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Examiners' Report

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AS Unit 1 (6361)

Comments on individual questions

This paper highlighted the need for students to *prepare properly* for these examinations. Too often candidates let themselves down because they were unable to use economics and business terms appropriately. The definition terms at the beginning of Question 1 and Question 2 highlighted the lack of familiarity of many candidates with terms which should form part of their everyday vocabulary. A single example best illustrates this point; Question 1 (a) (i) required candidates to explain what effective demand meant. A random sample of 20 exam scripts revealed that only two candidates could correctly identify that effective demand referred to the ability and willingness to buy a product at a given price.

It is extremely disappointing that candidates are not taking time to learn the basic building blocks for examination success. If centres are determined to achieve the optimum grades for their pupils then they must spend time preparing them for external examinations and ensuring that candidates are familiar with, and use, essential business terms.

Overwhelmingly, Question 1 proved the most popular of the two questions.

1a) Explain what you understand by:

effective demand (2)

In order to gain full marks for this question candidates were required to explain that effective demand referred to the ability and willingness to buy a product or service at a given price. Unfortunately, too many candidates were unable to adequately explain this term.

scarcity (2)

It was expected that answers would identify scarcity as being linked to a finite supply of goods or services which may result in rationing. Again, an understanding of the concept of scarcity, which underpins the central economic problem was imperfectly understood. Candidates who suggested that scarcity meant 'rare' were given the some credit. Few candidates gained full marks for this question.

market research (2)

Answers to this question showed a general recognition that market research gathers information about consumers, competitors and distributors. Market research was seen a way of identifying consumers' buying habits and attitudes to current and future products.

b i) Explain how market research can ensure that the development of merchandise is market led (4)

A simple answer focusing on the benefits of market research earned a single mark. Candidates developing a reasoned explanation of how market research might aid firms to tailor products to customer needs were able to earn 2-3 marks. Very few candidates were able to offer a balanced examination explaining how market research could ensure that the development of merchandise was market led and gain 4 marks.

b (ii) Briefly explain why the producers of 'The Simpsons' may be reluctant to increase the actors pay. (4)

Recognition that the producers may wish to control costs and that increasing actors pay may increase total costs and reduce the profitability of the Simpsons show was sufficient to earn full marks. Many candidates stopped short of this level of development, contenting themselves with the observation that increasing pay would increase costs.

(c) Examine the possible motivation to work for those involved in 'The Simpsons'.

(8)

It was expected that this question would give candidates to apply their knowledge of motivation theory. Most candidates were able to demonstrate knowledge of various theories. Some candidates even chose to develop new theories and new theorists. One student's discussion of the work of 'Mayow' provided an interesting but eclectic synthesis of motivation theories.

The inability of many candidates to apply Maslow's Hierarchy of Needs was disappointing. Too many candidates have the expectation of achieving high reward by drawing and labelling a 'triangle.' This belief indicates an imperfect understanding of the skills which are being assessed.

The best answers seen, recognised that the motivations for those involved in the Simpsons may be varied, and were able to analyse the differing motivations for writers and actors.

(d) Evaluate the reasons behind the Channel 4 decision to pay £700,000 an episode for 'The Simpsons.' (8)

Some good answers were seen to this question. Candidates who reflected on the question and applied knowledge to the context did well. Recognition was given to candidates who were able to apply supply and demand. A number of responses recognised that 'The Simpsons' was a flagship programme that will attract viewers and advertisers to the channel, and as such merited a premium price. Astute candidates also noted that outbidding the BBC for rights to the programme would remove a source of competitive advantage from the BBC.

Many of the weaker candidates ignored the revenue implications of attracting new advertisers and sponsors to Channel 4.

2 (a) Explain what you understand by:

unemployment rate

Answers to this question were generally disappointing. Well prepared candidates did explain that the unemployment rate is the percentage of the workforce which is available for work but is unable to find paid employment.

real income

Disappointing responses were seen to this question. Too many candidates thought that real incomes were what was left after deducting living expenses. It was reassuring to discover that there were a few, too few, candidates who real income was the value of income adjusted for inflation.

specialisation

Answers were looking for recognition that the university in the stimulus focuses on, and develops expertise in biodiversity and that this focus may give rise to tangible benefits. In the event we were prepared to accept generic explanations of the term.

b (i) Explain why residents of Zeitz might engage in informal activity. (4)

This question was generally well answered with many candidates showing an appreciation that in an area of high unemployment individuals may find it necessary to engage in exchanging goods and services informally in order to supplement benefit receipts. Some less well prepared candidates offered responses which hinted at understanding without ever demonstrating an understanding of what the phrase, 'informal activity meant.'

b (ii) Briefly examine the opportunity costs associated with the demolition of empty housing estates. (8)

Some good answers were seen. Those candidates who examined the opportunity costs by suggesting that if the area is subject to a regional regeneration new housing will have to be built in order to attract workers were rewarded fully.

Those candidates who suggested that knocking empty houses down would enable new homes to be built and this was an opportunity cost were not rewarded.

(c) Examine two reasons why a government may intervene in the employment market to create job opportunities. (8)

The key to a high mark was a clear understanding as to why the German Government would wish to intervene in order to create job opportunities. The best answers applied their answer to the German context. This was one of the best answered questions on the paper.

(d) Evaluate the likely effects of rising unemployment on firms operating in town such as Wittenberg and Halle. (8)

The question offered candidates considerable scope for development. Few candidates recognised that falling unemployment would result in some firms gaining from the downturn in the local economy whilst other firms would experience falling revenues and a loss of market which might jeopardise their survival.

The majority of candidates preferred a doom and gloom analysis. Nonetheless it was pleasing to see economic and business toolkit being applied in context. There was some very effective use of theory going well beyond that expected of candidates at this stage of the course.

3 (a) Explain how the Fox TV Entertainment Group may use 'The Simpsons' to increase its profitability. (8)

Good answers recognised that Fox may adopt a variety of strategies to increase its profitability using the Simpsons. On the whole the range of strategies was disappointing although this did not prevent many candidates from progressing through the mark range.

Weak answers suggested that profits could be maximised by selling 'The Simpsons' to its parent company for more money!

3 (b) Evaluate how competition between TV companies might affect consumer choice. (12)

This question proved to be an effective differentiator between candidates. Responses did range from: more choice is good on a simple level to, more competition may lead to a lowering of standards and TV companies would offer more of the same.

Able students did recognise that as competition increased market share was likely to decrease and that this might have an impact upon the revenue of television companies. The best answers suggested that competition might cause media firms to concentrate on offering programmes which would maximise viewing figure such as sport and 'Big Brother.'

The weakest answers suggested that viewers would unequivocally win from increased competition

4 (a) Explain why the demand for products made in Zeitz has disappeared (8)

Many of the candidates sitting this paper opted to combine Question 1 with Question 4. This less common combination of questions does not appear to have disadvantaged them

The typical response of candidates attempting this question identified quality, price and costs as factors affecting the demand for products made in Zeitz. Some candidates linked the demise of Zeitz to the decline of the communist bloc and subsequent market reforms which have taken place in East Germany. While this made for a good answer it was not expected of candidates reaching the upper level of the mark range.

4 (b) Evaluate two methods firms might adopt in order to increase demand for their products (12)

The criteria for candidates achieving Level 4 was a sound consideration of the strategies which might firms might adopt in order to stimulate demand for their product.

Some candidates limited the marks which could be awarded for their response by only examining one strategy which might be adopted by firms seeking to increase demand for their products. This omission highlights the importance of answering the question set, rather than the one which candidates wish had been set.

A good way of progressing through the mark scheme was to identify appropriate examples of strategies which firms had used in order to boost their sales. Few candidates did this. The majority preferred to write their answers as abstract responses. Adopting this style does make it harder for candidates to develop analysis and evaluation.

AS Unit 2 (6362)

Once again, the paper covered a wide range of Economics and Business Studies "Toolkit", once again for some candidates/centres this was perhaps too wide a range. A disappointing number of candidates were unable to show that they had learned the basic terminology of the subject - investment was often confused with saving, externalities included inflation, for example. Centres must ensure that they concentrate on the basics - these are the building blocks for all else.

Key Issues:

Centres are reminded, once again, of the importance of using the evidence provided - many candidates either gave a simple theoretical explanation (which limited them to the lower half of the scoring range, or came to conclusions that were not supported by the evidence. In addition, many candidates referred to Rolls Royce Cars - which is not what the evidence was about!

Better candidates were those who could demonstrate the ability to present, explain and criticise different viewpoints/approaches, they also did so using correct terminology, rather than colloquialisms.

Question 1

- (a) Too many answers to this question showed a lack of knowledge about the subject.
- (b) Candidates often drew demand curves incorrectly and showed a shift, rather than a movement. Too many did not use a diagram at all!
- (c) Investment is not saving! Too many candidates mistook the two, a few also looked at investment at a macro level, credit was given where possible. Better candidates were able to see investment as a means to protecting RR's position.
- (d) Generally candidates understood the theory of maintaining market share (although a few wrote about *increasing* market share), but all but a few found it difficult to apply it to RR in a critical way. This is a skill that centres must prepare candidates for.

Question 2

- (a) Not all candidates were clear on their definition of a business plan, which held them back!
- (b) Better candidates did well here, but weaker candidates either looked at only one reason, or used reasons that lacked rigour - they were general chats about the subject!
- (c) Centres must prepare candidates for ideas such as ROCE - it was clear that many had not.
- (d) Better candidates found this accessible. Weaker candidates tended to look at only one of passengers and staff, or were unable to see any positive outcomes.

Question 3

- (a) Not all candidates were clear on the difference between long and short run. Those that were gained good marks.
- (b) Those candidates who were able to write clearly about brand image did well, particularly if they could see that it might not all be bad.
- (c) Too many candidates did not properly understand labour productivity. They also found it difficult to link the concept to cutting costs/increasing output and therefore improving profit. Better candidates could see that it was only one part of the overall plan - planes and fuel may be more important costs.
- (d) Better candidates were able to pick up clues from the evidence and/or to bring in ideas of their own. Weaker candidates tended to look at factors without evaluating them - usually all "doom and gloom" - this was not what was required.

Question 4

- (a) A number of candidates who attempted this wrote about the growth of a company, not the economy. This cost them marks. Better candidates were able to talk about macro economic causes of growth and to explain how they worked.
- (b) Better candidates were able to say that when there is economic growth there is likely to be an increase in demand for air transport from both business and tourists, which obviously presents an opportunity for BA. Some were able to suggest that passengers might "trade up" from budget airlines. These candidates also pointed out the many of BA's passengers will fly whatever the economic growth. Less able candidates tended to present a more one sided view.

Question 5

- (a) Candidates were mostly able to describe two leadership styles, albeit with differing levels of sophistication. Where many fell down was in not applying these to *management of change* - it is not just the style, it is the situation that is important.
- (b) Too many candidates looked at *either* cost cutting *or* job reorganisation, rather than both. Better candidates were able to look at one or more theory of motivation and show how it might be applied to BA - positively and negatively. NB Theory X/Y is not a motivational theory - it is a view on how managers treat their workers and why. Less able candidates did not describe a theory with any conviction and failed to evaluate.

AS Unit 4 (6364)

The vast majority of candidates seemed able to respond to all of the questions with varying degrees of success. Able candidates did well and showed considerable ability and insight often producing responses of the highest order. Slightly less able candidates sometimes spoiled otherwise good papers with a poor response on one question. Reasons for this included misreading the question, giving a prepared answer rather than the one asked for, and gaps in their knowledge and/or understanding.

There were whole centres that did not appear to have been adequately prepared or briefed for the examination and seemed to have little awareness of the case study or any other background information on food retailing in general. Conversely there were other centres that had clearly been well prepared and reaped the benefit accordingly.

A number of candidates weakened their responses by failing to apply the toolkit, preferring instead to use generalities and non-specialist language. After two years of studying this subject candidates really ought to be able to use the correct terminology and apply concepts and theories as appropriate. Other candidates used too much toolkit at the expense of the context and thrust of the question. Once again there were some candidates who ignored the questions as set and produced their own preferred responses.

Overall the questions appeared to work well and there were few signs of pupils being unable to complete the tasks in the allotted time.

Q1 The question was generally well answered with many candidates able to show good knowledge of competitive advantage and application of the ideas to the context.

Q2 A wide range of responses here with few candidates having a clear understanding of cost leadership or being able to develop it and link it to market share. Many simply assumed that it meant low prices without making the explicit link between the two. Few took into account other factors such as quality, reputation, brand loyalty etc.

Q3 A poorly answered question. Many responses relied on assertions with little balance or evaluation. The majority of candidates talked only in general terms. Of those who were specific few used any other example than Friends of the Earth. The best answers considered more pressure groups and gave a balanced assessment of their actions and evaluated their effectiveness in controlling the power of the supermarkets. Surprisingly few mentioned Trade Unions despite the evidence in the case study.

Q4 The majority of the responses considered the effect on supermarkets but there were some successful responses based on buying from local independent retailers. Many candidates wasted time by drifting off the point of the question and discussing the effect on local suppliers, the environment, LEDC's and consumers rather than retailers. Others seemed to think that a supermarket had to make a choice between local produce and foreign produce, few saw it as a sub brand that could run along established lines and exploit a new market segment. However there were some excellent responses here that showed considerable insight and evaluation.

Q5 A surprising number of candidates chose to ignore the instruction in the question and listed as many strategies as they could think of, clearly, this did not gain them many marks. Others had some strange ideas as to what a strategy was such as Globalisation, others used The Boston Matrix or SWOT analysis without ever proposing a strategy to evaluate. Some chose strategies that were very similar, e.g. mergers and takeovers and then followed them with identical analysis and evaluation.

Many otherwise technically accurate responses let themselves down by not applying them to the context or using any evidence, they could have been describing *any* business or market rather than food retailing. Very broad ideas, e.g. Organic and Inorganic growth did lead to some perceptive and effective answers but were often used to give a long list of sub-strategies that were only briefly developed without the opportunity for evaluation.

The best answers, and some were very good indeed, were firmly based on key Economics and Business Studies concepts. One example was Ansoff's Matrix, which was successfully developed by many candidates to identify strategies which were then carefully explained, well illustrated with examples from the case study and beyond, and then given balanced and sustained evaluation leading to a considered conclusion.

Statistics

Unit 1

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	50	32	28	24	20	17
Uniform boundary mark	90	72	63	54	45	36

Unit 2

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	90	56	49	42	36	30
Uniform boundary mark	120	96	84	72	60	48

Unit 4

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	80	53	48	43	38	33
Uniform boundary mark	90	72	63	54	45	36

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