

Examiners' Report January 2007

GCE

GCE Economics & Business Studies (8128/9128)

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January 2007

Publications Code UA018687

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6361 Examiner's Report

January 2007

General Comments

This paper highlighted the need for candidates to prepare properly for these examinations. Too often candidates do not fulfil their potential because they fail to define terms precisely or do not use economics and business terms appropriately. The definition terms at the beginning of Question 1 and Question 2 highlighted the unfamiliarity of many candidates with terms which should form part of their everyday vocabulary. Very few candidates achieved full marks on all definition questions. Those who did, set themselves up for a good overall performance. It is difficult to over stress the importance of candidates learning the core economic and business terms.

It is disappointing that candidates do not take the time to learn the basic building blocks for exam success. If centres are determined to prepare their candidates adequately for this exam then they need to ensure that time is spent preparing candidates so that they are familiar with terms which should be applied throughout the exam paper.

Question 1

This question proved the less popular of the two data response questions.

(a) *Cost cutting drive*

Many candidates were aware that this referred to an attempt to cut costs. Fewer were able to identify that cost cutting drive represented a concerted attempt to eliminate costs within the business and that this was likely to more than a one off attempt at cost reduction. Unfortunately, too many candidates were unable to adequately explain this term.

Operating profit

This question discriminated very well between the well prepared candidate and those who were less well prepared. It was interesting to see so many alternative responses to this question. It was expected that answers would identify operating profit as being Gross Profit minus overheads/selling and administration expenses. There were a considerable number of alternative explanations of operating profits which were nonetheless valid.

Market segment

Candidates demonstrated mixed understanding of this question. Stronger answers focused on an understanding a market segment represented as part of a larger market, characterised by consumers with distinct preferences.

Some students suggested that it was a way of classifying producers.

- (b) A simple answer focusing on cost reduction was a feature of many weaker responses. More sophisticated responses suggested that Northern Foods cost cutting may lead to long term benefits, allowing firms to exploit benefits. Candidates developing a reasoned explanation of how the share price might be affected by following showed a clear understanding of the link between the measures taken by Northern Foods and the subsequent increase in share price.
- (c) It was expected that this question would give candidates an opportunity to apply their knowledge of supply and demand. Most candidates were able to draw something. Some of these illustrations were cartoons of peasant sweating under a hot sun. Other drew their own unique diagram with their own unique axes. It is unfortunate that such a significant minority of candidates have not learnt this important theory, after studying this module. The usual mistakes were made in drawing supply and demand diagrams. Demand curves were shifted or drawn sloping upwards.

The strongest candidates showed a movement of the supply curve to the left and made an explanation of the reason for the shift in supply of raw materials and its effect on the market price.

Centres wishing to improve candidate performance need to look at how they guide candidates to annotate their diagrams. Candidates who gained full marks for the drawing still dropped marks because they failed to adequately explain their diagram.

- (d) Some strong answers were seen to this question. Candidates with knowledge to the context did well, although too many candidates wrote in the abstract. Too many candidates did not understand what it was that Northern Foods did and allowance was made for this.
- (e) A variation of this question has been used on previous papers. Candidates who practice questions may have had an idea as to how to structure this type of question. Some strong answers were seen. The strongest candidates responded to the command word in the stem and did actually make an 'assessment' of the possible implications.

Candidates who struggled to develop an analysis of the question found themselves limited to knowledge and application marks. Some candidates insisted on discussing implications which had little to do with closer relationships and were more to do with exploitation.

Question 2

(a) *Markets*

Answers to this question ranged from the strong to the disappointing. Well prepared candidates did explain that markets were places real or abstract where buyers and sellers interacted to exchange goods and services at an agreed price. Many alternatives to the desired answer were seen.

'Profit margins'

Many strong responses were seen to this question. The strongest candidates were able to include a formula for working out a profit margins. Weaker candidates talked about breakeven points.

Variable costs

A surprising number of candidates do not know the difference between variable costs and fixed costs. Candidates who had awareness, often let themselves down with inappropriate examples of variable costs.

Answers were looking for recognition that variable costs are those costs that change with output.

- (b) This question was generally well answered with many candidates showing an appreciation that Sony would want to reduce fixed costs in order to increase profitability. Stronger responses also talked of a possible link towards improving competitive advantage or lowering the firm's breakeven point. Some less well prepared candidates offered responses which hinted at understanding without ever developing their response.
- (c) Some strong answers were seen. Those candidates who were able to identify appropriate strategies did well on this question. Candidates who talked about techniques better suited to product development rather than launch did less well. It is important to read and respond to the stem of the question. Weaker exam techniques let many candidates down on this question.
- (d) The key to a high mark was a clear understanding as to entering new markets might be important for Sony. The strongest answers applied their answer to the Sony context. There were relatively few examples of candidates who used the stimulus to help them answer this question. This was one of the most worst answered questions on the paper.

The weakest responses used economic and business toolkit but did not make it relevant to the question. The general quality of response hinted at a lack of exam practice amongst many candidates.

- (e) The question offered candidates considerable scope for development. Relatively few candidates were able to identify the actual tradeoffs identified within the evidence. Those that did were almost guaranteed entry into the higher levels of the mark scheme. More commonly candidates were able to identify consequences but not tradeoffs. The timescales which many of the weaker candidates employed for the development for rival products were often unrealistic. Many candidates assumed that a delay would mean that rival firms would copy Sony technology.

The quality of the strongest responses to this question far exceeded expectations.

Question 3

- (a) The lack of ability 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 strongest answers 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. This question proved the most popular question attempted in Part B. Strong answers recognised that this question was about worker motivation and drew on Maslow in their response. Generally, candidates knew about Maslow and could describe or draw the pyramid. What fewer candidates could do was apply that knowledge to the question and use it as an effective tool for analysis.

It does appear that centres need to improve candidates understanding of the theory. Candidates are being let down by their lack of ability to apply knowledge of the theory.

Some unusual alternative theories were offered. These often involved candidates merging various motivations together.

At the lower end of responses, many candidates chose to abandon any attempt to use theory and examined the effect using commonsense.

- (b) This question proved to be an effective differentiator between candidates. Candidates who accessed Level 4 were able to apply wider knowledge to the question and were able to make an assessment of the role of Trade Unions.

Candidates who offered a description of what trade unions did were capped at Level 2.

The weakest responses suggested that Trade Unions were formed by companies.

Question 4

- (a) Many of the candidates sitting this paper opted to combine Question 2 with Question 3.

Strong candidates were able to identify the effect that shifts in competitive advantage might engender. These candidates talked about the loss of sales, erosion of market share and how a firm such as Sony might respond.

At the other extreme candidates identified examples of competitive advantage. There does appear to be a significant number of candidates who have knowledge but do not know what to do with it. This comes down to exam practice.

- (b) The criteria for candidates achieving Level 4 was a sound consideration of the implications of market orientation for firms such as Sony. The best answers were also able to recognise the limitations of such a strategy and used the example of the Sony Walkman to make their point.

Some candidates limited the marks which could be awarded for their response by only describing what a market orientated approach might involve. This type of response highlights the importance of answering the question set, rather than the one which candidates wish had been set.

6362 Examiner's Report

January 2007

General Comments

This paper highlighted the need for students to thoroughly prepare for these examinations. Too often candidates do not fulfil their potential because they have not spent enough time relearning the information they need to pass this resit examination. The definition terms at the beginning of Question 1 are an opportunity for candidates to demonstrate their basic knowledge of the subject. The responses seen suggests that the basic knowledge of many of these resit candidates is limited. By failing to learn core terms candidates are preparing to fail by failing to prepare.

Very few candidates achieved full marks on all definition questions. Those who did, typically did well on the rest of the paper. Learning the core economic and business terms is important if candidates are to fulfil their potential.

Question 1

(a) *Purchasing patterns*

Many candidates were aware that this referred to trends in consumer expenditure which might change over time. Unfortunately, too many candidates were unable to adequately explain this term.

Consumer demand

Again, this was a question which candidates either got right or they got completely wrong. This question discriminated very well between the well prepared candidates and those who were less well prepared.

Advertising

Many of the candidates who had struggled on earlier definition questions redeemed themselves on this question. Strong answers focused on awareness raising through a variety of media.

(b) Sound knowledge was evident in the responses to this question, although diagrams to illustrate points were rare. The candidates scoring full marks tended to develop their responses, rather than relying on assertions.

- (c) It was expected that this question would give candidates the opportunity to interpret data. Some knowledgeable answers were seen. Candidates who answered this question well identified the limitations of the data and made qualified comment. Some strong examination techniques were evident.

Most candidates were able to draw something from the evidence. Although candidates at the bottom end of the mark range limited themselves to assertions and focused more on turnover than profit.

- (d) This was one of the questions where candidates let themselves down by weak exam technique. The question asks candidates to assess the importance of advertising. Weak responses focused exclusively on advertising and failed to make a balanced judgement. Those who did not fall into this trap were able to access the full extent of the mark range.

Question 2

- (a) This question caused candidates little difficulty. Almost all candidates were able to grasp that an open sky policy was likely to mean more choice and more competition and that this might also lead to lower prices. Some strong answers were seen.
- (b) Answers to this question were extremely disappointing. It appeared that even students who might have studied GCSE Business Studies had forgotten what went into a business plan. Even with positive marking it was difficult to reward candidates answering this question. It appeared that many candidates had not touched on this topic in their preparation for this exam.

A significant minority chose not to offer any response to this question.

- (c) There were a number of sound responses to this question and strong candidates were able to analyse the effect that an open sky policy might have on an aircraft manufacturer such as Airbus.

Some candidates who had not read the stimulus made an assumption that Airbus was an airline and would be affected by increased competition. It was difficult to reward these candidates.

- (d) Many of the candidates were able to offer reasoned comment backed by appropriate theory to support their assessment of the consequences of a duopoly in this market. This was one of the instances on this paper where theory was used effectively.

Question 3

- (a) This question was generally well answered with many candidates showing an appreciation of the likely consequences for the firms and consumers of such a merger. Candidates scored consistently on this question. Differentiation between candidates occurred due to the extent that they were able to develop their responses in context.

- (b) This question proved a stumbling block for many candidates who could not think of appropriate ways for Boeing to extend the lifecycle of its aircraft. Suggestions typically focused on repainting the aircraft and changing the interior of the plane regardless of whether the airlines wanted this or not. TV adverts proved a popular strategy.

Some strong answers were seen. Those candidates who were able to identify appropriate strategies did well on this question. A successful candidate recognised that an airline is not a typical consumer good.

- (c) Many candidates talked about 9/11 when answering this question which was entirely legitimate. The strongest answers proved topical and also talked about environmental legislation and taxes and their effect upon airline travel and orders for planes.

Many candidates however chose to ignore the stimulus and identified Airbus as an airline.

It is important to read the evidence offered as well as read and respond to the stem of the question. Weak exam technique let many candidates down on this question.

- (d) The quality of responses ranged widely to this question, ranging from unqualified assertions to knowledgeable responses focusing on EU trade policy and the theory of comparative advantage.

Many candidates also scored well by focusing on the airline market.

The weakest responses knew little about the impact of the EU on growth of trade.

Question 4

- (a) Some misreading of the evidence was evident here. The question did offer candidates considerable scope for development. Many candidates offered a tried and tested formula of lower prices, market segmentation and advertising. Mergers also proved a popular strategy.

As in previous instances it was the ability to contextualise which differentiated candidates.

- (b) Candidates who knew what the business cycle was were likely to do well on this question. Many candidates did not.

The strongest answers showed an appreciation of the effect that a downturn in the business cycle might have upon a firm such as Punch Tavern.

Candidates achieving marks in the middle range of marks were able to explain what the business cycle was but could not offer a balanced evaluation of its effect. Weak responses were fixated on the smoking ban.

Question 5

- (a) The majority of candidates attempting this question found that it was accessible, although many candidates chose to answer the alternative question 4. This question proved to be an effective differentiator between candidates.

Candidates who accessed Level 4 were able to apply wider knowledge to the question and were able to make an assessment of the effect on economic growth of deregulation in the aviation market. Candidates did have some difficulty in critically assessing the impact of deregulation. Analysis often led to overstated and unrealistic conclusions. This did not exclude candidates from gaining reward for their analysis.

- (b) The strongest answers to this question seized the opportunity to broaden their examination to focus on markets other than that for air travel. Candidates who did this frequently used an extensive economic and business toolkit and consequently scored well.

Candidates who chose to focus only on the airline market also had the potential to score well. They tended to focus on regulating markets in order to ensure competition and to ensure enforcement of health and safety standards.

The weakest responses to this question offered only limited insights and were little more than a few lines in length.

Conclusion

In conclusion it is clear that candidates who had prepared thoroughly, had practised their exam technique, benefited from the opportunity to re-sit this paper. Candidates who were ill-prepared and had not learnt from their previous sitting of this exam struggled to meet the challenges posed by this broad assessment unit.

6364 Examiner's Report

January 2007

General Comments

There were some problems with the answering space, many candidates overran the space allowed and used extra sheets. Some candidates ignored the lines ruled for them to write on and tried to cram three lines of text onto each ruled line making reading difficult. Text often overflowed into the margins (sometimes at right-angles) or onto pages marked 'Blank Page'. Although this caused some problems on the admin side it did not disadvantage the candidates in any way at all. It is recommended that centres remind candidates to just use the lines provided and to use extra pages if necessary. It would also be useful if candidates could be encouraged to use black (or at least dark blue) ink to make scripts easier to read.

The responses overall were perhaps not as strong as might have been expected. Able candidates did well and showed considerable ability and insight. As in previous years there were whole centres that did not appear to have been adequately prepared or briefed for the exam and seemed to have little awareness of the case study. 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 set and produced their own preferred responses.

Overall the questions appeared to work well although many potentially good candidates often lost marks by ignoring command words such as 'Assess' and 'Evaluate'. This was particularly so on Q5 where many candidates failed to evaluate the importance of branding. There were few signs of candidates being unable to complete the tasks in the allotted time.

Question 1

Some candidates confused YED with PED but most candidates could manage 4-5 marks on this question. Many candidates wrote relevantly about income elasticity but often failed to develop the implications this had for producers. Diagrams when offered were usually price elasticity diagrams; weaker candidates merely repeated the evidence without demonstrating any understanding.

Question 2

The word 'policy' proved too much for many candidates and too many simply focused on Terry's as the only possible provider, which is unrealistic to say the least. Redundancy pay is a legal right, not a policy. Many candidates often focused validly on training, encouraging investment into the area or help with relocation. The most able candidates focused on Government policies such as relocation of Civil Service departments, Assisted Area Status, New Deal or EU Objective 1. Weaker candidates simply said "find them another job", "give them good references", "give them a job with the council until they can find something better", "work in Slovakia" or "support package". Evaluative comment was rare. Perhaps centres did not give much regard to policy issues in their preparation, as overall candidates seemed to under-perform on this relatively straightforward question.

Question 3

Most candidates addressed the issues and had some awareness of competitive advantage and how it might affect stakeholders (although the stakeholder concept was often confused with shareholders). Some responses were largely generic and talked in general terms about price and choice, it is worth reminding candidates that using context is particularly important in this paper. Stronger responses picked up on the evidence to discuss the effects on workers of automation and locating in low wage economies and for the consumers they were able to talk about the rise of quality/organic chocolate and premium brands.

Question 4

Probably the best answered of all the questions. A good range of relevant reasons were usually identified, though claims relating to improvement of the Cadbury ethical image were often overstated. Having said that, although there were many strong answers, relatively few chose to evaluate the reasons for the takeover and the majority of responses failed to get beyond L3. Nevertheless there was some good use of toolkit here with reference to concepts such as the Boston Matrix and market segmentation.

Question 5

This question proved rather disappointing for many candidates who enthusiastically described the use of branding in some detail but neglected to 'evaluate the importance of branding'. Inevitably a failure to evaluate limits the marks possible here to mid L3 maximum, the majority of answers that failed to evaluate finished in L2. Some sound knowledge was evident though several generic answers were seen. Most candidates made good use of evidence, though critical assessment was infrequent. Advertising and packaging were sometimes offered as alternatives to branding, with candidates failing to recognise that these were inherently part of the branding process. Weaker candidates repeated much of the evidence at length with little in the way of fresh insight.

It is worth repeating here the advice that quality and not quantity is the key here, as one examiner commented, "The strongest answer that I have seen dealt with this question succinctly in 2½ sides".

8128 - 9128 Statistics

8128 Advanced Subsidiary GCE

6361 (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

6362 (Unit 2)

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	90	56	50	44	39	34
Uniform boundary mark	120	96	84	72	60	48

9128 Advanced GCE

6364 (Unit 4)

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	80	47	43	39	35	32
Uniform boundary mark	90	72	63	54	45	36

Note: Raw grade boundaries will vary from year to year and from subject to subject, depending on the demands of the question paper.

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