

Mark Scheme (Results) Summer 2008

GCE

GCE Economics and Business (6362)

6362/01 Mark Scheme June 2008

Question Number	Indicative content
1(a)(i)	<p>Knowledge 2 marks</p> <p>This covers all those attitudes, customs and expectations which influence the way decisions are made in a particular business. It can be described as meaning 'the way we do things around here'.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(a)(ii)	<p>Knowledge 2 marks</p> <p>A hierarchy describes the layers of management in an organisation. It might have many layers, each having authority over the one below it.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(a)(iii)	<p>Knowledge 2 marks</p> <p>The finance needed to keep the company's day-to-day business going. It includes stock, debtors and cash.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(b)	<p>Knowledge 2, Application 2, Analysis 2 marks</p> <p>One reason might be to benefit from cheaper inputs e.g. low labour costs, thus giving it a potential competitive advantage in terms of price or greater profitability. It may be that they wish to manufacture closer to potential markets to minimise distribution costs. It may be a means of avoiding tariffs. It may be to avoid problems with exchange rate movements. Accept any logical argument.</p> <p>Two reasons are clearly and logically explained. Response is balanced with appropriate terminology, detail and in context.</p> <p style="text-align: right;">5 - 6 marks</p> <p>May lack the clarity of above and may not be as strong on toolkit or context. One reason may be stronger than the other. If only one reason discussed maximum of 3 marks.</p> <p style="text-align: right;">3 - 4 marks</p> <p>Some basic insights with little development. (E.g. bullet points, simple statements without development in context)</p> <p style="text-align: right;">1 - 2 marks</p>

Question Number	Indicative content	
1(c)	<p>Knowledge 1, Application 3, Analysis 3, Evaluation 1 marks</p> <p>A firm such as John Deere is a multinational company trading across many different countries, exchange rates are therefore crucial to the firm. Expect to see a discussion of how exchange rate movements may affect the sales of products or the cost of inputs if imported. The evidence suggests that an appreciation of the Real has increased the purchasing power of the Brazilian consumers and is of benefit to John Deere. An appreciation of the \$US may make exports of US produced goods more expensive and less desirable to others, on the other hand this may be partially cancelled out by relatively cheaper imports of components and raw materials. The opposite will apply for a depreciation. What we are looking for is a clear understanding of how exchange rate movements impact upon a firm with more than one aspect looked at.</p>	
Level	Mark	Descriptor
Level 4	7-8	Clear understanding of the consequences for a company such as John Deere. Two or more well developed strands. Answers are clear and make good use of terminology and toolkit.
Level 3	5-6	Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear and may lack balance. One strand may be better than the other(s).
Level 2	3-4	Candidates are able to identify the importance of exchange rate movements with some development, but response fails to develop a clear analysis. Possibly only one strand of thinking.
Level 1	1-2	Some understanding of the importance of exchange rate movements but little development, no toolkit.

Question Number		Indicative content
1(d)		<p>Knowledge 2, Application 2, Analysis 2, Evaluation 4 marks</p> <p>Leadership ties in with corporate culture and there is no definitive argument here, but expect to see the role of leadership given some importance. It is unlikely that candidates will have got this far without coming across some examples of real-life leadership in the business world, even if it is only Richard Branson or Alan Sugar! Terence Leahy's continued success at Tesco and Stuart Rose's resurrection of M&S are examples that might be used here to illustrate the importance of good leadership. On the other hand leadership can have a negative effect and managers with an overly autocratic approach may have negative and de-motivating results. Leadership of course means nothing without the rest being in place. Good management, a flexible and motivated workforce, the right product and marketing mix are all important too.</p> <p>It is the quality of argument that is important here. There must be an evaluative element to access Level 3 and Level 4.</p>
Level	Mark	Descriptor
Level 4	8-10	Full and clear understanding of the implications of the role of leadership with accurate terminology and good use of toolkit. There is balance, an awareness of both positive and negative implications and a reasoned evaluation.
Level 3	6-7	Good awareness of the role of leadership, perhaps not as articulate. Some awareness of importance but evaluation is not as strong or as balanced. Some toolkit use applied in context.
Level 2	3-5	Awareness of the role of leadership, some knowledge, but fails to build a balanced discussion. Evaluation is likely to be lacking or vague at best. Toolkit use may be limited and answers may lack context.
Level 1	1-2	Some merit in relevant but unsupported assertions. Comments will probably lack appropriate toolkit and may be very general in nature.

Question Number	Indicative content
2(a)	<p>Knowledge 3, Application 3 marks</p> <p>Expect to see a D&S diagram showing the market for corn. It is likely that the response will centre around there being an increasing need for corn for Ethanol production. This causes the demand curve to shift to the right leading to a higher equilibrium price of corn and greater quantity traded.</p> <p>Diagram is correct and properly presented with a clear explanation. 5 - 6 marks</p> <p>Diagram is correct but explanation is not OR vice versa. Neither diagram or explanation is spot on but there is some merit. 3 - 4 marks</p> <p>Some merit but vague and/or inaccurate. 1 - 2 marks</p> <p>Answers lacking a diagram OR an explanation, maximum of 3 marks. For a diagram <u>only</u> or an explanation <u>only</u> they must be perfect and clear to gain 3 marks. Otherwise 2 marks or less, dependent upon quality.</p>

Question Number	Indicative content
2(b)	<p>Knowledge 2, Application 2, Analysis 2 marks</p> <p>There are a number of possible responses here, accept any logical offerings. It may be that the government wishes to protect an industry in order to keep employment levels up. It may be that they wish to provide a cheaper product/service to consumers e.g. eye tests and prescriptions or affordable housing. It may be to encourage the development of a strategically important product or industry.</p> <p>Clear understanding of two reasons, discussed in context, with toolkit. 5 - 6 marks</p> <p>Not as clear, perhaps some generalisation. One reason discussed well can reach Level 2. 3 - 4 marks</p> <p>Some merit but vague and/or inaccurate. 1 - 2 marks</p>

Question Number	Indicative content	
2(c)	<p>Knowledge 1, Application 3, Analysis 3, Evaluation 1 marks</p> <p>There are several ways of looking at this. A straightforward look at PED may explain the extent, i.e. the amount consumers are willing to buy depends upon the price of environmentally friendly products, or more realistically, the price differential with 'ordinary' products. YED could also be applied here; environmentally friendly products are certainly more popular with the more affluent market segments. Growing awareness of the environment and the need to take care of it may make consumers more likely to pay for environmentally friendly products.</p>	
Level	Mark	Descriptor
Level 4	7-8	Clear understanding of at least two strands here. The concepts are well understood and logical suggestions are made as to what might affect purchasing patterns of environmentally friendly products. Answers should be balanced, clear, and make good use of terminology and toolkit.
Level 3	5-6	Knowledge and application are evident and use of toolkit is reasonable. Good awareness of possible reasons that might affect purchasing patterns of environmentally friendly products but perhaps less clear and may lack balance. Strands may be uneven.
Level 2	3-4	Candidates are aware of what might affect purchasing patterns of environmentally friendly products but may not develop the points. Possibly phrased in general terms and with poor use of toolkit. Possibly only one strand developed.
Level 1	1-2	Some understanding of the issues but little development, no toolkit.

Question Number		Indicative content
2(d)		<p>Knowledge 2, Application 2, Analysis 2, Evaluation 4 marks</p> <p>The conventional response might be that the decision to be environmentally responsible will incur extra costs and this may put the firm at a disadvantage with the cost minimising competition. However, the other evidence states that some firms are doing well out of just such a stance. Changing patterns of demand and growing consumer awareness have made this a powerful marketing angle. It may be that in the long run environmentally responsible firms will be successful. Accept any reasonable points, it is the quality of argument and evaluation that is important here.</p>
Level	Mark	Descriptor
Level 4	9-10	Good understanding of the issues concerning the decision to be environmentally responsible or not. Answers are clear and make good use of terminology and toolkit. There is a supported and convincing evaluative conclusion.
Level 3	6-8	Reasonable level of awareness and understanding. Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear and may lack balance. The evaluative element may be thin. Answers that lack evaluation may just get into Level 3 if otherwise perfect.
Level 2	4-5	Some awareness of the issues concerning the decision to be environmentally responsible or not, but possibly phrased in general terms and with poor use of toolkit. Evaluation is probably lacking or thin.
Level 1	1-3	Some understanding of the issue but little development, no toolkit.

Question Number		Indicative content
3(a)		<p>Knowledge 3, Application 3 marks</p> <p>Increasing GDP means increasing incomes which should lead to increased consumption of cars, they are a normal good, which means increased road use as a result. In addition increased incomes mean greater use of cars for social and recreational purposes as well. Increased incomes also mean greater consumption in general and therefore more use of the roads to transport raw materials and finished goods. Accept any logical arguments here.</p> <p>Two reasons are clearly and logically explained. Response is balanced with appropriate terminology, detail and in context.</p> <p style="text-align: right;">5 - 6 marks</p> <p>May lack the clarity of above and may not be as strong on toolkit or context. One reason may be stronger than the other. If only one reason discussed maximum of 3 marks.</p> <p style="text-align: right;">3 - 4 marks</p> <p>Some basic insights with little development. (e.g. bullet points, simple statements without development in context)</p> <p style="text-align: right;">1 - 2 marks</p>

Question Number	Indicative content
3(b)	<p>Knowledge 2, Application 2, Analysis 2 marks</p> <p>Government intervention into the market through the use of subsidies has distorted resource allocation creating shortages of corn for food whilst producing a good which requires almost as much energy to produce as it releases when it is burned. Be prepared to reward candidates who discuss the problems that the subsidy has created and reward arguments which highlight the effect on food prices and a limited benefits of using ethanol as a fuel.</p> <p>Candidates who give a correct explanation of market failure must also be rewarded i.e. that market failure may result in the undersupply of certain economic goods and may also lead to negative externalities.</p> <p>Clear understanding of how ethanol production is distorting markets for other goods without creating significant benefits for society. At this level responses should be well explained and related to the context and with toolkit.</p> <p style="text-align: right;">5 - 6 marks</p> <p>Not as clear, perhaps some generalisation. Toolkit not as well used.</p> <p style="text-align: right;">3 - 4 marks</p> <p>Some merit but vague and/or inaccurate.</p> <p style="text-align: right;">1 - 2 marks</p>

Question Number	Indicative content	
3(c)	<p>Knowledge 1, Application 3, Analysis 3, Evaluation 1 marks</p> <p>There is debate here as to the extent of consumer sovereignty, this concept does not appear until module 4 but the students are familiar with demand driving the allocation of resources and of firms being market oriented in order to satisfy the customer. Students may well offer examples from their own knowledge such as the growing fairtrade movement or how consumer protest has changed Nike and Gap's alleged use of sweatshop labour. Accept any reasonable points, it is the quality of argument that is important here.</p>	
Level	Mark	Descriptor
Level 4	7-8	Clear understanding of the issue. Two well developed strands. Answers are clear, related to the context and make good use of terminology and toolkit.
Level 3	5-6	Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear and may lack balance. One strand may be better than the other.
Level 2	3-4	Candidates are aware of why this might be happening but response fails to develop a clear analysis. Possibly phrased in general terms with poor use of toolkit. Possibly only one strand of thinking.
Level 1	1-2	Some understanding of the issues but little development, no toolkit.

Question Number		Indicative content
3(d)		<p>Knowledge 2, Application 2, Analysis 2, Evaluation 4 marks</p> <p>Environmental protection has an opportunity cost which means that resources will need to be diverted away from investment and thus cause a drop in employment and economic growth. Inevitably extra costs are involved and it could also be argued that this will reduce our competitive advantage and again have a detrimental effect on employment and economic growth. There are several ways this could be evaluated. Environmental protection can be a means of economic growth in itself, the evidence shows both individual success stories and the wider picture, this and the candidates own knowledge may be used to argue that employment and growth can increase. Responses may look at the short term costs and long term gains, it is possible to bring in cost benefit analysis as well. Reward all well argued trains of thought.</p>
Level	Mark	Descriptor
Level 4	9-10	A range of ideas is explored showing clear understanding of the nature of environmental protection and the effects on economic growth. Expect to see sound analysis, which leads to a convincing evaluative conclusion. Answers are clear, related to the context and make good use of terminology and toolkit.
Level 3	6-8	Reasonable understanding of the implications of environmental policies on business will be evident. Candidates should recognise that taxes and quotas for example may increase business costs and affect employment and investment (growth). Balance may be provided by recognising that environmental policies may create employment and business opportunities. Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear than Level 4 and may lack balance. Evaluation may be thin or unqualified.
Level 2	4-5	Perhaps some relevant ideas but they lack depth or development, evaluation may be poor or missing altogether, toolkit use may be limited If only one main idea they cannot get beyond this level.
Level 1	1-3	Some understanding of the issues, but little development and no toolkit.

Question Number		Indicative content
4(a)		<p>Knowledge 2, Application 3, Analysis 3, Evaluation 2 marks</p> <p>The evidence shows that corporate culture at Google is quite unusual in many ways, motivation could well be linked here along with the need for encouraging creative thinking. A positive corporate culture can lead to drive and flexibility, a willingness to change and adapt, lead to a positive use of resources, increase profitability and give a considerable competitive advantage. On the other hand a negative or old-fashioned corporate culture may have the opposite effects. Good leadership and management can do much to foster corporate culture.</p>
Level	Mark	Descriptor
Level 4	9-10	Clear understanding of the importance of corporate culture. Answers are clear, related to the context and make good use of terminology and toolkit. At this level there must be some evaluation e.g. perhaps a qualifying remark as to the importance of corporate culture as compared to say marketing or quality etc.
Level 3	6-8	Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear and may lack balance. Evaluation is not needed at this level.
Level 2	4-5	Candidates are aware of the importance of corporate culture but answers may lack clarity and may have errors and assertions. Possibly phrased in general terms with poor use of toolkit.
Level 1	1-3	Some understanding of the issues but little development, no toolkit.

Question Number		Indicative content
4(b)		<p>Knowledge 3, Application 5, Analysis 4, Evaluation 8 marks</p> <p>The business cycle charts the regular changes in levels of output/income. This creates significant fluctuations in the demand for certain products. The extent to which this will affect a manufacturing firm such as John Deere depends on several factors. Students may well discuss YED, for a firm such as John Deere selling expensive machinery YED may be elastic and therefore have a significant impact upon production decisions, output and employment during booms and slumps. Yet John Deere and many other large manufacturing firms spread risk (the evidence shows John Deere selling in 130 different countries) and so may minimise the impact of the economic cycle. Reward all well argued trains of thought.</p>
Level	Mark	Descriptor
Level 4	16-20	The response is clear and articulate. There will be sound analysis, which will lead to a convincing evaluative conclusion. Answers are clear, related to the context and make good use of terminology and toolkit.
Level 3	11-15	The response may not be as clear or well developed it may be more descriptive. Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear and may lack balance. Evaluation may be thin or unqualified.
Level 2	6-10	Response may lack depth or development, evaluation may be poor or missing altogether, toolkit use may be limited.
Level 1	1-5	Some understanding of the issue but little development, no toolkit.

Question Number	Indicative content	
5(a)	<p>Knowledge 2, Application 3, Analysis 3, Evaluation 2 marks</p> <p>This response is looking for an awareness of the social costs and benefits that arise from road congestion and some awareness of the relative size/importance of them. The main emphasis should be on the analysis of the issue. Understanding of social costs and benefits and their external components is paramount here. Good answers will have both balance and clarity and discuss examples of both. Less able candidates may just produce lists.</p> <p>Increased road congestion will probably see an increase in social costs. There will be increases in private costs as more time and fuel is used and an increase in external costs as more pollution, frustration and wear and tear occur. On the social benefit side then it is likely that both private and external benefits will decline as motoring becomes more of a chore and a less efficient means of transport. As ever, accept any reasonable line of argument.</p>	
Level	Mark	Descriptor
Level 4	9-10	A range of ideas is explored showing a clear understanding of a range of social costs and benefits. Expect to see sound analysis, which leads to a convincing evaluative conclusion. Answers are clear, related to the context and make good use of terminology and toolkit.
Level 3	6-8	Good awareness of the main costs and benefits. Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear than L4 and may lack balance. Evaluation may be thin or unqualified.
Level 2	4-5	Perhaps some relevant ideas but they lack depth or development, evaluation may be poor or missing altogether, toolkit use may be limited. If only one side is examined e.g. all costs and no benefits, they cannot get beyond this level.
Level 1	1-3	Some understanding of the issues, but little analysis and no toolkit. Possibly just a list of undeveloped points.

Question Number		Indicative content
5(b)		<p>Knowledge 3, Application 5, Analysis 4, Evaluation 8 marks</p> <p>Students may or may not be aware of current proposals for road charging but there are other ideas from the book and spec. These may include fiscal measures such as taxation, either on fuel or via the road licence. This could also include tax breaks/benefits for less polluting forms of motoring. Market solutions or even legislation based policies may be suggested. It would also be valid to call for greater investment in improving alternative means of transport such as the rail network. It is not so much the ideas that count here but the way in which they are analysed and evaluated. Better answers will have a realistic understanding of the trade-offs and likely levels of success of different policies.</p>
Level	Mark	Descriptor
Level 4	16-20	Two clear and well developed policy options. Expect to see sound analysis, which leads to a convincing evaluative conclusion. Answers are clear, related to the context and make good use of terminology and toolkit.
Level 3	11-15	Reasonable discussion of two policy options. Knowledge and application are evident and use of toolkit is reasonable. Perhaps less clear than a Level 4 response and may lack balance. One policy option may be better than the other. The evaluative element may be thin or less convincing.
Level 2	6-10	Some awareness of relevant policies but possibly phrased in general terms. Possibly only one policy. Some relevant ideas but they lack depth or development, evaluation may be poor or missing altogether, toolkit use may be limited. If only one main idea they cannot get beyond this level.
Level 1	1-5	Some understanding of the issues but little development, no toolkit.

