

Mark Scheme (Results)

Summer 2014

Pearson Edexcel GCSE
in Business (5BS05)
Paper 01: Economic Understanding

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response

Question Number	Answer	Mark
1 (a)	B	1

Question Number	Answer	Mark
1 (b)	<p>Award 1 mark for identifying each way of measuring business success. Possible ways may include:</p> <ul style="list-style-type: none"> • Increased profits • Increased revenue • Bigger market share • More employees • Greater market value of company • Better environmental record • Better social responsibility record • Better ethical responsibility record <p>Any other appropriate answer.</p>	<p>3</p> <p>AO1 = 3</p>

Question Number	Answer	Mark
1 (c) (i)	<p>Award 1 mark for any relevant factor identified. Possible factors may include:</p> <ul style="list-style-type: none"> • Changing income levels • Changing tastes and preferences • Competition/price of other goods • Change in price • Population/number of consumers in the market • Consumer expectations <p>Any other appropriate answer.</p>	<p>1</p> <p>AO2 = 1</p>

Question Number	Answer	Mark
1 (c) (ii)	<p>For 3 marks, there will be three clearly identifiable linked strands of explanation between the statements. These may contain connective words such as “this leads to...” “because...” etc.</p> <p>E.g. The fall in income will mean consumers will have less money to spend on clothing (1). This may decrease sales of designer clothes (1) although they may have a loyal consumer base who will unaffected by a fall in income (1).</p> <p>This answer would gain three marks since there are at least three linked strands that build the explanation following the identification of the factor that could lead to a fall in demand. The answer is also rooted in the context of designer clothing. Without this use of context the answer can only score 2 marks.</p>	<p>3</p> <p>AO2 = 1 AO3 = 2</p>

Question Number	Answer	Mark
2 (a)	C	1 AO1

Question Number	Answer	Mark
2 (b)	<p>Award 1 mark for each relevant way. Possible ways include:</p> <ul style="list-style-type: none"> • Economic growth • GDP per capita • Infant mortality rates • Life expectancy • Literacy rates • Number of televisions per household <p>Any other appropriate answer.</p>	<p>3</p> <p>AO1 = 3</p>

Question Number	Answer	Mark
<p>2 (c)</p>	<p>For 3 marks there will be one way identified and there will be two clearly identifiable linked strands of explanation. This may contain connective words such as "this leads to..." "because..." etc.</p> <p>Possible ways include:</p> <ul style="list-style-type: none"> • Increased spending on benefits • Increased spending on education • Increased spending on health • Increase in pensions • Help with housing • Help with buying necessities <p>E.g. If the government spent more money on health (1) it would help poor people to avoid illnesses and disease (1) which means they are better able to work and earn money (1).</p> <p>This answer would gain three marks as there are two linked strands that builds the explanation following the identification of a way.</p>	<p>1 mark</p> <p>AO1 = 1 AO2 = 1 AO3 = 1</p>

Question Number	Answer	Mark
<p>2 (d)</p>	<p>For 3 marks there will be one way identified and there will be two clearly identifiable linked strands of explanation. This may contain connective words such as "this leads to..." "because..." etc. Possible answers include:</p> <ul style="list-style-type: none"> • Raising money • Creating awareness • Providing technical assistance • Providing education • Publicising the plight of poor people <p>E.g. A charity, like Save the Children, can raise money (1) which could be used to build schools in a less developed country (1). This will help children to learn to read and write (1).</p> <p>This answer would gain three marks since there are two linked strands that builds the explanation following the identification of a way.</p>	<p>3</p> <p>AO1 = 1 AO2 = 1 AO3 = 1</p>

Question Number	Answer	Mark
3 (a)	B	AO1 = 1

Question Number	Answer	Mark
3 (b)	<p>Award 1 mark for identifying each drawback.</p> <p>Possible drawbacks could include:</p> <ul style="list-style-type: none"> • Increased cost of raw materials • More limited availability of supplies • Possible need to change the way the business operates • May need to increase prices <p>Any other appropriate answer.</p>	<p>2</p> <p>AO1 = 2</p>

Question Number	Answer	Mark
3 (c)	<p>For 3 marks there will be one negative externality identified and two clearly identifiable linked strands of explanation between the statements. These may contain connective words such as "this leads to..." "because..." etc. The explanation must be in the Winsor and Newton context if it is to secure all three marks.</p> <p>Possible external costs include:</p> <ul style="list-style-type: none"> • Pollution i.e. noise, water, air and visual • Congestion • Disposing of waste products • Use of packaging • Use of non renewable resources <p>E.g. There will be an increase in the use of packaging of paint brushes (1). This will need to be disposed of (1) and will add to landfill (1).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of an external cost. The answer is also rooted in the context of Winsor and Newton. Without this use of context the answer can only score 2 marks.</p>	<p>3</p> <p>AO2 = 1</p> <p>AO3 = 2</p>

Question Number	Answer	Mark
<p>3 (d)</p>	<p>For four marks there will be four relevant points made or two points made with some development of each. One mark can be given for a definition of environmentally responsible.</p> <p>Possible ways include:</p> <ul style="list-style-type: none"> • Increase sales revenue • Better brand image • Customer loyalty • Higher profits • Mission for protecting the environment • Employee motivation • Lower costs <p>Any other relevant response.</p> <p>E.g. Winsor and Newton might want to be more environmentally responsible to increase its sales of paints for artists (1). Artists often choose to buy more from environmentally responsible businesses (1). If they are able to increase sales this can lead to higher levels of profit (1). Also this might increase brand loyalty (1).</p> <p>This answer would gain four marks since there is one way identified plus development plus two further relevant points made in context.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p>

Question Number	Answer	Mark
4 (a)	C	1

Question Number	Answer	Mark
4 (b)	<p>One mark for recognising that the benefits of selecting one choice (1) results in the loss of benefits of another (1).</p> <p>This is likely to be couched in terms of a Ford Mondeo and a Mazda 6.</p>	<p>2</p> <p>AO1 = 2</p>

Question Number	Answer	Mark
4 (c)	<p>For three marks there will be at least three clearly identifiable linked strands of explanation between the statements. These may contain connective words such as "this leads to..." "because..." etc. The explanation must be in the context of the family car market if it is to secure all three marks.</p> <p>Possible factors include:</p> <ul style="list-style-type: none"> • Large number of family cars on the market • Therefore lots of substitutes • Many tend to be similar therefore close substitutes • Particular brands may have lower price sensitivity • Quality and reliability could affect closeness of substitutes • Reputation and safety may affect perceptions of consumers <p>E.g. In the family car market there is lots of competition between the top 5 sellers (1) therefore there are lots of substitutes available (1) this means that family cars will be very price sensitive (1).</p> <p>This answer would gain three marks since there are at least three linked strands that build the explanation following the identification of what would happen to the price sensitivity. The answer is also rooted in the context of the Family car market. Without this use of context the answer can only score 2 marks.</p>	<p>3</p> <p>AO1 = 1</p> <p>AO2 = 1</p> <p>AO3 = 1</p>

Question Number		Indicative content
*4 (d) QWC strands (i), (ii) and (iii) AO2=2 AO3=4		<p>The aim here is for candidates to make a judgement as to which tactic, lowering price or giving away a holiday, is more important in allowing the VW dealer to increase its revenue. There is no right answer and the candidate can argue that either tactic is better, depending on the circumstances. Candidates might consider the following possible ideas as part of their answer:</p> <p>Lowering price by 10%:</p> <ul style="list-style-type: none"> • Reduces price of a VW by around £1 800 • Brings it more closely in to line with competitors • Is the second most popular car already even though it is more expensive • Could help in a competitive market • Will depend on price sensitivity • Might also depend on the location of the dealer • Might also depend on the state of the economy <p>Offering a free holiday:</p> <ul style="list-style-type: none"> • Depends on the type of holiday • Depends on the quality of the holiday • Is it a family holiday? • Is the value of the holiday greater than the reduction in price? • Terms and conditions of the holiday <p>To be evaluative and support the judgement made, the candidate might suggest that (for example) a cut in price of a VW by 10% might lead to a considerable rise in sales because the price is now much closer to its rivals.</p> <p>An alternate route to evaluation might come through the candidate examining the 'it depends' rule in relation to the type of holiday being offered.</p>
Level	Mark	Descriptor
No mark	0	Non-rewardable material.
Level 1	1-2	A judgement or point is given as to which method is most likely to allow the dealer to increase its revenue. If there is just a simple judgement or where the support shows misunderstanding of the concept 1 mark should be awarded. If this judgement/point has some simple support, the response should be placed at the top of this level.
Level 2	3-4	A judgement/point is given on one or both issues with some development/support, which includes at least one reason/cause/consequence etc. At the top of this level this analysis will be relevant and linked to the judgement/point made.

Level 3	5-6	A judgement/point is given on one or both issues with some development/support, which includes at least two reasons/causes/consequences etc. and includes some balance. At the top of this level there will be a conclusion drawn from the analysis and the answer will be in context.
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Question Number	Answer	Mark
5 (a)	<p>Section B:</p> <p>A “weaker” pound is when the pound has fallen in value against a foreign currency</p> <p>2 marks for an accurate definition. If an accurate definition is not given award 1 mark for an answer that suggests that candidate has some understanding of the term. E.g. the pound is worth less money.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration.</p>	8
5 (b)	<p>For 3 marks, one reason will be given and there will be at least two clearly identifiable linked strands of explanation. These may contain connective words such as, ‘this leads to...’ ‘because...’ etc. The explanation must be in the <i>UK manufacturers</i> context if it is to secure all three marks.</p> <p>Possible benefits include:</p> <ul style="list-style-type: none"> • Makes UK prices cheaper than Euroland. • Potential increase in sales. • Could sell more in the UK. • Increase brand awareness. • Source of competitive advantage. <p>E.g. A weaker pound is a benefit to UK manufacturers because it makes the price of their goods cheaper (1 mark). This might lead to more products, such as machines, being demanded (1 mark) and lead to an increase in profits (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of a reason. The answer is also rooted in the context of <i>UK manufacturers</i>. Without this use of context the answer can score a maximum of 2 marks.</p>	AO1=2 AO2=2 AO3=1

<p>5 (c)</p>	<p>For 3 marks, one reason will be given and there will be at least two clearly identifiable linked strands of explanation. These may contain connective words such as, 'this leads to...' 'because...' etc. The explanation must be in the <i>Magnum Wine</i> context if it is to secure all three marks.</p> <p>Possible reasons include:</p> <ul style="list-style-type: none"> • Price of existing products increased. • "New world countries" better value for money. • Changing tastes of UK consumers. • Increase brand awareness. • Source of competitive advantage. • Extend product range. <p>E.g. <i>Magnum Wine</i> bought more wine from "new world countries" because their price was more competitive (1 mark). It hoped that its customers would try these wines (1 mark) and continue to buy wine from <i>Magnum Wine</i> (1 mark).</p> <p>This answer would gain three marks since there are at least two linked strands that build the explanation following the identification of a reason. The answer is also rooted in the context of <i>Magnum Wine</i>. Without this use of context the answer can score a maximum of 2 marks.</p>	<p>AO2=2 AO3=1</p>
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Question Number	Answer	Mark
6 (a) (i)	<p>1 mark for identifying a relevant stakeholder. Possible stakeholders include:</p> <ul style="list-style-type: none"> • Shareholders • Employees • Government • Customers <p>Award any other valid stakeholder identified</p>	<p>1</p> <p>AO1 = 1</p>

Question Number	Answer	Mark
6 (a) (ii)	<p>For three marks there will be three clearly identifiable strands of explanation associated with the effect on the stakeholder identified in 6 (a) (i). These may contain connective words such as, 'this leads to...' 'because...' etc. The points will clearly show the effect upon the stakeholder.</p> <p>Possible answers include:</p> <p>Stakeholder identified in 6 (a) (i): Shareholder</p> <p>E.g. They might receive lower dividends (1) this means they will have less income (1) and they may be forced to sell their shares (1).</p> <p>This answer would gain three marks since there are at least three linked strands that build the explanation with reference to the context.</p>	<p>3</p> <p>AO1 = 1</p> <p>AO2 = 1</p> <p>AO3 = 1</p>

Question No.	Answer	Mark
7	<p>The aim here is for candidates to make a judgement as to whether reducing costs or improving quality is more effective in allowing <i>Magnum Wine</i> to achieve higher profits. There is no right answer and the candidate can argue that either method is better depending on the circumstances. Candidates might consider the following possible ideas as part of their answer:</p> <p>Reduce costs:</p> <ul style="list-style-type: none"> • Could lead to lower prices • Could result in lower quality stores, staff, products etc. • May allow <i>Magnum Wine</i> to compete more aggressively against rivals • Less waste and therefore more environmentally friendly <p>Improve quality:</p> <ul style="list-style-type: none"> • Target certain market segments • Can add value • Increases customer loyalty • Will increase costs • Builds the <i>Magnum Wine</i> brand • More likely to gain repeat purchase. <p>To be evaluative and support the judgement made, the candidate might suggest that the more effective method might be to cut costs since this will allow <i>Magnum Wine</i> to lower their prices and thus boost profits <i>ceteris paribus</i>. In the medium to long run, quality might be more effective especially with regard to increasing customer loyalty. An alternate route of evaluation might come through the candidate examining the drawbacks of cutting costs (possible implications for quality) and/or increasing quality as this may not add value.</p>	<p>8</p> <p>AO2 = 4 AO3 = 4</p>

Level	Mark	Descriptor	
0	0	Non-rewardable material. No mark is to be awarded if the candidate just re-states the question i.e. cutting costs will increase the profits of <i>Magnum Wine</i> .	
1	1-2	<p>Candidate will consider one option with no development - bottom of level</p> <p>Candidate will consider one option with simple development – top of level</p> <p>Candidate will consider both options with no development – top of level</p>	
2	3-5	<p>Candidate will consider option(s) with more detailed development – bottom of level</p> <p>Candidate will further develop their responses with reason/cause/consequence – middle of level</p> <p>Candidate will have some evidence of balance – top of level</p>	
3	6-8	<p>Candidate will consider option(s) with development which includes two reasons/causes/consequences, balance with unsupported conclusion/judgement(s) all of which is in the context of the business – bottom of level</p> <p>Candidate will consider option(s) with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of the business – middle of level</p> <p>Candidate will consider option(s) with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of the business and using the 'it depends' rule or something similar – top of the level</p>	

Question Number	Answer	Mark
8 (a)	<p>The total value of output produced in an economy (1 mark) over a set period of time (year) (1 mark).</p> <p>For 2 marks there must be mention of value of output and the recognition of the time element.</p> <p>If candidates just write how much is produced award 1 mark.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration.</p>	<p>2</p> <p>AO1 = 2</p>

Question Number	Answer	Mark
8 (b)	<p>The aim here is to try and encourage candidates to offer an assessment of the possible effects of a decrease in interest rates on economic activity. Candidates who do this should be able to score at the top of level 3 depending on the quality of their answer. There is no right or wrong answer.</p> <p>Possible answers:</p> <ul style="list-style-type: none"> • Cost of borrowing money is lower • Cost of mortgages lower • More business investment • Individuals and businesses more tempted to spend • Consumer/business confidence is higher <p>The very best responses might make reference to the evidence provided in the table in that interest rates have gone down and so has GDP and then develop the analysis by stating why e.g. (global) recession, lower commodity prices e.g. oil, food, lower factory gate prices and spare capacity e.g. higher unemployment levels etc. There are 3 marks available for the context so the response must be considered within how decreased interest rates might have an effect on economic activity in the UK rather than a general textbook explanation of the transmission mechanism between a decrease in interest rates and less economic activity. Therefore, there will need to be reference to the table for candidates to access level 3.</p>	<p>8</p> <p>AO2 = 3 AO3 = 5</p>
Level	Mark	Descriptor
0	0	Non-rewardable material. No mark is to be awarded if the candidate just re-states the question i.e increasing interest rates will reduce inflation.
1	1-2	<p>Candidate will consider the effect with no development - bottom of level</p> <p>Candidate will consider the effect with simple development – top of level</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>
2	3-5	<p>Candidate will consider the effect with more detailed development – bottom of level</p> <p>Candidate will further develop their response with reason/cause/consequence – middle of level</p>

		<p>Candidate will have some evidence of balance – top of level</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>	
3	6-8	<p>Candidate will consider the effect with development that includes two reasons/causes/consequences, balance with unsupported conclusion/judgement(s) all of which is in the context of economic activity in the UK – bottom of level</p> <p>Candidate will consider the effect with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of economic activity in the UK – middle of level</p> <p>Candidate will consider the effect with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of economic activity in the UK and using the 'it depends' rule or something similar – top of the level</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>	

Question Number	Indicative content	
9 (a)	<p>A multinational corporation is a company that is based in one country (1 mark) but sells products or services in a variety of other countries (1 mark).</p> <p>A 1 mark answer will not make the link between being based in one country and selling/operating in other countries.</p> <p>An imperfect definition can be raised to 2 marks through the use of an example or some kind of accurate elaboration.</p>	AO1 = 2

Question Number	Answer	Mark
9 (b)	<p>This question is divided into two parts with each part having 4 marks. 1 mark should be allocated for the identification of a factor that might cause economic growth in an economy. 3 marks are for the explanation of how each factor leads to economic growth. Within the answer there will be at least three clearly identifiable linked strands of explanation between the statements. These may contain connective words such as "this leads to..." "because..." etc.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • Increase in government spending • Lower taxation • Education/training • Investment • Lower interest rates • Subsidies <p>Any other relevant factor.</p> <p>E.g. Investment (1 mark) If a company such as Tullow Oil invests in Uganda, it will need to employ workers (1 mark). The workers will pay tax to the government (1 mark) and the government can spend the money on education (1 mark).</p> <p>This answer would gain 4 marks since a factor has been identified and there are at least three linked strands that build the explanation with reference to the context. Two answers of this quality would gain the full 8 marks.</p>	<p>AO2 = 4 AO3 = 4</p>

Question Number	Answer	Mark
<p>10</p>	<p>The aim here is to try and encourage candidates to offer an assessment of the strength of the case for governments such as Uganda of either using taxes or subsidies to protect the environment. To demonstrate the evaluative skill, candidates could consider the importance of using taxes as a method of protecting the environment. For instance they may consider that increasing tax will be a way of getting people and businesses to change their behaviour and thus create an incentive for stakeholders to protect the environment. Other candidates might question the effectiveness of raising tax in that it might drive away foreign and domestic companies and thus harm the growth of the economy. In both instances, the advantages/disadvantages of subsidies can be considered as an alternative. There is no right or wrong answer to this question, but candidates should aim to make a judgement which is supported. Candidates may consider the following ideas as part of their answer:</p> <p>Reasons why taxes would be more effective in protecting the environment:</p> <ul style="list-style-type: none"> • Changes consumer/business behaviour. • Raises revenue to spend on improving the environment. • Creates incentive to act in a more environmentally friendly way. <p>Reasons why taxes would not be affective in protecting the environment:</p> <ul style="list-style-type: none"> • Consumers/businesses may not change behaviour. • Businesses may relocate elsewhere. • How effective raising tax is depends on the type of tax. <p>Reasons why subsidies would be more effective in protecting the environment:</p> <ul style="list-style-type: none"> • Encourages consumers/businesses to be more environmentally friendly. • Provides incentive to business to invest in energy saving equipment. <p>Reasons why subsidies would not be affective in protecting the environment:</p> <ul style="list-style-type: none"> • Consumers/businesses may not change behaviour as it depends on amount of subsidy. • The cost to the government. • Are there other ways for businesses to operate, i.e. other types of machinery, to protect the environment? 	<p>10</p> <p>AO2 = 5</p> <p>AO3 = 5</p>

Level	Mark	Descriptor	
0	0	Non-rewardable material. No mark is to be awarded if the candidate just re-states the question i.e. governments in less developed countries should use taxes or subsidies to protect the environment.	
1	1-4	<p>Candidate will consider one method with simple statement - bottom of level</p> <p>Candidate will consider one method with basic statement – middle of level</p> <p>Candidate statements are supported – top of level</p> <p>The quality of written communication will be poor with frequent spelling, punctuation, style and grammar errors.</p>	
2	5-7	<p>Candidate will consider two reasons/causes/consequences to support method(s) – bottom of level</p> <p>Candidate will develop their reasons/causes/consequences – middle of level</p> <p>Candidate will have some evidence of balance – top of level</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter.</p>	
3	8-10	<p>Candidate will consider method(s) with development which includes two reasons/causes/consequences, balance with unsupported conclusion/judgement(s) all of which is in the context of government policies/environment – bottom of level</p> <p>Candidate will consider method(s) with development which includes two reasons/causes/consequences, clear balance with supported conclusion/judgement(s) all of which is in the context of government policies/environment – middle of level</p> <p>Candidate will consider method(s) with development which includes two reasons/causes/consequences, clear balance</p>	

	<p>with supported conclusion/judgement(s) all of which is in the context of government policies/environment and using the 'it depends' rule or something similar – top of the level</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence that the candidate has structured their answer clearly and coherently, using appropriate terminology.</p>	
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