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## 6121/01 - Business Structures, Objectives and External Influences

### General Comments

The demands of this paper were commensurate with those of previous examination sessions. There is still evidence of students not answering in context but this is becoming less apparent.

Preparation prior to the examination is essential in terms of explaining to candidates' unfamiliar terminology it was apparent that many candidates did not understand what regulation or a regulator were (line 16) and therefore struggled with question 2c.

### Question 1

- a) What should have been an easy two mark question was very poorly done, few scored two marks and many failed to score at all. Many confused Private Sector with Private Ltd Company. Those that did understand managed to state that the private sector was owned by individuals (or often not government owned) but rarely included any other point very few thought about the profit motive.
- b) Most candidates could cope with the concept of human and financial resources, but to many candidates physical resources meant hard labour rather than the equipment. Responses tended to be descriptive and failed to achieve Level 3 because they did not explain how the resources were combined
- c) This question was generally well done, especially from the perspective of how the customer would be affected by opening up to competition. Better candidates discussed how customers would have more choice and better service but then went on to discuss how competitive companies might drop unprofitable services and therefore some customers might end up worse off. The second stakeholder was generally not well discussed candidates struggling with context, those who did managers discussed workload but failed to consider the experience they had working for Royal Mail might place them in a better position for employment with competitors. Those who chose the Government struggled and often discussed as if it were management or seen from Royal Mail's point of view.

### Question 2

- a) Many candidates were able to suggest two methods of internal communication that a business might use although some candidates missed the point completely and talked about horizontal and vertical communication and others mentioned hierarchy and span of control.
- b) A large number of candidates misread the question and discussed the use of electronic communication on the Royal Mail, some discussed the impact on business users if the Royal Mail used certain methods of electronic communication such as online tracking, e-mailing complaints etc these candidates were allowed benefit of doubt and awarded the lower end of levels.

However, those who answered the actual question did so very well considering costs, efficiency, gains, nature of the business etc

- c) Very poorly answered, a large number of candidates had no knowledge of regulation, those who did appeared to understand that because it was a monopoly it had to be regulated however, very few candidates achieved above Level 2.

### Question 3

- a) This question was answered well by many, perhaps it had been anticipated by centres in advance. Responses were generally well developed, many candidates were able to discuss the decline in social mail been counteracted by a potential increase in parcel delivery from online shopping.
- b) Many candidates knew about motivation theories and tended to write all they knew about one motivational theorist and then not integrate this to the plight of the postal workers. A number of candidates failed to name a theorist as asked for and therefore remained on Level 1, where theorist and theory did not match students could achieve only the lower mark of a level. There was information in the context to allow candidates to discuss motivation in terms of poor labour relations, low wages, unsatisfactory working conditions (lines 9-10) all of which applied to the postal workers and could easily be linked to motivation theories.

## 6122/01 - Marketing and Production

### General Comments

Generally the standard of responses was lower than in the past, with fewer candidates achieving the higher level assessment criteria. There are still some centres where candidates assume that to merely mention the name of the organisation under discussion is sufficient to access the higher level mark bands. Nevertheless, there was evidence of some excellent responses where candidates, after consideration of factors relevant to the Royal Mail's unique market situation, had arrived at a judgement. These candidates were able to access the higher level mark bands.

It was evident that most centres had accessed the pre-released material, nevertheless, a significant number of candidates had not taken on board the fact that the Royal Mail is only a part of the Royal Mail Group, despite the emphasis of this at the beginning of the scenario. Question 2b appeared to cause the most problems for candidates. The responses to this question were often confused, particularly amongst those candidates who did not have a sound understanding of the context. These particular candidates tended to focus on stamps as being the Royal Mail's main product rather than the postal service itself.

### Question 1

- (a) Most candidates achieved at least one mark because they had some idea of quality control but few referred to the importance of pre-set standards or customer satisfaction. A statement referring to the 'assurance of quality' was not given any reward.
- (b) The majority of candidates were able to display some knowledge of economies of scale, however, it was clear that a few centres had not covered the topic at all. Responses that focussed on the elimination of waste were rewarded but a more detailed discussion of the concept relating to the Royal Mail's market situation was expected for the higher mark band. For example, recognition of the consequences/effects of the introduction of highly mechanised sorting equipment. Candidates who did so were able to enter the Level 3 mark band and achieve at least six marks.
- (c) This was probably the question that generated the best responses. Although a few candidates confused the Royal Mail and Post Office Ltd, many mentioned the fact that the Royal Mail is labour intensive with poor staff-management relations. Able candidates gave balanced arguments that focussed on the importance of training for the provision of good customer service, particularly in the light of previous bad publicity and effect of being in a more competitive market after the loss of its monopoly status in January 2006. Judgements that had, for example, considered the short-run and long-run consequences of staff training, such as cost issues bearing in mind Royal Mail's financial situation, were able to access the top mark band.

## Question 2

- (a) Many candidates were able to refer to either high market share and/or low market growth. Or some reference was made to the Boston Matrix.
- (b) This was probably the question that achieved the most disappointing responses on the paper. Weaker candidates either did not attempt the question or simply quoted directly from the context. However, some did make reference to the product life cycle or the marketing mix. Many focussed on 'stamps' or other Post Office services and products and were clearly confused between the Royal Mail and the Post Office. Others just wrote about the losses made by Royal Mail. Only the more able attempted to analyse the postal service in 2004, for example, linking the decline in letter post with the rise in the use of the internet and e-mail.
- (c) A significant number of candidates were able to display a sound knowledge of cost-based pricing methods and then relate this to the 'universal delivery service' and the influence of the Regulator and/or being a public service. Many discussed the impact a change in pricing policy would have on rural communities and the problems that might arise from implementing a cost-based pricing method. Some were able to link this with the loss of monopoly status in January 2006 before arriving at a judgement, based on sound evaluation, of the feasibility of adopting cost-based pricing in this context.

## Question 3

- (a) Some candidates were able to access the Level 3 mark band by, for example, discussing the importance to Royal Mail of being in touch with its market especially in light of the recent loss of monopoly status. A few linked Royal Mail's service problems to lack of knowledge of its customer expectations. They then went on to link this to setting appropriate marketing objectives and to Royal Mail's business performance. However, a significant number were only able to access the lower level criteria because of a failure to apply knowledge of market research and marketing objectives to the Royal Mail's current situation. Mere mention of the Royal Mail name was insufficient to access any assessment level above knowledge, ie a maximum of 3 marks could only be awarded.
- (b) The majority of responses to this question displayed knowledge of random and/or cluster sampling and many were able to discuss within the context of Royal Mail. More able candidates were able to achieve the Level 4 marks by, after having evaluated the consequences and issues involved in using both techniques, arriving at a judgement as to which might be more appropriate in this context. However, a sizeable minority of candidates gave very detailed and knowledgeable responses but failed to link to the context and consequently could only gain a maximum of 3 marks.

## Quality of Written Communication

The majority of responses were well written and reasonably well structured. Some of the weaker candidates tend to write short sentences that identify a specific point but rarely attempt to expand and place these comments into context. These responses frequently lack fluency and are little more than bullet type statements in another guise. Again, a sizeable number of candidates still think that the inclusion of the name of the organisation under discussion is sufficient. Although this trend is declining there are still too many able candidates losing valuable marks.

It was quite noticeable that fewer candidates than ever offered a conclusion/judgement when answering evaluative questions, thus limiting themselves access to the top criteria level. Trigger words are used to indicate which questions require a conclusion. Candidates should be made aware of these, for example, discuss, assess, evaluate, etc.

There is still little evidence of candidates having planned their responses; all would benefit from spending a few minutes planning at the start of each question. A plan would give responses more structure and relevance and would also allow candidates scope to express ideas clearly and fluently. This would help them realise the need to arrive at a conclusion when answering an evaluative question.



## 6123/01 - Financial Management

### General Comments

Performance on this year's paper was disappointing and generally less successful than previous years. It appears that the information provided through the context of the Royal Mail Group and the Post Office Ltd did not really serve well for encouraging quality answers relating to financial management. Often as a consequence candidates struggled to provide clear application in their answers unless specifically directed to do so, as was the case with question 1a(i). Contextual analysis and evaluation was, therefore, even less likely particularly with areas where candidates had not appeared to anticipate a question, e.g. 2b(i) and 2b(ii). What was encouraging was that in most cases candidates attempted all questions and that there did not appear to be a time issue. It was common and deemed acceptable under such exam conditions that candidates used the abbreviations RMG and PO for Royal Mail Group and Post Office Ltd respectively.

### Question 1

- ai) Most candidates scored 2 marks as they were able to identify that capital expenditure was that which is spent on fixed assets and in the case of the RMG/PO Ltd might be spent on delivery vans, shop fittings or sorting office machinery. A surprising number of candidates argued that capital expenditure is money spent on buying shares.
- a ii) Most candidates scored 3-4 marks by simply repeating their ability to apply the two concepts of capital and revenue expenditure, in the later case by stating that Royal Mail might regard post office worker wages as revenue expenditure. However, few candidates could actually answer the question set, i.e. analyse why the Royal Mail should be careful to distinguish capital from revenue expenditure. Better candidates tended to suggest that incorrect classification would mean that financial performance such as the Royal Mail Group's profitability might be understated if the purchase of new delivery vans were included in the profit and loss account rather than the company's balance sheet.
- bi) Since this question was simply a case of knowledge and understanding it was surprising that the majority of candidates only scored 2 marks with this question, often being given credit for defining profit as revenues minus costs and stating that cash was likely to be money; few candidates seemed to appreciate that profit is a determinant of investment and growth or that cash is a area of financial control in order to ensure operational liquidity.
- b ii) It was therefore not surprising to find that a significant number of candidates found difficulty with question 1b(ii), particularly given that they were expected to focus on continuing cash outflows and evaluate its likely effects on the Royal Mail Group. A significant number of candidates confused profit with cash, insisting that a lack of cash would lead to decline and inevitable bankruptcy. Weaker students tended to list ways of overcoming cash-flow problems rather than actually showing an understanding of the likely consequences for the Royal Mail Group. More able candidates were able to identify that the persistence of

liquidity problems for the RMG might put it under increasing pressure for privatisation; few stated that 2 years was not sufficient to make a confident judgment or that the Post Office Ltd's relative profitability was actually improving.

Very few candidates appreciated that poor cash-flow would not necessarily be a problem, at least in the short term, because the Royal Mail Group has what amounts to a monopoly in at least the personal letter/greetings card delivery service of the UK.

## Question 2

- a) Most candidates were able to achieve level 2 by calculating a Royal Mail Group profit ratio, e.g. in 2004 it was 2.5%. However, candidates did struggle to calculate the Post Office Ltd share, e.g. in 2004 (10.4%). If candidates did manage to make comparisons and comment on the contribution (or rather the non-contribution of the Post Office Ltd) they did gain analytical marks. Very few candidates recognised the opportunity to treat this question as an opportunity to assess the value of ratio analysis to judge the financial performance of a business, let alone make inter-firm comparisons. This degree of difficulty was taken into account at Awarding.
- bi) This question was sometimes misinterpreted; a number of candidates wrote that franchise fees will increase as sales increase. Agreeing that this acceptable error the Standardisation Committee amended the mark scheme to allow for answers which either explained the relationship between sales and payment to franchisees or sales and franchise fees. Knowledge marks were also awarded to candidates who demonstrated either knowledge of franchising or who defined revenue. Many candidates clearly did not understand the term remuneration which was disappointing given that this appeared in the pre-release issued to Centres 10-12 weeks before the examination.
- bii) Rather disappointingly the break even question, tended to generate answers which struggled to go above level 2. Most candidates were able to identify what break-even analysis is and how it might be used by a franchisee. For example a Post Office franchisee might use break-even analysis to determine how much stock (stationery, confectionery) would need to be sold before a profit would be made. However, very few candidates seemed comfortable to argue that actually break-even analysis is of very little use to such a business organisation like a post office, basically because it is multi-product sales company (170 products sold) which, because of its nature and size, is unlikely to require a financial forecasting tool. A significant number of candidates simply wrote about break-even analysis in general and provided text book advantages and disadvantages but, because of no reference to the Post Office, achieved only 2 marks.

## 6124/01 - Analysis and Decision-making

### General Comments

This paper perhaps placed more emphasis on candidates analysing the results of their calculations and therefore fewer marks were awarded for purely calculation. Generally there were some excellent scripts and some very poor scripts. As always application played an important part in candidates achieving the higher mark and questions 1b and 2aii proved particularly difficult for some students.

### Question 1

- ai) This proved to be a challenging question on contribution and allocation of fixed costs and offered a wide degree of differentiation to candidates. Good answers calculated the contribution of the fire resistant doors simply and worked out the reduced profit figure associated with their discontinuation before analysing how this would impact on the firm and concluding that the firm should not discontinue the product. Common errors were to forget to reduce fixed costs by 20% though these answers were often still rewarded for subsequent analysis and evaluation using own figure rule. Many candidates missed the entire concept that fixed costs would still be incurred by the other two products and simply stated that the decision would be more profitable for the firm.
- aii) The best answers focused on the impact of the discontinuation fire resistant doors on the product range, and whether customers would cease to buy the other two types of door if the third were not available. They also looked at the impact on the employees, taking into account that this is only a small firm and whether they could be transferred to other areas of production, thus not reducing costs or whether they would be made redundant and therefore incur additional costs. A worrying number of candidates appeared not to have read the question and continued to discuss financial aspects.
- b) This was perhaps the least well answered question. There were two main problems, firstly candidates rarely answered in the specific context of Limehurst Doors Ltd, other than by name and secondly most candidates demonstrated little or no knowledge of research and development. The most common responses were a general application of market research and not a consideration of the appropriateness of research and development this firm. Better answers considered that as the firm was only small it was very unlikely that they could or would spend the large amounts of cash associated with research and development.

## Question 2

- ai) Many candidates demonstrated a good understanding of the concept of payback, the majority could perform the straightforward calculation, most were able to analyse their results but few candidates got beyond the one mark for contextual analysis.
- aii) This question tended to score the lowest marks, even amongst the stronger candidates, because it was answered out of context. Candidates could often demonstrate extensive knowledge of investment appraisal techniques but failed to relate this to the small firm. Better answers referred to the specific context of stated objectives concerning the importance of cash generation and profitability.
- b) Some candidates showed a clear understanding of ratios, applied and analysed effectively and drew sound conclusions. Other candidates were less confident and struggled to apply any comparison of the ratios to the question of which supplier Mary should use. Few candidates could explain the meaning of interest cover or appreciate the relevance of the different accounting periods. Many did, however, achieve Level 3 by considering how Mary would benefit from higher debtor days although there were a number of candidates who confused debtor and creditor days. The best answers considered that such ratios were of limited use to Mary in making such a decision and that possibly loyalty and the benefits of that, might be worth more to her.

## 6125/01 – Business Planning (coursework option)

### General Comments

The entry for the coursework option for Business Planning recovered slightly this year, accounting for approximately 40% of all 6125 entries. Similarly, the quality of work seen from centres is better than previous years given that candidates' ability to present their work, undertake research and structure their assignments has continued to improve. Candidates' use of Contents pages and Executive Summaries continues to make assignments easier to moderate. Candidates appear to be accessing sources of information more effectively, particularly through class visits to companies, individual work placements, contacts through family/friends and more often through part time jobs. These opportunities have continued to enable candidates to access to higher level criteria across all four of the assessment objectives. Presentation of work is generally very good, though there are still many projects which do exceed the 3,500 word limit.

### The external moderation process

Generally Centres marking fell within tolerance (+/-6) and it was possible to make moderation judgments with a sub-sample size of 6. Only one Centre's entire work had to be called for as marking was quite inconsistent, but otherwise when adjustments were necessary the Centre's order of merit was retained. All assistant moderators reported that Centre Assessors are better at supporting assessment decisions with appropriate annotation (i.e. both the objective and levels are indicated) and supporting commentary which really does make the moderation process much more straight forward. Several Centres are still failing to include the Quality of Written Communication mark in the total on the OPTEMS which meant that moderators had to send U6 forms to Centres. On the whole samples of work asked for were sent and what's more, sent on time. As with last year, a small number of Centres did not include the work of top/bottom mark candidates which is clearly stated in the Guidance for Centres. Also a significant number of centres did not include the Candidate Authentication Sheet which is necessary to confirm the legitimacy of candidates work and so make the award for this unit fair and reliable.

### The coursework titles

Titles for this year's coursework did not appear to present any difficulties to Centres. There were an equal number of projects seen for each of the two questions. It appears that Centres played to their strengths. It is clear that candidates are being encouraged by Centres to undertake independent research which is highly commendable as it both within the spirit of the aims of this specification and it does make moderation quite interesting and enjoyable.

The internet question was generally well tackled. It appeared that several Centres had been given access to opportunities in a range of business organisations ranging from accountancy firms to medium sized manufacturing companies to show the real applications/effects and potential benefits of making use of information communication technology.

Equally the payment systems question was tackled well when candidates were given access to personnel and information relating to remuneration, otherwise candidates

tended to rely on theory and assumptions which detracted from candidates' overall performance.

### Candidate's Performance

Overall it appeared that performance was slightly better than previous years which may be largely because nearly all projects submitted were of at least grade E standard. This may be a reflection of the fact that those Centres that have candidates who are not prepared to do the appropriate level of research and documentation may be choosing to enter candidates for the exam alternative.

#### AO1: Knowledge and Understanding

Wide ranging and relevant use of theory (CPA, decision tree analysis and investment appraisal for internet projects and motivational theories for payment systems) coupled with good context and background gained from appropriate research, meant that the processes employed in the projects were both purposeful and relevant to sustainable outcomes. As expected better candidates not only undertook a range of detailed research, by conducting interviews, surveys, surfing the internet, investigating other similar businesses and making use of trade and business journals but, most importantly, actually referred to their findings to show a critical understanding of the issues being addressed.

#### AO2: Application

Proposals tended to suggest understanding and balance. For question 1 encouraging responses included candidates who had undertaken research into the costs of actually setting up a website, the costs of improving hardware, the implementation plans and the likely effects on business performance in relation to number and type of customers, markets and overall sales. For question 2 where candidates were able to undertake detailed examinations of how and why workers, supervisory and managerial staff were paid by various means (wages, salaries, overtime, piece rate, time-based, performance related, profit share schemes, commission) high application marks tended to be awarded. In proposals relating to changing payment systems, often coupled with an attempt to match such proposals to motivational theory, candidates often scored level 3 or above. SWOT and PEST analysis did gain marks under application but these were not always complete; there is still a tendency for candidates to merge strengths with opportunities and weaknesses with threats. The Ansoff Matrix is being applied more, compared to previous years and with accuracy.

#### AO3: Analysis

Centres are reminded that for analysis to be awarded, particularly at level 3 and 4, candidates should convincingly show that they are able to identify causes and/or consequences of business behaviour. So for example, for Question 1, good candidates were able to identify the likely effects of recruiting staff through a website (choice of staff, calibre of applicant, number of applications, quality of applications, etc). Ability to write about the limitations of data gathered is still a hurdle for many candidates. Still many are simply using articles which they identify as being out of date and then saying should be treated with caution; this is too easy an approach. Better candidates are making distinctions between absolute and relative data values, e.g. in the case of costing website development.

#### AO4: Evaluation

For evaluation to be effective analysis has to be substantial. There should be a conclusion which is based on a balance of detailed arguments. This was awarded when moderators were convinced that candidates had developed a full understanding of the issues and their proposals. Still a number of candidates have problems offering suggestions of data to enable a complete analysis or are able to distinguish fact from opinion. Too often newspaper articles or extracts from questionnaires or interviews with staff or management were used to indicate opinion, but then rarely did candidates go on to explain the significance of what had been said or why. Better candidates provided situational audits, proposals and then conclusions to their studies based on a systematic approach to using evidence. Weaker candidates tended to rely on assumptions based on theory in order to show an attempt at evaluation.



## 6125/02 - Business Planning (written option)

### General Comments

This Business Planning option has suddenly become less popular with centres, this year accounting for approximately 60% of all the entries for 6125 compared to nearly 80% last year. This year's theme of tourism appeared to give confidence to candidates. Only 4 appendices were included this year but there was significant data in the background information which made the paper quite comparable to previous years. The fact that the business in question, Hotel Feliz, was Spanish did not prevent candidates accessing the full range of marks across each of the objectives.

As with last year, candidates are structuring their responses well, clearly taking time to plan their answers before starting with an assessment of the two options open, in this case to the Rosello family. In doing so candidates appeared to have been 'trained' to make sure that they evaluate the options provided using the appendices to support their assessments and final recommendation. Approaches do, however, tend to vary by Centre. Some candidates are assessing the value of each of the appendices before going on to make their recommendation. This might not be considered as a systematic approach since it is the business options which should be assessed with reference to the appendices. Also Centres are reminded that this paper is a synoptic paper which expects candidates to not only show their knowledge and understanding of business planning but also draw together concepts and theories from other units, such as investment appraisal in this year's paper.

In general candidates demonstrated good understanding of the content and issues raised by the background information and the appendices provided. Many were able to at least attempt to apply SWOT and/or PEST analysis and often candidates correctly identified Option A as a penetration strategy (Ansoff Matrix) and Option B as a diversification strategy. Hotel Feliz appeared to be student friendly but it appeared this year that there was a temptation for candidates to simply paraphrase the information already provided which wasted their time and so denied marks.

A number of Centres appear to be 'loading' candidates with stock phrases such as 'I do not have enough information' without saying what in fact would have been useful and why, e.g. the marketing fees which may be payable to the Tour Operators for Option A, the Marketing Planning option.

It was encouraging to see that Business Plans were made more distinct by candidates this year and within them candidates did refer to at least two, if not three, of functional areas. However, proposals were somewhat lacking specific application in terms of human resource management, marketing and finance despite clues given in the background information e.g. how to recruit new staff for the Hotel Feliz once the season had been expanded, or how Jose might make use of the marketing mix for the Café Mar y Sol, or where Margarita might obtain the capital finance from for buying the €70 000 worth of vehicles for the Car Hire business.

Strengths of Option A were identified as the Rosello family already having extensive experience of the hotel business having been operational for 50 years, reputable customer care and loyalty, whilst the principal weaknesses was that the family had grown and therefore made the continuation of the hotel problematic. Opportunities included increasing the number of guests from other parts of Europe and an extension of the season. Threats considered included that the hotel service may become less personal, diseconomies of scale may creep in, and communication may suffer. Few candidates recognised that Ibiza may not actually popular with tourists outside the months of April and September since the climate would then be quite temperate.

The increasing strength of the Euro was often mistakenly regarded as affecting all visitors to the island. Better candidates distinguished between Spanish, German and UK visitors rightly pointing out that an appreciation in Ibiza's currency would not have affected other tourists from Spain or from Germany, only the visitors from the UK or other non-Euro countries like the USA. Credit was given here for candidates who demonstrated an application of demand theory, sometimes price-elasticity of demand, or for showing the knowledge that tourism to Ibiza is an example of a Spanish invisible export.

Ibiza's declining reputation because of the growth in anti-social behaviour by youths was accepted as fact when this could have been cited as an opportunity for flagging up someone's opinion, i.e. Cristina Filipino. Most of the candidates were able to identify that the comments made by Cristina represented threats to a if not any Ibiza business.

The establishment of small business units were generally considered to be quite ambitious given that the family only really had experience of café bar duties (Jose) and there was very little information, if any, to suggest that a car hire or retail outlet (whatever that might be) should be successful. Several candidates regarded the late completion of the Sunset Strip as a threat to future liquidity. Better candidates questioned whether or not the residential apartments would be occupied all year round and so provide sufficient complementary business, i.e. customers.

Use of appendices was generally quite effective with many candidates recognising the limitations in the data. The value of Appendix 1 was questioned given that it referred only to Low Cost Flights; chartered flights or more expensive carriers may have experienced different levels of business over the years. Similarly, better candidates commented that the flights from other countries to Ibiza (such as Germany - possibly more pertinent to Option A) may have increased. The data was for 2000 to 2005 which in itself may have been a limited basis for making a significant business decision and, what's more, the downward trend 2003-2005 could have been bucked by 2007.

Appendix 2 provided candidates with the opportunity to determine that payback was exactly 9 years. More able candidates calculated that the Annual Rate of Return (ARR) would be 1.3% which is quite low compared with other investment options. A surprising number of candidates miscalculated the ARR as 13% failing to divide the return by the number of years, i.e. 10. However, credit was given for showing at least an attempt at application. Better candidates did identify that net cash-flows were falling for the Café Mar y Sol and went on to conclude that investment appraisal techniques alone should not be used to determine the feasibility of a project which would have a set up cost of €200 000.

The facsimile from Coches Alquiler (Appendix 3) was rightly treated with suspicion since the business was actually closing and looking to sell the remaining stock of cars. Good candidates questioned why the car hire business was closing and, furthermore, whether the cars were priced too expensively or mechanically sound. Candidate who showed a critical understanding also questioned whether any of the Rosello family had the experience or skills appropriate to operate a car hire business. Only the cost of cars (albeit for 8 cars) was identified not the projected revenues or other costs which would have made the assessment inconclusive.

The articles from the free newspaper Ibiza Sun were sometimes misread. Several candidates seemed to think that the airport was being expanded and that new motorways were being built, which in fact was less likely given that the National Government Grant was announced as to be cut by 34%. This might have implications for any business in Ibiza, not just the Hotel Feliz. Better candidates argued that if road building was cut car hire businesses might suffer and if the airport was not developed this might lead to congested airport runways and passenger lounges which may mean disaffected tourists and in the long term a fall in the number of visitors to the island.

The €4 million for tourism promotion was treated by candidates as being already granted, which was not the case. It was therefore premature of candidates to assume that tourism would experience a tonic by a fund which was not necessarily forthcoming. As expected the newspaper was used by candidates as a possible source of opinion since journalists are often guilty of exaggerating the truth or sensationalism; however, these articles read as straight reports in a free paper which might suggest that they are plainly factual.

Nearly all candidates were able to provide a recommendation to achieve at least level 1. However, business plans were quite vague with only the better candidates giving proposals which were clearly contextualised. Better candidates suggested that for Option A marketing would not be an issue as this would be the responsibility of the Tour Operator but then went on to suggest that the website should be upgraded, the swimming pool be heated during the more temperate times of year, the menus in the hotel restaurant amended to take into account different international tastes, the rooms fitted with computer games hardware such as X Box 360 consoles.

More able candidates focussed on examination of market segments, suggesting that the Hotel Feliz might change its customer focus towards more senior citizens who might appreciate the personal customer care or indeed the extension of the season. Candidates went on to suggest that recruitment of staff might be tackled through international recruitment agencies, website development and even by showing sensitivity to other countries employee terms and conditions. Some candidates suggested that the hiring of security staff to prevent the use of recreational drugs usage by guests might be considered as a way of giving the Hotel Feliz a distinctive Unique Selling Point.

For Option B the more perceptive candidate calculated that capital finance could amount to €250 000 per family member (Café Mar y Sol was within budget at €200 000) and that any further finance may be loaned by a family member not using his/her full share (for example Jose who would have a €50 000 surplus). Banks loans were generally identified as a method for supporting any extra capital expenditure and overdrafts for financing any short term expenditure, such as bar sticks for Jose or stationery for Margarita's car hire business.

Training would be necessary in most cases for Option B as there was no evidence to suggest that other than Jose any of the other family members had the skills and experience to operate successfully in the new enterprises. Candidates noted that perhaps even Jose might need training in basic food hygiene or basic book keeping as he would now be responsible for more than running a bar in a hotel. Weaker candidates seemed to think it was acceptable to advertise and recruit staff in a two week period; whilst it is not expected that candidates will possess a full knowledge and appreciation of specific industries it is hoped that second year students of GCE Business Studies will have some idea of the likely time span of such aspects of human resourcing. Similarly, there were other ambitious proposals to do with marketing such as making use of national television but the principal of positive marking was adhered to given that candidates had already penalised themselves by using up valuable time in making such naive proposals.

## 6126/01 - Corporate Strategy

### General Comments

The paper produced an almost identical mean and standard deviation to that of 2005 and thus was comparable to that paper.

Candidates were generally well-prepared for two of the questions but, as in previous years, found one question (in this case question two) to be less predictable.

Many candidates seemed to have been prepared for a question on the wisdom of creating a safari park, and this idea appeared in several, indeed sometimes in all of some candidates' answers. In question three, for example, some candidates decided that a hotel was only justified if a safari park was opened and most of their answer was then directed to the latter topic, not to the question set.

As always, there is no 'right' answer to the questions set. Candidates have the opportunity to use all the case material (and, in general, they used the Appendices well, in this instance), to discuss data gaps and to bring their own analytical ideas and evaluative skills to the situation and thus to convince the examiner of the authority of their answer.

Above all, they must always remember that this is a *Business Studies* paper and apply appropriate business concepts to the case material.

### Question 1

Question one asked for a strategy to deal with the zoo's losses in the winter. Stronger answers recognized that it was unlikely that the zoo could be profitable in winter and therefore the concept of contribution should be used. Losses could be reduced but probably not eliminated. Some advocated closure but the better answers recognized that there would still be fixed costs to cover.

Ideas of shipping-out the animals (to where? at what cost? who would pay for their upkeep?) were often unrealistic, as were those of sacking the staff (there would be redundancy costs and there would be a problem in trying to re-employ them next spring) or, even less realistically, transferring zookeepers to maintenance and repair jobs on the park's rides in winter.

The fact that the zoo was a minor feature of the park and might be closed down entirely could validly be discussed. The safari park made its first, but by no means last, appearance here, often with no regard to time-scale for break-even, funding (there seemed to be an idea that issuing new shares would cover the cost, with no discussion of authorized capital, issue price or likely investors) or the effect on anti-zoo opinion of displaying larger animals. It is also questionable if safari parks are profitable in the depths of winter.

Ideas of focusing on educational visits, a different target market or special events were validly discussed. However, candidates who wanted to reduce entrance fees and increase marketing often made no reference to the concept of price elasticity of demand. Some answers completely lost sight of the problem of seasonality, the fundamental concept at issue here and sometimes erroneously stated that the zoo made an annual loss.

Strong responses, incidentally, rightly questioned the way fixed costs had been apportioned and whether the stated profit of £410k was, in fact, accurate. Weaker responses sometimes concluded that because Chessington or Drayton Manor or Longleat did something, it stood to reason that Funworld should also do it.

Many ideas were put forward, but some responses were no more than a series of ideas, often alternatives, with little or no discussion or idea of consequence, and could not be rewarded above Level 2. Level 4 answers were seen, however, with balanced discussion of several ideas and a justified recommendation of a course of action.

## Question 2

Question 2 asked for a strategy to deal with a sustained campaign by animal rights activists against zoos. There were many weak answers which seemed to think that meetings, discussions, tours or inviting protestors to anything from a cup of tea to a place on the Board would buy them off - highly unlikely? The best answers realized that the word 'sustained' was there for a purpose. Much would depend on the length and ferocity of the campaign and whether it was targeted specifically against Funworld. As Funworld did not cage large animals, one valid response was to do little unless provoked!

A costly counter-propaganda campaign or heavy security measures might prove counter-productive and could reflect adversely on the core business. Closure of the zoo was a valid option, often well-discussed.

The safari park was again advocated, often without regard to cost and funding, in a belief that anti-zoo protestors would not oppose this idea. Many answers were one-sided (either to appease or buy them off, or alternatively to mount a counter-campaign) and there were few balanced discussions with a recommendation which could be rewarded at Level 4.

## Question 3

Question three asked for a strategy to ensure that the hotel would be a success. Some candidates answered a different question, namely whether the hotel should be built, which was in fact a decision already taken by Funworld, or how it should be paid for - again, the text stated that a loan had been agreed.

The safari park again figured large in some responses, candidates assuming that the company had endless sources of funds. Water parks, golf courses, skating rinks, dry ski slopes, introducing whales and sea creatures, covering the entire zoo with a roof, were amongst some of the more exotic and costly ideas discussed.

One general point, as always, is that candidates should think of the financial implications of their suggestions and the feasibility of some of their more fanciful ideas. Good answers addressed the problems of the off-peak season, the target markets (should they be different in winter and could different segments be catered for?), labour supply, both skilled and temporary, special attractions and events, and various pricing deals. Merging or franchising the hotel or some aspects of its operation were discussed, but with the assumption that this option would be available and would not impinge too heavily on future profits.

Copying Alton Towers was also frequently advocated. Some candidates validly questioned the size of the hotel - were 50 bedrooms big enough for the purpose? Too many answers were just marketing plans, however, or were a list of ideas, often alternatives rather than connected in a strategic manner. Without a coherent strategy, Level 4 could not be reached, and without some discussion of the possible consequences of the suggestions, Level 3 could not be awarded. A few answers were almost entirely procedural in a theoretical way, with minimal reference to the text. Considering that the question was flagged-up in the last paragraph of the text, many responses were disappointing.

Quality of Written Communication was varied, but most candidates earned four marks and few below three. Often the best answers were given five or six marks, as the answers flowed in a coherent and well-expressed manner.



## Statistics

### Unit 1 (6121/01) Business Structures

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	63	39	34	29	24	19
Uniform boundary mark	90	72	63	54	45	36

### Unit 2 (6122/01) Marketing & Production

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	63	34	30	26	22	19
Uniform boundary mark	120	96	84	72	60	48

### Unit 3 (6123/01) Financial Management

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	63	30	26	22	18	15
Uniform boundary mark	90	72	63	54	45	36

### Unit 4 (6124/01) Analysis & Decision Making

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	84	52	47	43	39	35
Uniform boundary mark	90	72	63	54	45	36

### Unit 5 (6125/01) Business Planning: Coursework

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	84	68	61	54	47	41
Uniform boundary mark	90	72	63	54	45	36

### Unit 5 (6125/02) Business Planning: Written Exam

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	84	56	51	46	41	37
Uniform boundary mark	90	72	63	54	45	36

### Unit 6 (6126/01) Corporate Strategy

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	126	78	71	64	57	50
Uniform boundary mark	120	96	84	72	60	48

#### Notes

**Maximum Mark (Raw):** the mark corresponding to the sum total of the marks shown on the mark scheme.

**Boundary mark:** the minimum mark required by a candidate to qualify for a given grade.



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