

Examiners' Report Summer 2008

GCE

GCE Economics and Business Studies (Nuffield)
(8128-9128)

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Examiners' Report 6361/01

On the whole the paper worked well with no significant 'good' or 'bad' questions. Candidates often mixed and matched e.g. Q1 and Q4 or Q2 & Q3 depending upon their strengths and weaknesses. Having said that, the questions based on James Bond proved to be far more popular than those on Nyetimber by around 2:1. However, as many candidates subsequently found out, being a fan of the Bond films does not necessarily equip you to answer questions on economics and business!

The questions seemed to discriminate well, good candidates were able to show good levels of understanding and insight and the less able were usually able to say something worthwhile. As ever, some candidates 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 was little evidence of candidates being unable to complete the paper because of time.

Once again it is worth repeating to centres that preparation for these exams should also include some time spent on exam technique, particularly on understanding key command words in the questions such as 'assess' or 'evaluate'. This time around, a higher than usual number of candidates misunderstood these commands and so failed to reach their potential. Elsewhere Demand and supply analysis seemed to cause problems for large numbers of students. This, along with the ability to produce correct diagrams is an integral part of the specification; candidates would do well to practice these skills.

Question 1

Question 1 (a) (i)

Very poorly answered and many did not know what a profit motive was, never mind a profit motive. Very few scored 2 marks on this and many just copied from the evidence regarding Eric.

Question 1 (a) (ii)

The majority of candidates could accurately define this and give an example to support their definition.

Question 1 (a) (ii)

Some poor answers despite the evidence clearly explaining what a surplus was in relation to the wine industry. Some candidates confused this with a surplus on a financial statement such as a cash flow or profit and loss account.

Question 1 (b)

Mostly well answered although a sizeable number described changing tastes and preferences rather than how they might affect wine producers.

Question 1 (c)

Too many candidates saw this as *how* the business could be developed rather than *what* the objectives might be in so doing.

Question 1 (d)

It was very disappointing to see so many candidates unable to draw (and label) a simple D&S diagram. There were a variety of 'suitable diagrams' drawn including a globe showing France and Australia and one candidate drew some wine bottles. Very few picked up the additional 3 marks for the explanation of the diagram and many simply described the shift in the demand curve without considering the implications for the wine producers.

Question 1 (e)

There were 3 marks available here for evaluation, many chose to ignore this aspect and so were mostly limited to L2. Centres must encourage students to develop evaluative skills. Most candidates did manage to suggest two strategies although many offerings were hopelessly unrealistic.

Question 2

Question 2 (a) (i)

Very well done and most candidates scored 2 marks for this question.

Question 2(a) (ii)

Many gave the textbook definition. Some candidates simply said the 'car market' or the 'clothing market'. We did give credit for candidates who described market segmentation due to the context of the evidence.

Question 2(a) (iii)

Many candidates lost marks due to their imprecise definition - 'money made' is not sufficient enough unless developed and clearly showing what revenue is. Many picked up 2 marks by stating Price x Quantity Sold. Some candidates still confuse this with profit.

Question 2 (b)

Many candidates could clearly explain how brands add value and gave good examples to support their ideas. There were a lot of candidates who misread the question and simply described how a firm could add value and not how a brand adds value.

Question 2 (c)

This was reasonably well answered and candidates could explain why consumers are willing to pay a premium price for Aston Martin etc. It would be good to see more candidates using the toolkit rather than answering from a 'common sense' perspective.

Question 2 (d)

Many candidates described the effect upon the sponsors rather than Eon and this gain them 0 marks. Many could see that there were drawbacks as well as benefits to Eon from reducing the number of sponsors and they scored 4 marks and upwards for an answer such as this.

Question 2 (e)

Evaluation was a problem again here - i.e. very few bothered to evaluate and lost valuable marks by not doing so. Most candidates did see the benefits from the sponsorship for Sony but some candidates misread the question and focused on the impact on Eon rather than Sony. Some also thought that Sony and Eon were merging and therefore threw marks away

Question 3

Question 3 (a)

Many candidates clearly did not understand what a market segment was let alone how to apply it to the wine industry. More able candidates did manage this and there were some good level 4 answers for a change. Some candidates simply focused on niche markets and did not fully grasp why the wine industry in particular would benefit from targeting several market segments.

Question 3 (b)

Many candidates spoke about the English economy/ French economy not about the wine industry - some completely ignored the question and focused on the impact on the NHS and UK wine producers. Many failed to see that some wine producers would not be affected as much as others, wine seemed to be regarded as a homogenous product and many painted a 'doom and gloom/economic meltdown' scenario from the increase in tax. More able candidates did make suggestions as to how the French wine producers could cope with the increased tax (plus advantages/disadvantages) and therefore scored Level 3/4 for this type of response.

Question 4

Question 4 (a)

Many candidates spoke just about quality issues and did not consider the wider impact of having a good (or bad) reputation. Some devoted time to how they could gain a good reputation rather than the importance of it to a firm such as Sony. More able candidates also considered reputation with regards to suppliers, employees and the environment.

Question 4 (b)

On the whole this question was reasonably answered and many candidates could suggest 2 strategies a business might adopt in order to increase added value. It is worth pointing out that the wording of the question says "a firm *such as* Aston Martin", and so the response does not necessarily have to be about Aston Martin. Some did suggest unrealistic strategies such as free key rings and packaging (not the car but how it was wrapped up!) and as usual very few did evaluate their strategies. Some answers were very generic and not really applied to a firm such as Aston Martin.

Examiners' Report 6362/01

Question 1 (a) (i)

Model answer

It was expected that candidates would refer to the attitudes and values which influenced how a firm operates. Answers could be strengthened by an appropriate example. Very few candidates chose to do this

Typical response

A significant number of candidates suggested that corporate culture referred to, 'the way we do things around here'. Some good candidates developed their responses to include the suggestion that corporate culture could influence the way the company treated its customers and staff.

Question 1 (a) (ii)

Model answer

The ideal answer suggested that a hierarchy referred to different layers of management with increasing responsibility for those individuals higher up the hierarchy.

Typical response

The majority of candidates were able to offer the preferred explanation. There were however a minority of candidates who took the question out of context and discussed Maslow's hierarchy of needs. Candidates who chose to ignore the context were not rewarded.

Question 1 (a) (iii)

Model answer

Candidates who responded to the question by suggesting that working capital was the money needed to finance the current operation of the business received both marks. Candidates who were able to explain how working capital could be calculated strengthened their answer.

Typical response

A range of appropriate responses were offered with varying levels of development. However it should be noted that for a significant number of candidates this question proved demanding and difficult. Some offered incorrect assertions that working capital referred to all capital used in the business and that it was used to finance the purchase of equipment and machinery.

Question 1 (b)

Model answer

A number of possible answers were seen. Some candidates pointed to the potential benefits of lower labour costs, lower land costs and moving closer to markets in order to reduce transport costs. The best candidates were able to qualify these statements by saying for example, that while labour costs might be lower the skills levels and productivity may be lower and that this might need considered. Comments about lower land costs in India ignored the very high cost of land in places such as Mumbai.

A few candidates also sought to bring in the potential benefits of exchange rate variations into their answers. The most able candidates often added to their responses by saying that non-wage costs may also be lower

Typical answer

Typical responses offered assertions that labour costs and land costs would be cheaper and that workers would be better educated and more productive than their American counterparts. This type of answer was given credit although the overall mark awarded depended on the level of sophistication and the degree to which these types of statement were qualified.

Question 1 (c)

Comment

This question attempted to elicit responses from candidates which demonstrated an understanding that exchange rates brought trade-offs for manufacturers producing in a number of centres using a number of currencies.

Model answer

An ideal answer to this question would have noted that an appreciation of one currency would benefit manufacturers importing raw materials into a country, whilst at the same time making affecting the competitiveness of manufacturers exports.

Candidates might have suggested that a firm faced with an appreciation of its currency could absorb some of the effect by adjusting its price. No candidates answering this question were seen to do this.

Candidates could also have suggested that cheaper imported materials might offset the impact of exchange rate movements on export prices. In fact, no candidate offered this level of analysis.

Some candidates did point out that prices might well be set well in advance and that in the short term exchange rate movements might affect profits but not sales. A few candidates who had been well taught did refer to hedging accounts which would allow firms such as John Deere to smooth out currency fluctuations.

Isolated candidates suggested that a multinational company such as John Deere might switch production from one production site to another depending upon exchange rate movements. A candidate making this type of comment was likely to find themselves in the upper mark range.

Typical answer

It was pleasing to see that the majority of candidates were aware of the trade-off which exchange rate movements might create. They were aware that an appreciation of a currency might make exports dearer and that imports might become cheaper. The effect of this currency movement was black and white for most candidates. Firms would not adjust their pricing strategies and cheaper imports would not offset the consequences of the currency appreciation.

When explaining the effect of currency movements many candidates found it appropriate to locate John Deere (an American agricultural equipment firm) in the UK exporting to the US.

The less able candidates opted for vague references to high exchange rates and low exchange rates without demonstrating clear understanding

Question 1 (d)

Comment

The standard of response to this question was disappointing. The strategy adopted by candidates answering this question demonstrated an inability amongst most candidates to apply knowledge to the specific focus of the question.

Many candidates associate leadership only with leadership styles.

Model answer

A good answer to this question would have focused on the importance of demonstrating effective leadership and managerial skills. Candidates could have explained the role of the business leader in articulating a business focus; identifying the corporate vision and mission. They might also have identified the role of business leaders in developing strategic plans and monitoring their implementation.

Candidates might also have used appropriate examples from the business world to explain importance of effective leadership in determining the success or failure of a firm.

Typical answer

The quality of response to this question highlighted the difficulty that many candidates have in applying knowledge appropriately to questions.

Most candidates chose to demonstrate their knowledge of leadership styles. They wrote at length about autocratic, democratic and laissez-faire styles of leadership. Candidates were more confident in their knowledge of autocratic and democratic leadership styles. Understanding of laissez-faire styles of leadership was less secure.

It was disappointing that candidates assumed that leaders would only ever select one style of leadership and would stick to it inflexibly.

Question 2 (a)

Comment

This command is frequently used. Candidates preparing for this exam should be familiar with the instruction, 'illustrate and explain.' Despite this many candidates chose not to answer the question or if they did so, failed to include a diagram in their answer.

Model answer

Strong answers showed the demand curve shifting to the right. Some candidates showed the supply curve as relatively or perfectly inelastic, highlighting the difficulty of increasing supply in the short run.

Explanations demonstrated understanding that rising demand resulting from maize being used for the production of bio-fuel would lead to an increase in market prices.

Typical answer

Candidates frequently offered an explanation which was worthy of some reward. But clear diagrams supporting cogent explanations were not typical. Typical errors included diagrams showing supply sloping downwards. *Ceteris paribus* was frequently ignored and candidates often assumed that the willingness to supply was determined by the demand for goods.

Question 2 (b)

Comment

Some candidates demonstrated a good application of knowledge to cite instances as to why government might pay a subsidy. Appropriate terminology was used by a number of candidates to provide a sophisticated. Most candidates however chose to remain tied to the context provided by the stimulus.

Model answer

An ideal answer to this question might suggest that governments would pay subsidies to firms in order to raise incomes for producers on low incomes. A number of candidates referred to the Common Agricultural Policy to illustrate this point. Subsidies might also be used as an incentive to increase output of a given product whilst maintaining prices at a lower level in order to benefit consumers.

Typical answer

Candidates frequently suggested that subsidies would be paid in order to increase the supply of maize because it was seen as being good for the environment. In making this point they ignored the evidence which indicated that the subsidy was paid to the producers of ethanol. Many candidates opted not to provide the two reasons which were required by the question.

Question 2 (c)

The vast majority of responses to this question offered assertion. Consumers would buy environmentally friendly products because it was good for the environment. Some candidates also suggested that environmentally friendly products were synonymous with fair trade products.

Model answer

The best answers to this question would have identified that rising incomes and increased consumer awareness would have stimulated the demand for environmentally friendly goods. This point would have been qualified by the comment that demand for this type of good would vary according to incomes and the relative price of alternative goods.

Typical answer

Typical answers were often founded upon black and white statements which concluded that consumers would buy these goods because they were spending a lot of money on them already. The command to, 'examine the extent' was all too frequently ignored. Those candidates who progressed into level 3 of the mark scheme tended to be more conditional suggesting that demand would be affected by incomes or by recession.

Question 2 (d)

Comment

There was considerable scope for candidates to shape their own response. Too often the responses seen lacked a context and failed to apply theory. If candidates wish to achieve higher marks on this type of question they need to avoid generalised assertions. Some good responses used examples of companies such as the Bodyshop and the rationale behind their decision to adopt environmentally friendly and ethical policies.

Model answer

A good answer to this question would have focused upon the motivation of firms to adopt this approach. For example candidates might suggest that phasing out of plastic carriers by certain stores was a way of addressing the concerns that firms had over the environment. Cynical students might have suggested that the decision to do this might have had more to do with the rising cost of oil which was used in order to manufacture the carrier bags. By abandoning the use of plastic bags firms could cut costs and maximise profits whilst using greenwash to portray themselves in a good light to their customers.

Candidates might also identify the short term cost implications of improving energy efficiency and reducing waste. High initial costs would have to be funded from somewhere.

It is also a potential concern for producers that goods which are more environmentally friendly might not actually be of the same quality or be as profitable.

Typical answer

Some candidates focused on the cost issues associated with being environmentally friendly. Others suggested that there was a growing market for such products and that therefore it made good commercial sense. Examples to support the points being made were rare.

Question 3 (a)

Comment

Many candidates had an understanding of the potential link and many candidates were able to think of one reason why GDP may lead to increased road use.

Model answer

A good response would have suggested that increasing GDP means that increasing incomes may well lead to increased car ownership and increased car usage because cars were a normal good. Individual would also have more disposable income to spend on leisure activities and that this may lead to more travelling.

Good answers were also likely to point out that rising GDP would be based on the sale of goods and services and that these goods and possibly services would necessitate distribution and would increase road usage.

Typical answer

If people had more incomes they would spend money on purchasing cars and this would also result in increased road travel

Question 3 (b)

Model answer

Market failure occurs because resources are not being allocated in the most efficient way. In the stimulus production of ethanol is being encouraged and this is having the effect of distorting the market for maize and pushing up the price of feedstuffs and meat.

The point may also be made that the benefits of ethanol production are dubious. Recent rises in food prices have cast doubt on the desirability of producing bio fuels. The effect of government intervention into the maize market is to distort the market.

Typical answer

Most candidates were able to conclude that prices had risen as a result of the use of maize for fuel and that this had led to elevated meat prices.

Question 3 (c)

Comment

Some good examples using Nike and Primark were offered to illustrate how consumers might influence the activities of firms

Question 3 (d)

Comment

Many of the candidates attempting this question struggled to build answer which explained the impact of environmental measures on employment and economic growth.

The view of many candidates was that such measures were likely to have an adverse impact on the economy.

Some candidates did suggest that if measures were adopted by the UK alone then there may be an outflow of investment and firms might choose to relocate to countries with more liberal regimes.

Model answer

Environmental protection measures would undoubtedly bring costs and benefits, threats and opportunities.

Restrictions on car emissions and discriminatory taxation on vehicles which are fuel inefficient may hit some producers for example. At the same time, producers of more efficient cars may derive commercial benefit.

Other industries may find that they have to invest more money into the business in order to comply with government regulation. This has implications for the cost structure and profitability of firms. Expenditure to comply with regulations may have a positive effect on economic growth and employment.

The WEEE directive has created jobs and led to an expansion of the waste management sector.

Typical answer

Most candidates choosing this question suggested that environmental protection measures would increase costs and affect sales. Candidates did use AS and AD curves, but not always to good effect. Evaluation was typically under developed.

Questions 4 and 5

Model answers

Question 4 (a)

The evidence shows that Google's corporate culture is untypical. Like many firms in the creative sector it needs to attract and retain high calibre staff. By putting in place a corporate culture which values staff and seeks to stimulate creativity Google might hope to attract staff of the highest calibre and reduce staff turnover.

This question offered candidates the opportunity to apply knowledge of appropriate motivational theory.

A positive corporate culture can also help to give a sense of direction and focus, encouraging staff to work towards a common objective. Google's culture may well ensure that staff are receptive to change and are willing to adapt quickly.

Question 4 (b)

The business cycle records cyclical variations in economic activity. In general terms, firms facing a downturn in the business cycle may expect to see demand for products fall. During a boom phase demand may well rise.

In the case of John Deere, the firm is a multinational manufacturer of capital equipment. The demand its equipment may be derived and depend upon demand for foodstuffs. The effect of the business cycle on this type of firm may be less pronounced than its effect upon the sales and profitability of a manufacturer of luxury goods. The impact of a downturn in one market may be offset by an upturn in another market. Furthermore farms wishing to replace obsolete machinery may not be able to defer the purchase of new equipment.

Question 5 (a)

The question was looking for candidates to demonstrate their understanding of social costs and benefits. Strong responses identified a range of social costs. These included: increased congestion, road accidents, delays noise pollution, impacts on property prices and environmental damage.

The perceived benefits included higher tax revenues, employment and improved leisure time.

Question 5 (b)

Good answers to this question identified appropriate policies to curb road usage and reduce pollution. Having identified policies which were suitable they identified the implications of adopting them. Timescale, cost and economic impact were assessed.

Typical answers

Question 4 (a)

Use of theory was limited and Maslow when used was imperfectly applied. Herzberg made a rare appearance but candidates failed to demonstrate full knowledge of the theory or its implications for Google.

Question 4 (b)

Two types of answer were typically seen to this question. The first response suggested that the business cycle was another term for the product lifecycle. The second type of response knew and understood what the business cycle but could not apply this knowledge to analyse the implications for John Deere.

Question 5 (a)

Most candidates were able to identify the impact of increased road traffic. The number of candidates. Fewer candidates were able to identify a range of social costs and fewer still identified many convincing social benefits. As a result many of the responses were under-developed.

Question 5 (b)

The most frequently identified policies identified for the purpose of reducing pollution were fiscal policy and monetary policy. Candidates suggested that imposing higher tax would reduce car ownership and car usage. Some candidates did specify that the government should increase road tax and tax on petrol. The effectiveness of this policy was not always considered.

Candidates believed that monetary policy was an appropriate tool for reducing pollution. Candidates so no problem in raising interest rates to reduce pollution. They did not see a downside to the use of this policy. This lack of insight proved costly for a considerable number of candidates.

6363 Centre Report from Principal Moderator 2008

Moderators commented that for many candidates reliance upon the internet to a greater or lesser extent is the way to produce an essay type response. Wikipedia is seen by many as the panacea to all questions, and for some candidates they believe moderators cannot spot a "direct lift" from this source. As in previous years the relatively weaker candidate was happy to reproduce factual information from company generated websites. Some centres unfortunately incorrectly assessed this material as knowledge of economic and business concepts. Fortunately the majority of teachers appropriately assessed this response.

It is pleasing to report that the vast majority of centres have noted by advice from previous years to delay the presentation of the first assessment piece until after the first term. It is rare to see centres who expect candidates to produce a piece of assessed AS work prior to the end of the first half term. Consequently work now has greater maturity and a firmer foundation in the economic and business concepts.

Over the years the reliance upon Maslow and motivation has diminished, probably due to the eventual realisation that a small survey to either family or a few part time working friends is unlikely to be able to generate a high mark. Competitive advantage now predominates and candidates have finally appreciated that in order to answer such a question it is useful to define the terminology! This has not always been the case. Within this area "Tesco" and "Apple" are the market leaders. Weaker candidates still insist on only using company generated website material to base their investigation whilst the stronger candidates use a significantly wider range of material. The least successful candidates in this area often fell into the trap of looking at "their hobby." So, an investigation into a make of computer game, or maybe a make of car, was unlikely to score well if all it contained was a mass of technical data along with assertions that "this is the best game on the market in my opinion".

Stronger candidates invariably realised the importance of focussing the investigation upon a local issue that would enable the integration of the toolkit with something close to their current experience and to also facilitate some primary research. Local post office closures, proposed extensions to airports, Local Park and Ride schemes and the impact of avian flu upon the comparative advantage of Bernard Matthews all provided good opportunities to empower the candidate.

The standard of performance was similar to last year although moderators did comment upon the appearance of two new features. Firstly there appears to be a reduction in the number of candidates who produce two pieces of work that are at or slightly below the pass standard. Secondly, a significant increase in the number of candidates who only submitted one piece of coursework. They had clearly switched off.

Correct assessment by centres has improved slightly although the same centres still over mark across all criteria and insist upon ticking every single line, even when the material is demonstrably incorrect. E.g. demand and supply drawn the wrong way round! Some centres also failed to spot clear examples of plagiarism or copying from another candidates work. For a centre with less than say 15 pieces to mark moderators

were mystified how such work could slip through unchallenged or worse still awarded high marks.

Centre performance in terms of administration was noticeably down on previous years. Certainly the late delay of the arrival of the OPTEMS did not help centres and it may have put them under pressure. However, one moderator did comment that over 60% of his centres contained errors in addition upon the icrs or merely copying the final mark to the OPTEMS. The comment from the same moderator reflects the feeling of many, "I found that centres which marked accurately and realistically and gave good student feedback via annotation and comment almost never had the careless administration errors."

Examiners' Report 6364/01

Question 1

Comment

The Japanese car firms of Toyota, Honda and Nissan, as the evidence indicates, are already manufacturing in the UK. In identifying why the UK government wanted to attract Japanese firms to the UK, the best answers showed excellent background knowledge of the economic and political reasons for attracting them to this country.

Weaker answers talked about economies of scale and why it might be a good idea for increasing consumer choice if firms were to build factories in the UK.

Model answer

A number of excellent candidates offered detailed explanations for the UK government wanting to attract Japanese firms. Typically these candidates would discuss the decline of mass car manufacturing in the UK and the desire of the UK government to tackle regional employment in areas such as Washington Tyne and Wear. The benefits to the UK balance of payments was raised and candidates discussed the impact of the regional multiplier in areas where the Japanese firms set up.

Some answers also identified that component manufacturers were also likely to benefit from Japanese car manufacturers setting up in the UK because of EU regulations regarding sourcing parts within the EU if goods were to be exported across Europe.

Typical answer

The most common answers ignored what had happened and focused on the likely benefits if Japanese firms were to build factories in the UK. Candidates suggested that Japanese firms would achieve lower costs by exploiting economies of scale. This was not convincing. They also suggested that job would be created and that UK car manufacturers would benefit from learning about the lean production techniques which Japanese firms employed. Given that US and French manufacturers based in the UK had already learnt these lessons, such comments were not persuasive.

Candidates also tended to suggest that Japanese firms locating in the UK would increase consumer choice because they would have more models to choose from. This ignores the fact that imports of Japanese cars would provide consumers with the same choice.

Question 2

Comment

It was disappointing that so many candidates did not understand the term 'contestability'. This proved an impediment for many candidates seeking to progress to the higher levels of the mark scheme.

Model answer

There were a number of good answers to this question. The best answers offered a qualified examination of the contestability of the car market, suggesting that the mass car market may have significant barriers to entry and exit. This point was qualified by saying that small specialist car manufacturers were able to enter into specialist niche segments, circumventing many of the barriers to entry and exit faced by mass car producers. The use of appropriate examples strengthened these answers.

Barriers to entering the Chinese car market were frequently raised.

Few candidates referred to the experience of Korean and Malaysian car manufacturers and their success in gaining market share in new markets.

Typical answer

Many candidates demonstrated an understanding that barriers to entry existed and that they included cost of entry, manufacturing costs and advertising expenditure. Distribution networks were seldom discussed. Many candidates let themselves down by failing to discuss the extent to which the car market was contestable. It was not uncommon to see responses which started off by saying that the car market was not contestable before concluding that in fact, the car was contestable.

Question 3

Comment

This question proved beyond the abilities of many candidates. A significant number of candidates chose to abandon all hope of reward and left this section on the answer booklet blank. It is disappointing that use of economic and business terminology, which candidates should be familiar with after completing the AS studies, should provide such an impenetrable barrier for so many candidates.

It is clear that candidates wishing to succeed in this subject need a clear knowledge of essential economic and business terms.

Model answer

Candidates who understood the terminology suggested that the consumer has the ability to influence car manufacturers. Appropriate examples were cited to illustrate the point. A number of candidates pointed out that the days of Henry Ford , 'Any colour you like, as long as it's black,' were long gone. Good answers suggested that the growth in sales of Japanese car manufacturers illustrated changing tastes and preferences. Other candidates pointed to the decline of the UK car industry as evidence that consumer sovereignty could lead to the demise of car producers.

The evidence referring to Kia was used to illustrate the point that firms were prepared to respond to customer desires and that if customers wanted environmentally friendly cars and there was a market for them, then the company would produce them.

Some of the able candidates pointed out that in the niche market sector a number of producers retained a product orientated response. Firms such as Morgan produced cars to traditional designs and in low volume. The fact that they produced in quantities and at a price which resulted in excess demand was noted.

Typical answer

A typical response to this question suggested that firms produced what consumers wanted and if they didn't they would lose sales. The example of the Toyota Prius was seen as a prime example of consumer sovereignty. In marking this response examiners did not penalise candidates for ignoring the fact that the car is heavily subsidised and is a loss maker for Toyota.

Some candidates also pointed out that the evidence indicated that American manufacturers of gas guzzlers had suffered falling sales and that this indicated consumer sovereignty in practice.

Question 4

Comment

This question highlighted the desirability of candidates tailoring their knowledge to the question. Candidates typically knew a great deal about pricing strategies but did not always apply this knowledge to the context. They preferred to treat cars as a generic product where substitutes did not exist

Model answer

Strong answers to this question pointed out that price can be important in certain contexts and that car manufacturers do use a range of pricing strategies.

Candidates pointed to the growth of the Chinese car market where price competition was growing and where there was significant downward pressure on pricing. The good candidates also pointed out that in developed economies non-price competition was important due to the oligopolistic nature of the car market and that some firms did engage in price fixing.

The able candidates often qualified their answers by suggesting that in certain niche markets high prices were essential to ensuring exclusivity. Bristol cars and Aston Martin were frequently used as examples.

Typical answer

Candidates were able to discuss differing price strategies. In doing so, a significant number of candidates forgot that they were supposed to writing about the car industry. Generic responses of this type could gain only limited reward.

Some candidates had a fixation with price skimming, suggesting that car producers would price new models at a high price and lower them after the initial launch. In suggesting this strategy candidates ignored the realities of the car market.

Question 5

Comment

This was a very open question which gave candidates the opportunity to write at length and apply their knowledge gained from an extended investigation into the car industry. Many candidates struggled to write at length and had difficulty in structuring their response to provide a balanced evaluation of the strategies which Ford and GM might adopt.

A significant number of candidates appeared not have read the evidence and to have done little background investigation.

Model answer

Good answers suggested that the two US car manufacturers had lost focus and needed to concentrate on what the consumers wanted. Typically this meant reducing production of large uneconomical 4x4s and developing environmentally friendly vehicles such as the Prius. While the stimulus focused upon the US car market, almost all candidates chose to look at the global car market.

Expansion into China was a popular second strategy.

The best answers focused on strategies which were appropriate to Ford and GM

Typical answer

Candidates all too frequently focused on China as their principal strategy for increasing sales. Most candidates were aware of the restrictions that foreign car firms faced when entering the Chinese market.

Few candidates seemed to be familiar with the evidence and did not appreciate that GM and Ford already had an active presence in China.

Candidates also tended to suggest that firms should adopt Japanese production methods and merge. These proposals ignore current production practices employed by GM and Ford and the suggestion that firms should merge, ignored that fact that Ford has been actively disposing of subsidiaries. The assumption that mergers would lead to economies of scale ignored the minimum efficient scale experienced in the car industry.

The recurring failing of many candidates was the inability to evaluate which is crucial to accessing the higher levels of the mark scheme. Candidates tended not to consider the likely difficulties facing car firms in adopting the proposed strategies or the likely time scale. Short-run and long-run were rarely discussed.

The weak responses suggested that lean production methods and advertising would provide the solution to the difficulties facing GM and Ford.

In attempting this type of question, it is appropriate that candidates consider the appropriateness of the strategy to the context and how the strategy might achieve the stated objective. A number of candidates suggested that Ford and GM should concentrate on niche markets. Few candidates attempted to explain how this would allow a mass market car producer to increase market share.

The typical answers were littered with assertions. Attempts to apply knowledge of economic and business theory were limited and candidates often resorted to ill-considered assertions such as, 'using lean production will allow GM to cut costs and increase market share.' Another typical comment was that mergers would enable car firms to cut costs firms would then lower prices resulting in an increase in market share.

No candidate during the marking period ever paused to consider how rival firms might respond to the strategies they proposed for GM and Ford. Answers were too often one dimensional making it extremely difficult to award the higher marks.

Examiners' Report 6365/01

Once again this proved to be a good paper with opportunities for candidates to demonstrate their knowledge and understanding across all areas of the specification. Able candidates did well and showed considerable ability and insight. Option 1 was again the most popular by some margin and as a generalisation; most candidates managed a higher score on this one rather than their other option. Time was adequate, most were able to respond to all parts of their chosen options, those few who had failed to finish had penalised themselves by over-lengthy earlier responses.

In common with previous years there are the usual comments to be made about the need for candidates to read the questions carefully and then to answer the question that is set rather than their own version. The command words such as 'assess' or 'evaluate' are still ignored by too many candidates. Many otherwise excellent candidates again threw away a considerable number of marks by completely failing to evaluate when asked to do so. Others weakened their responses by failing to apply the toolkit, preferring instead to use generalities and non-specialist language. Extravagant language such as "huge", "massive" & "enormous" should also be avoided, as it is rarely appropriate in this subject. One candidate used the word "massive" 17 times in one question. The key is to write succinctly, relevantly and without repetition.

Finally, almost without exception, candidates talk about "elastic products" or "inelastic demand" without specifying whether they are talking about PED or YED, this is often crucial to the correct meaning of an answer. Without such a distinction no credit can be given.

Question 1

Many candidates assumed the Peruvian economy to be wholly dependent on the industry and made wild claims that Peru would be economically finished. A couple explained the difficulties which would now be faced by the Peruvian fishing fleet in having to travel to Europe to catch fish. Only a minority looked at the likely impact on price as demand fell, or the possibility of finding alternative markets. "Marketing restriction" proved too much for many who wrote about tariffs and quotas.

Question 2

Just over half had a decent understanding of the role of the WTO in removing barriers. The best recognised that free trade isn't always fair, giving a balanced appraisal. The weakest confused the WTO with the OFT.

Question 3

This was often well answered with the best considering components of the circular flow, the multiplier and job creation. Comparative advantage was frequently explained and some sophistication was seen. Many candidates however assumed FDI was synonymous with trade.

Question 4

Most avoided this question.

Question 4 (a)

Most recognised the downside to the EU without considering the potential impact on retailers. Answers were almost invariably one sided.

Question 4 (b)

Tradeoffs were a problem for many who didn't understand the term. Those who did understand it often gave a balanced assessment.

Question 5

By far the most popular choice

Question 5 (a)

Many gave good textbook answers on the benefits of Joint Ventures but the downside was often missing. Some answered part (b) here, leaving nothing to say later on. Some irrelevantly wrote irrelevantly at length about the benefits to the local partner. Many also just gave generic reasons for expansion rather than being specific about Joint Ventures.

Question 5 (b)

Most candidates had good ideas here and discussed a range of push and pull factors often with convincing analysis and the use of examples. What let many responses down was (as mentioned above) a lack of evaluation, 7 marks were available here.

Question 6

Most gained 4 or 5 marks by making a plausible link, though few gained both aspects. A number confused revenue with profit gaining nothing.

Question 7

Many ignored the word "Economic" and many wrote irrelevantly about payback, ARR or even the Boston Matrix. Time series and moving averages gained credit, though modelling was nowhere to be seen. Most recognised some drawbacks.

Question 8

Often well done with a range of impacts, though a minority used this to have a rant about illegal immigration. Some saw the question as "write everything you know about inflation and unemployment". Others became tangled up in tortuous and erroneous economic logic.

Question 9

Question 9 (a)

Knowledge of culture was often vague and sometimes non-existent. Flexibility was convincingly developed, as was management style. Other approaches were generally less precise.

Question 9 (b)

Contingency and scenario planning featured in the best, weaker answers used SWOT, Ansoff, Boston matrix etc. A sizeable minority appeared to have no idea what corporate planning was.

Question 10

Question 10 (a)

The word "thrive" threw most who substituted "survive" which is not the same thing at all. Weaker answers were "cut prices" without any idea how this could be done or "make your products more inelastic" (see comments above). Labour flexibility and reviewing the product portfolio were more convincing.

Question 10 (c)

Those who had written everything they knew about inflation and unemployment in Q8 wrote the same again. The view was often that any rise in price immediately turns into a depression and the world comes to an end. A common flaw was the argument that higher interest rates automatically attract hot money strengthening the £. The best realised that only high real interest rates do this.

Question 11

Vague assertions were popular. Too many candidates simply described why innovation was important for a firm without linking it to economic growth.

Question 12

Many candidates wrote validly about first mover advantage. Good examples such as Google or Body Shop were given to aid evaluation. The difficulties of innovation in the Pizza market were discussed. Some reversed the question and wrote about how innovation stimulates competition. Though this is true, it isn't what we asked.

Question 13

This straightforward question was often not attempted. Inflation and environmental costs/damage were the most usual approaches. Some clearly had no idea just what a trade-off was.

Question 14

Question 14 (a)

Part-time working, temping and maternity leave were cited as was physical strength. The greater likelihood of men to pursue professional qualifications had some credence, as did the "old boy network" and differences between the public and private sectors.

Question 14 (b)

Candidates who had attempted Option 2 often answered Q9a again. Delaying, management style, autonomous work groups, quality circles and empowerment were usually well argued. Bonuses, suggestion boxes and "X & Y workers" were usually less convincing and scored less well.

Question 15

Question 15 (a)

Not well answered in the main, with some truly bizarre misconceptions about share ownership. More than half of the responses seen believed that shares would be sold back to the company instigating a cash flow crisis. Some were satisfied with "more sales will follow". Better candidates recognised the hostile takeover argument and a very few touched on the impact on bank lending. Some drew supply and demand diagrams and asserted demand for shares would increase, though this was rarely convincingly supported.

Question 15 (b)

Most understood the term and were able to advance some plausible reasons, though these were often “to retain investment” without further development. Methods of massaging the data were raised with “off balance sheet borrowing”, enhancing intangibles and tinkering with invoice dates and stock management among the better approaches. Supplier credit was a plausible reason given. Too many believed window dressing to be automatically illegal and Enron featured frequently.

6366 Centre Report from Principal Moderator

Centres have continued to produce good quality work and one moderator commented upon the fact that it was rare to find a piece below 50% and especially a candidate who produces two pieces at the grade E boundary. There did appear to be less variety in titles this year but in the vast majority of cases they were all accessible. Globalisation in all its shapes and forms was the clear front runner. So FDI in general, the role of individual companies and outsourcing were all popular areas for investigation. The role of the coffee trade, the automotive industry, Northern Rock and the current economic problems affecting the UK economy all came under the microscope. Good candidates appreciate the importance of understanding the "toolkit" and being able to apply it to their area of investigation. The application of their up to date sources of information, the resulting analysis and evaluation enable them to score heavily. However, the weaker candidate tended to focus upon limited sources, company generated information and data on FDI that in some cases stopped in the early 1980's. For some they genuinely believed that "Company X" was solely responsible for the economic development of Country Y. It had to be, the company website told them how important they were!

With a few notable exceptions the assessment by centres was as usual more accurate than in 6363. This discrepancy has always mystified moderators and with the ending of 6363 it still remains unsolved. Candidates at A2 invariably produce work between 1500-2000 words long. They and the centres have appreciated that work approaching 1000 words, even from the most talented cannot access high marks. The most talented invariably produce work of significantly greater length and moderators recognise along with centres that these candidates will be at the cutting edge of University academic life. The genuine wide ranging bibliography and appendix are fully used. Even A2 moderators report that there is a disappointing unquestioned reliance upon Wikipedia as a source of information and for a few candidates a naïve belief that moderators cannot spot the direct lift. At A2 centres generally provide detailed feedback at the end of piece 1 enabling students to hopefully improve when writing the final piece.

Generally speaking A2 continues to produce less in the way of administrative problems.

As we move into the final year of the A2 specification centres can realistically say that their candidates are doing a good job and are supported by dedicated staff.

Statistics

Unit 1 - 6361

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	50	32	29	26	23	21
Uniform boundary mark	90	72	63	54	45	36

Unit 2 - 6362

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	90	45	41	37	33	30
Uniform boundary mark	120	96	84	72	60	48

Unit 3 - 6363

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	100	70	62	54	47	40
Uniform boundary mark	90	72	63	54	45	36

Unit 4 - 6364

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	80	46	41	36	31	27
Uniform boundary mark	90	72	63	54	45	36

Unit 5 - 6365

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	100	51	46	41	37	33
Uniform boundary mark	120	96	84	72	60	48

Unit 6 - 6366

Grade	Max. Mark	A	B	C	D	E
Raw boundary mark	100	74	66	58	51	44
Uniform boundary mark	90	72	63	54	45	36

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