShakeAway could use to encourage potential customers to give the Millionaire's Milkshake a product trial.

(3)

one method they could use is, instead of selling the full product only for £11.95, they could give small samples a quarter of the size of the standard one, and also sell it for a quarter of the price, as not many customers will be willing to pay £11.95 for a drink that they may or may not like ~~to do~~. If the customer then enjoys the smaller cheaper version, they may be more inclined to purchasing the standard one.



**ResultsPlus**  
Examiner Comments

This response, by way of a contrast with the previous example, has used the context opportunities provided by the case-study at the start of Question 3.

The method identified is, 'sell it for a quarter of the price'. This is developed 'through not many customers are willing to pay £11.95 for a drink that they may not like'. There is then further linked development through, 'if the customer enjoys the smaller cheaper version they may be more inclined to buy the standard one'. The reference to the expensive initial price of £11.95 allows one of the strands of development to be in context and 3 marks were awarded.

### Question 3 (c)

This question was a three mark 'describe with context' question. Candidates could score the three marks by offering a definition of 'motivation' with two unrelated points (one of which was in context), or three unrelated points (one of which was in context), or one single point which is developed with sufficient linked strands (one of which was in context). Describe questions are designed to be more accessible than 'explain' questions since there are numerous routes available to candidates to score the marks on offer.

Most candidates scored 2 marks on this question. A lack of context either in a linked strand or an unrelated point was often the culprit. A minority of candidates interpreted the question as, 'Describe the benefits to ShakeAway from having motivated workers'. Assuming there were no valid points within their responses these candidates scored zero marks.

ShakeAway states that it only employs energetic and fun people in its stores. Each employee is called a Shakette.

(c) Describe how ShakeAway could motivate its Shakettes.

(3)

shakettes can improve motivation within the company  
shakeaway; it will improve the workforce meaning  
people want to work and can improve flexibility.  
this means that the workforce will want to come  
to work everyday everyday and not work days off  
meaning that the company will not have to find  
a replacement for the day, the workforce will  
be more motivated to be able to achieve  
something for their hardwork.



**ResultsPlus**

**Examiner Comments**

Despite the length of this answer there was no evidence of the candidate answering the question. No methods of motivating workers have been offered. Zero marks were awarded.

ShakeAway states that it only employs energetic and fun people in its stores. Each employee is called a Shakette.

(c) Describe how ShakeAway could motivate its Shakettes.

(3)

Shakeaway could give the 'Shakettes' improved, stylish and comfortable uniforms. This would make the workers feel more confident when at work so that they can approach customers with ease. Also, comfort will mean the Shakettes are not distracted by maneuvering their clothing and will feel happier as they can focus on making the milkshakes.



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**Examiner Comments**

This candidate offers one way of improving motivation through, 'stylish and comfortable uniforms', which was then developed through, 'this would make the workers feel more confident when at work'. An unrelated point was then offered, 'will feel happier as they can focus on making the milkshakes'. The reference to the word 'milkshakes' provides the context since this word does not appear in the question.

### Question 3 (d)

This was a similar question to Question 3(b) on the 2012 paper. Candidates had to, 'explain one reason why productivity would be important to ShakeAway'. In order to score three marks candidates had to provide a reason with two linked strands, one of which was in context.

Last year there were a large number of candidates who demonstrated no understanding of productivity at all within their answers, but what they wrote could be a benefit of improved productivity. In this situation candidates were capped at 1 mark. This rule was applied again this year but happened far less frequently.

Productivity is very important at *ShakeAway*. Each Shakette tries to produce a milkshake within five minutes of receiving a customer's order.

(d) Explain **one** reason why improving productivity would be important to *ShakeAway*.

(3)

It can satisfy customers which means they can increase brand loyalty and so that can result in repeat purchase which means there can be more 'word of mouth' which is a free form of advertising and so sales can increase which means the company can generate more profit and so it can gain a competitive advantage. An example of a company with high productivity is McDonald's.



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Examiner Comments

This is an example of a capped response. Improving productivity could 'increase brand loyalty', but there is no implicit or explicit explanation as to how this occurs. 1 mark was awarded.



Productivity is very important at *ShakeAway*. Each Shakette tries to produce a milkshake within five minutes of receiving a customer's order.

(d) Explain **one** reason why improving productivity would be important to *ShakeAway*.

(3)

If they improve productivity, they'll get more repeat customers because they will have a better, faster service. With more repeat customers comes more sales & more profit. So it's important for *ShakeAway* to improve productivity to increase profit.



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**Examiner Comments**

The candidate identifies 'increase profit' as the reason at the end of their response. This was developed through, 'with more repeat customers comes more sales', with further earlier development through, 'they'll get more repeat customers because they will have a better, faster service'. The answer has a reason at the end of the response and the development comes before the reason. There was an implied understanding of productivity through the use of the word 'faster'. The word 'service' provided evidence of context. 3 marks were awarded.



**ResultsPlus**

**Examiner Tip**

Sometimes contextualisation of a response can be quite subtle. Candidates who used words like 'orders' or 'service' were seen to be in context. Other candidates made use of the 5 minute waiting time to ensure their answers were contextualised.

## Question 4 (b)

This question was an 'outline with context' question and candidates had to state an impact to *The Lego Group* and then develop it in context.

Most candidates were able to state an impact and provide development, but unfortunately their development was not in context so they limited their scoring potential to 1 mark. Other candidates provided very contextualised responses but failed to identify an impact on *The Lego Group* and instead developed an impact on consumers. These candidates scored zero marks.

(b) Outline **one** impact that stricter EU regulations on toy safety could have on *The Lego Group*.

(2)

They would have to spend more time and money regulating and checking the toys they sell in order to meet the stricter regulations which means higher costs and possibly less profit.



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**Examiner Comments**

The impact was at the end of the response, i.e. 'higher costs and possibly less profit'. The development comes before the impact, 'spend more time and money regulating and checking the toys'. However, the development was not in context since the word 'toy' appears in the question. 1 mark was awarded.

(b) Outline **one** impact that stricter EU regulations on toy safety could have on *The Lego Group*.

(2)

The Lego Group ~~now has~~ <sup>would have</sup> to give a higher advised age for lego and has to make the dangers of use written clearly in packaging. This makes some customers wary of purchasing out of concern for the safety of their children. This means a lower revenue for The Lego Group.



**ResultsPlus**

**Examiner Comments**

This was a clear two mark response. The impact is 'lower revenue' which comes at the end of the response. This was developed through, 'higher advised age for Lego'. The use of the words, 'higher advised age' and 'children', contextualise the development.

## Question 4 (c)

This was another 'explain with context' 3 mark question. More candidates found it difficult to contextualise their answers relative to other, similar questions. As a result a large number of 2 mark responses were seen.

The Lego Group view the quality of its product as central to its success as a business.

(c) Explain **one** benefit to *The Lego Group* of selling a quality product.

(3)

An advantage of selling a quality product means you get repeat purchases from loyal customers which leads to a rise in sales + revenue. Therefore, though you have competitors.



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**Examiner Comments**

The candidate identifies a benefit in 'rise in sales and revenue'. This was developed through 'repeat purchases from loyal customers'. The candidate lacked another linked strand of development which was in context. 2 marks were awarded.

The Lego Group view the quality of its product as central to its success as a business.

(c) Explain **one** benefit to *The Lego Group* of selling a quality product.

(3)

one benefit is that they have better or quality products over its competitors like mega Bloks and Cobi. This means they have a USP over the competitors and this means they will have better reputation. This will mean customers will choose their product over someone else.



**ResultsPlus**

**Examiner Comments**

The candidate identifies the benefit at the end of the response, 'customer will choose their product over someone else'. This was developed through, 'they have a USP over competitors and this means they have a better reputation'. Then there was further, earlier development through, 'better quality products over its competitors such as MegaBLOKS and Cobi'. The reference to 'MegaBLOKS' and 'Cobi' provided evidence of context within a linked strand. 3 marks were awarded.

### **Question 4 (d)**

The choice question at the end of Section A is the first question that is marked via a 'levels of response' mark scheme.

This style of question has a very formulaic mark scheme. Obtaining 4 marks is relatively straightforward as the candidate has to make a choice and then provide one reason/cause/consequence which relates to the chosen option. To reach 5 marks the response must contain one additional reason/cause/consequence associated with the chosen option **and** the existence of balance. To reach 6 marks candidates must also provide a conclusion **together with** some evidence of application/contextualisation.

As a result the vast majority of candidates managed to score 4 marks or more.

There is increasing competition in the building brick market. *The Lego Group* want to remain competitive against other companies such as *COBI* and *MEGA Bloks*. To do this it is considering two options.

**Option 1:** Link more of its sets to newly released movies.

**Option 2:** Increase its advertising.

(d) Which of these two options do you think would be **more** effective in helping *The Lego Group* to remain competitive and why?

(6)

I believe linking more of their sets to newly released movies could be more effective in helping *The Lego Group* remain competitive as the intrigue from potential customers will increase - if more people are talking about the business then promotion increases as a result. Therefore sales and profit will increase as consumers are choosing *The Lego Group* over ~~than~~ their competitors such as *COBI*.

However this method of promotion will mean large costs for the R+D of potential products, their production and packaging etc. So the business must be creating a larger revenue than their costs otherwise, the plan won't be successful.



### ResultsPlus Examiner Comments

The candidate has chosen Option 1, with a reason for this choice being added through, '*the intrigue from potential consumers will be increasing*'. A consequence is then added, '*promotion will increase as a result*', with a further consequence, '*consumers are choosing The Lego Group over their competitors such as Cobi*'. The use of the word '*Cobi*' provided evidence of context since this word does not appear in the question or the two stated options.

The second paragraph provided balance through the consideration of the costs of Option 1.

The response cannot gain 6 marks since there is no conclusion. 5 marks were awarded.



### ResultsPlus Examiner Tip

In the 6 mark choice question, candidates must use words to contextualise their response which do not appear in the question **and** the two stated options. So using the word '*sets*' would not contextualise a response since this word appeared in the description of Option 1.

Increasing their advertising would create ~~more~~ greater public awareness ~~about~~ <sup>for</sup> ~~the~~ ~~the~~ The Lego Group and attract any potential customers. This means their sales could increase and as a result, so will their profits. This ~~mean~~ <sup>would then</sup> ~~mean~~ ~~then~~ give them a competitive advantage over other businesses.

Linking more of its sets to newly released movies ~~would~~ <sup>could also</sup> give them a competitive advantage as ~~one~~ ~~the~~ lego companies might not be doing the same thing, so fans of those movies would buy the lego sets from The Lego Group. However, this would be very expensive to produce as they will be constantly making new products.

Overall I think The Lego Group should just increase advertising to increase awareness and attract more customers that may not be aware of them.



### ResultsPlus Examiner Comments

The candidate has chosen Option 2 and provided the reason, 'would create greater public awareness', a consequence of this was then developed through, 'sales could increase as a result'. The candidate then moves on to explain the possible benefits of Option 1 and generates balance through, 'this would be very expensive'. An overall conclusion is given, so the only sticking point as to whether the candidate receives full marks is whether there was any evidence of application within the response. This is provided through the phrase, 'fans of those movies'. Although 'movies' is used in the description of the option and does not count; the word 'fans' is not used in the description and does count so the candidate was awarded 6 marks.



### ResultsPlus Examiner Tip

Try and use three paragraphs within your answer. The first paragraph should focus on the reasons behind your choice. The second paragraph should contain balance such as a drawback, e.g. costs, the likelihood of it being successful etc. The third paragraph should contain a conclusion.

Using this method you are more likely to score at least 5 marks.

## Question 5 (a)

This question required candidates to demonstrate their understanding of Just in Time (JIT). Most candidates scored at least 1 mark by making reference to the fact that a business only orders stock 'when they need it'. Many answers of this nature were extended to 2 marks through development such as, 'therefore the business holds no stock' or the stock arrives, 'just before the old stock runs out'.

Some candidates incorrectly thought that JIT was simply, 'stocks arriving very quickly from suppliers'. These candidates were not given any credit.

5 (a) What is meant by the term **Just In Time (JIT)**?

(2)

it means that the products are made there and then, it is usually used for <sup>building</sup> ~~building~~ things like cars. It is a way some companies use to manufacture their products.



**ResultsPlus**

**Examiner Comments**

This candidate has managed to demonstrate no understanding of Just in Time (JIT) at all. It is possible that products can be made 'there and then' irrespective of what stock management method is used. Zero marks were awarded.



**ResultsPlus**

**Examiner Tip**

Make a list of the key business words that appear in the specification document in the 'what students must learn' column. There are actually not that many. Then make sure you can define them. This should help you score marks on this type of question.

5 (a) What is meant by the term **Just In Time (JIT)**?

(2)

ordering materials so just before you run out so when you do run out the order will come in and you will have more



**ResultsPlus**

**Examiner Comments**

This response was awarded 2 marks. The answer has the notion that stock was ordered before the business runs out of stock and that the stock arrives just before the business requires it.

## Question 5 (b)

This question was another 'explain with context' question. Most candidates did not develop sufficient strands of development or include one strand of contextualised development. As a result the modal mark was 2/3.

(b) Explain **one** benefit to Dell from selling computers direct to its customers through its website. (3)

The website will allow the customer to personalise their design of the laptop and the specifications of it. This allows Dell to charge more for the product because of the added value, therefore increasing revenue and hence, profit.



### ResultsPlus Examiner Comments

The candidate finished their answer with the benefit, i.e. 'increasing revenue and hence profit'. This was developed through, 'Dell can charge more for this product because of the added value' which was linked to, 'personalise the design of the laptop and the specifications of it'. The use of the words 'laptop' and 'specifications' within a developed strand allowed the candidate to score 3 marks.

## Question 5 (c)

This question was identical in style to 5(b) and again candidates did not offer any context within their strands of development. This prevented candidates scoring full marks on what was actually a relatively straightforward question. The modal mark was again 2 marks.

After moving its technical support and customer services department to India, complaints about Dell's customer service increased.

(c) Explain **one** disadvantage of poor customer service to Dell. (3)

Poor customer service means ~~the~~ Dell get a bad reputation and so lose customers who may have been loyal in the past. This means Dell loses ~~a~~ customers and so sales decrease and so does profit ~~a~~ meaning they have a negative cashflow.



### ResultsPlus Examiner Comments

This was typical of the responses marked by examiners. This answer has sufficient strands of development to score full marks, but it is a generic response. Therefore the candidate cannot access the mark for application. 2 marks were awarded.



## Question 5 (d)

This question required candidates to 'state' an advantage/disadvantage and then explain it. The stated advantage scored 1 mark and the subsequent explanation a further 3 marks. The explanation must have a strand of development that was in context and no further credit was awarded in the 'Impact on Dell' section if the candidate re-stated their chosen 'advantage'. This method of awarding marks was repeated for the 'disadvantage' part of the question.

This question was accessible to most candidates with the average mark being 5/8. The stumbling block tended to be either insufficient strands of development and/or lack of contextualisation in one of the strands of explanation.

In 2011 severe flooding in Thailand damaged the factories of a large number of hard drive suppliers. This caused shortages and *Dell* was forced to cancel orders. As a result, *Dell* now holds some buffer stocks of important components.

(d) State **one** advantage and **one** disadvantage to *Dell* of holding higher levels of buffer stock. For each explain the likely impact on the business.

(8)

Advantage

Don't have to cancel orders

Impact on *Dell*

Holding a high buffer stock means that if *Dell's* order of hard drives do not come on time then the orders will not have to be cancelled and improving customer service by still giving customers their order.

Disadvantage

Storage facility needed

Impact on Dell

A storage facility such as a warehouse will be needed to hold all of the stock and therefore would raise costs. This would then not allow Dell to use money on advertising as it would go towards the costs.



**ResultsPlus**  
Examiner Comments

The stated 'advantage' was valid and scored 1 mark.

The 'Impact on Dell' section contained three linked strands of explanation in addition to repeating the stated advantage. The use of the words '*hard drives*' means that this section of the response scored 3 marks.

The stated 'disadvantage' was valid and scored 1 mark.

The 'Impact on Dell' section links '*raise costs*' to not being able to '*use money on advertising*'. Again the candidate repeats the stated disadvantage in this section so that does not generate a third strand of development. There was no third strand of development which was in context, therefore 2 marks were awarded for this section of the response.

The candidate received  $1+3+1+2 = 7$  marks for their answer.

## Question 6 (a)

The phrase 'export subsidy' has not been used in past examination questions before and this particular question was not answered well. The term appears clearly in the specification on Page 37 in the 'what students need to learn column'. Centres should avoid making the mistake of thinking that certain topics are unlikely to appear in examination questions.

A sizable proportion of the cohort did not attempt this question.

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

(2)

The cost business have to pay to  
sell/export products to other ~~ex~~ businesses  
in other countries.



**ResultsPlus**

**Examiner Comments**

The candidate had no understanding of the term. This was typical of the majority of responses marked. Zero marks were awarded in this case.

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

(2)

An export subsidy, is when the government will pay some of  
a businesses export cost, as this will encourage the business  
to ~~be~~ sell outside of their own country.



**ResultsPlus**

**Examiner Comments**

This is a rare example of a 2 mark response. The question required a straightforward definition which can clearly be identified in the specification document.

## Question 6 (b)

This question was exactly the same style as Question 2(d). However, the topic of 'import protection' made the question trickier, hence justifying its inclusion towards the end of the paper.

Most candidates were able to identify impacts on Thai computer manufacturers such as 'higher sales', 'less competition' and 'increased profits', as a result of import protection. Those that did often scored well, although lack of context meant that they struggled to score 4/4. A sizable minority misread the question and considered the benefits to the Thai economy of import protection instead, e.g. lower unemployment etc. These candidates did not answer the question and therefore scored 0 marks.

The Thai government also uses import protection to limit the amount of foreign made computers, such as *Apple Macs*, which are imported into Thailand.

(b) Describe the effects of import protection on computer manufacturers based in Thailand.

(4)

The first effect is that there is less competition within Thailand as not many computers are imported. This means that companies in Thailand have more of a chance of making sales and growing into a profitable business. Therefore they can expand and maybe export their computers and therefore benefiting the Thai economy.

Another effect could be that the Thai computer manufacturers can charge more as there is limited other options. This means they are making more revenue from each sale and therefore it will take less sales to break-even.



**ResultsPlus**  
Examiner Comments

The first point made is that there is 'less competition', this is then linked to 'companies in Thailand have more of a chance of making sales'. The answer then drifts off into the benefits to Thailand's economy rather than Thai computer manufacturers.

The second paragraph identifies 'can charge more' which was linked to 'limited other options' which was then further developed through, 'making more revenue' and 'less sales to break-even'. There are numerous linked and unrelated points in this answer, however the response is totally generic and therefore can only score 3 marks.

The Thai government also uses import protection to limit the amount of foreign made computers, such as *Apple Macs*, which are imported into Thailand.

(b) Describe the effects of import protection on computer manufacturers based in Thailand.

(4)

It will have a positive effect on them because there is less foreign competition from the likes of Apple. This will mean that they can sell out their rivals in their own countries. This is because foreign companies may be subject to tariffs so so have to increase the selling price of their products to maintain a sufficient profit margin. This may drive customers away from the likes of Apple and make them more likely to buy from Thailand based manufacturers. This may lead to an increase in profit.



**ResultsPlus**

**Examiner Comments**

By way of a contrast, this answer scored all 4 marks. The candidate has provided too many points and links and could have streamlined their response. However, the all important use of context was evident in the first sentence where 'Apple' was referred to.

## Question 6 (c)

This was the second question in the examination paper to use a 'levels of response' mark scheme. For the vast majority of candidates the question appeared to be more accessible than the equivalent question which appeared in last year's paper. Most candidates were able to access at least Level 2. To enter Level 3, candidates had to have sufficient development in their response and then also provide evidence of balance and contextualisation. Once the response was placed into Level 3, the quality of the evaluation determined whether it was awarded 6, 7 or 8 marks.

Common mistakes came in interpreting the question, with some candidates 'assessing the importance of profit to Dell', with other candidates 'assessing whether Dell should increase its prices' rather than being focused on the impact of the price change on Dell's profit. Nevertheless, despite these factors many candidates scored 5 marks or more.

Since this question is asterisked, the Quality of Written Communication (QWC) is also considered by examiners. However, the response is placed in a mark scheme level according to whether the correct blend of written skills has been provided. If QWC is poor an adjustment may then be made **within** that level.

In 2011 Dell increased the price of its range of laptop and notebook computers.

\*(c) Assess the impacts of this price increase on Dell's ability to improve its profits.

(8)

Selling goods at higher prices means more revenue is generated by each sale. Therefore the cost to revenue margin would increase considerably. This leads to more profit per sale. As a result of this Dell will drastically improve its profits as a whole. However, this profit increase ~~may~~ ~~possibly~~ may anger customers and persuade them to shop elsewhere so sales may be lost.

Increasing prices could annoy customers. This may incline them to go to competitors like Hewlett Packard instead. Therefore Dell will lose its competitive advantage. Consequently sales may fall so revenue will fall. In the long run this could cause Dell to actually decrease its profits.

Overall I feel ~~that~~ increasing prices of goods will have a negative effect on Dell's profits. This is because I think customers won't see the increase as ~~justified~~ justified due to the products not improving. Therefore customers and sales

will be lost to competitors. However this depends on how large the increase is. If its minimal then customers may not be bothered and continue shopping at Dell so profits will increase, but if its ~~was~~ a large increase I think customers will be lost and profit will fall.



**ResultsPlus**

**Examiner Comments**

This was one example of a large number of responses that managed to enter Level 3 (6-8 marks). The candidate has sensibly used a three paragraph structure. The first paragraph explained how the price increase would improve profit, and the second how profit may be negatively affected. The third paragraph contained some sophisticated evaluation which made use of the 'it depends rule'. 'Hewlett Packard' was mentioned in the second paragraph which provided evidence of context.

8 marks were awarded for this response.



**ResultsPlus**

**Examiner Tip**

Remember to use the 'it depends rule' or consider the size, speed or importance of effects if you want to reach the top of Level 3.

## Question 7

This question required a straightforward definition. However, many candidates did not score any marks. Most candidates correctly identified revenue as 'selling price x quantity sold', however a significant minority thought 'cash/money coming in' was sufficient. These candidates scored zero marks because they had defined 'cash inflow' not 'revenue'. The importance of students having an accurate sheet of definitions was demonstrated by the low scores of many responses.

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

revenue is money made of a  
specific product variable cost - ~~fixed cost~~ <sup>fixed cost</sup> revenue



**ResultsPlus**

**Examiner Comments**

This response was an example that did just enough to score 1 mark. 'Money made of(f) a specific product' was deemed to go further than 'money coming in' and at least implied income from sales. The last part of the response was awarded nothing.

1 mark in total was awarded.

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

It is the amount of products sold multiplied  
by the selling price so it is the amount  
of income they receive.



**ResultsPlus**

**Examiner Comments**

This response provided the expected answer. The candidate has stated 'amount of products x selling price'. 2 marks were awarded for this phrase.



## Question 8

Question 8 should have been a fairly straightforward question. Candidates were expected to focus on ways of improving revenues or reducing costs. Large numbers of candidates did do this, but a sizable number thought that a bank loan would reduce losses because they now had more cash. This highlighted a lack of understanding and responses that focused purely on improved cash flow scored zero marks.

Those candidates that did accurately focus on ways to reduce losses often struggled to score the full two marks because the development they offered contained no context.

8 Outline **one** method *Kodak* could use to reduce the size of its losses.

~~Kodak could sell shares of its company at a~~  
~~stock exchange.~~  
Kodak could sell shares of its company at a  
stock exchange



**ResultsPlus**

**Examiner Comments**

This response scored zero marks. The candidate has identified a way of raising cash, but has not answered the question. Selling shares does not deal with the underlying loss.

## Question 9

Alongside Question 10, this was a question that candidates found very difficult. Many candidates did not understand what selling assets was and did not appreciate the difference between cash flow and profit. More successful answers often lacked sufficient context to reach the top of Level 3.

\*9 Discuss the extent to which the sale of Kodak's assets would be the most suitable method of improving its cash flow.

A more suitable method of improving its cash flow is being able to set parts of their assets. the reason this will be a suitable method of improving its cash flow is because more money will be transferred into the business which then can lead onto improving their business bringing back onto the market. Selling assets will increase their chance of becoming more profitable. because ~~more of an input than an o~~ Likewise, these assets can be improved by another workforce that may have other methods and skills to increase the cash flow bringing back or even more customers. For example, could improve inkjet printers.



**ResultsPlus**

**Examiner Comments**

This response was awarded 1 mark for the statement, 'because more money will be transferred into the business'. The remainder of the response did not answer the question or demonstrated confusion with profitability.

\*9 Discuss the extent to which the sale of Kodak's assets would be the most suitable method of improving its cash flow.

The sale of Kodak's assets such as buildings (premises), machinery, stock etc. would ~~probably~~ probably improve their cashflow as they will have more money flowing into the business from the ~~the~~ money made from the selling of assets. However, by selling assets such as machinery, Kodak's productivity will suffer as they will be less productive and their costs will increase which will have a negative impact on cash flow and they might experience negative cash flow which means that they might struggle to cover costs e.g. rent. In my opinion, ~~selling assets~~ selling assets is a suitable method of improving Kodak's cash flow but they have to be careful about what they sell as it might have a dramatic impact on their productivity. For example sell things they no longer need e.g. out of date/inefficient machinery.



### ResultsPlus Examiner Comments

The candidate stated that more money will flow into the business from asset sales, but that this could lead to declining productivity if the wrong assets were sold. This was then linked to rising costs and possible negative cash flow.

An overall conclusion was offered and the candidate implied that it is the type of assets sold which determined the extent to which the firm's productivity may decline. A suggestion was made that out of date machinery should be sold to alleviate this problem.

The response has balance, but was totally generic so could only reach 5/6 marks and the bottom of Level 3.

## Question 10

Alongside Question 9, this question was one of the most challenging on the exam paper. It was anticipated that candidates would find the topic of cash flow difficult and for the majority this proved to be the case.

Many candidates decided to answer their own question and terms such as, 'revenue', 'cash', 'profits' and 'costs' were frequently, and incorrectly, intertwined. Other candidates decided to turn the question into one on market research, innovation, employee motivation or marketing by starting their responses with, 'Cash flow is important because you then afford to...'. From that point onwards any focus on cash flow was lost and replaced with the importance of advertising or some other factor.

Answers like those described could not score above Level 1 (1-4 marks). Many answers scored zero marks since there was nothing of relevance to reward.

\*10 Using your knowledge of business, assess the extent to which improving cash flow will be important for Kodak.

It is important because it means that the company can improve its products which means sales can increase and so the company can generate more profit which means the company can gain a competitive advantage and be successful. Also, it ensures a company has a stronger brand as they would have an established customer base which means there can be more repeat purchases and so there can be more 'word of mouth' which is a free form of advertising and so sales can increase which means a company's profit margins and so for Kodak they can have a competitive advantage which means they can ensure that they can have a good, positive cash flow so if something does go wrong they can manage those risks which means the company can be successful. Furthermore,

it can increase brand loyalty as the company (Kodak) can keep on supplying products to the consumer which means more and more customers can buy the

products and sales will increase and so the company can ensure that they will generate profit which means they can have an advantage over their competitors which is vital in business due to the market some companies are in as if a business (Kodak) competition is struggling that can ensure make new customers to buy the products as they would know that, that particular business is the best so it will have a good improved cash flow.

Overall, improving the cash flow is important to Kodak as it ensures more profits and it can lead up to ensuring that the business will not really be affected by things they can't handle, e.g, the recession.



**ResultsPlus**

**Examiner Comments**

This was an example of a response which made the assumption that improved cash flow enabled *Kodak* to improve its products and then goes on from there. There was virtually nothing in this response about cash flow at all.

One mark was awarded for a valid point in the conclusion, since it was possible that improved cash flow could reduce the effects of the recession on *Kodak*. This point is unsupported though.

\*10 Using your knowledge of business, assess the extent to which improving cash flow will be important for Kodak.

Improving cash flow is important for Kodak because a good cash flow forecast enables banks to give out loans to a business. Therefore, since Kodak is starting to become a failing business, a good cash flow would enable Kodak to borrow money ~~from a bank~~ or take out an overdraft to help rescue itself ~~company~~ and to save them from being bought out. ~~just~~

On the hand, improving Kodak's cash flow wouldn't help because Kodak ~~is~~<sup>is</sup> an enterprise that ~~cannot make~~ isn't taking risks. As the source from the guardian says "... slow to recognize the importance of digital technology." ~~An enterprise/company~~ If it can't recognize an opportunity such as this, ~~what's~~ how will it do you expect it to survive after the assets are sold and the cash flow has improved. Technology is always changing and it seems like Kodak is falling behind. To quote "a business of business is business" and at this point, this quote doesn't refer to Kodak.

anymore because it isn't providing the goods  
the consumer needs.



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Examiner Comments

In the first paragraph, the candidate explained why good cash flow was important to *Kodak* because it allowed them to borrow money from a bank. The candidate then developed this since they recognised that a cash injection was necessary for *Kodak*, 'to help rescue itself and to save them from being bought out'.

The second paragraph contains counter-balance as indicated by the first sentence starting with, 'On the (other) hand, improving *Kodak's* cash flow wouldn't help because...'. This point was then developed and there was some use of contextualisation.

The candidate has made points which were developed and did answer the question. Therefore the response can go beyond the Level 1 descriptor. In Level 2 the candidate needed to provide balance and the points made should have been developed with two reasons/causes/consequences. The response met these criteria.

To reach Level 3 both balance and context are required. There is definitely context within this response, but the balance offered by the candidate was too implicit to reach Level 3.

7 marks were awarded in total.

## **Paper Summary**

Based on their performance on this paper, candidates are offered the following advice:

- Make sure that you are at least familiar with all the key terms in the specification, e.g. export subsidy etc.
- Where the question mentions the name of a product/business etc. the use of context will be required to score all the marks
- Make sure you read the question closely and that you actually answer the set question rather than your own interpretation of it
- All areas of the specification may be tested in any given exam so be prepared for a question on any aspect.



## **Grade Boundaries**

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

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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