

Examiners' Report/ Principal Examiner Feedback

January 2015

Pearson Edexcel International GCE
Advanced Subsidiary Business Studies

Unit: WBS01 Business Enterprise

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Introduction

In this series of the award, it was pleasing to see some progress in the exam techniques in a higher percentage of the candidates. However, some candidates still have not developed skills beyond those required for success at GCSE. In particular, many candidates could not present a convincing evaluation to access the higher marks of the level questions.

Once again, the standard of handwriting for some candidates made it extremely difficult to read some of the scripts in this series.

Across the whole paper, many candidates appeared to struggle with putting their answers in the context of either the question or the case study. There were some correct but 'text book' style answers to questions that made no reference to any business organisation. This meant the 'text book' responses were able to access 'Knowledge' marks but often limited the candidates' ability to achieve higher marks for 'Analysis' or 'Evaluation'..

In many cases of Section A responses, the definitions offered were not related to the specific topic in the question, but to any business term that appeared in either the stem or the question. This indicates a lack of understanding of how definition explanations may achieve a mark. Candidates should be encouraged to read the question carefully to identify the key terms being examined a focus their answer accordingly.

As in previous series, in the Supported Multi Choice section (Questions 1-6), most candidates were be able to identify the correct answer most of the time. However, a significant number of candidates were unable to gain further marks for fully explaining their correct choice of answer. Many simply repeated the words from the question stem in their answers. In order to support success in this section, it would be helpful if candidates adopted a structure that demonstrated the following:

Knowledge and understanding (definition)
Application, in relation to the business or issue in the question and
Analysis, the results of any decisions, actions from the application.

Whilst a significant number of marks for these multi choice questions were awarded for explaining why other distracters were wrong, there were many missed opportunities for extra marks. For example, candidates would often just state 'X is wrong' and then give a definition. Again, this needs to be applied in relation to the business or issue in the question. For example, X is wrong because - then develop their answer to explain how or why it does not apply.

In the Data Response questions, there was very little evidence of candidates understanding how to access the 3+3 mark scheme for Q7 when asked for two features that give Hummingbird Bakery a competitive advantage and Q8(a) to explain two ways to improve profitability. This technique would assist candidates to organise their thoughts and their responses to access maximum marks. Very few candidates achieved 6 marks for these questions.

The vast majority of candidates attempted the standard data response questions 7; 8a and 8b with a small number of blank scripts

A majority of candidates attempted questions 9a; 9b; 10. However, Q11 was not attempted by a significant number of candidates but it is not clear whether this was due to a difficulty in responding or if it was due to time restraints before the final question

Question 1

Q1 (a) The majority of candidates identified that the correct answer was C (to work independently).

Q1 (b) Most were able to offer a definition of independence but a significant number offered a definition of entrepreneurial motives and expanded this to offer a list of the various motives that might exist. Many candidates correctly related the fact that Janice Ross would work on her own, and/or make her own decisions, but not all of went on to further develop an analytical comment worthy of a mark. Stronger candidates however, correctly offered the seeking of the decision making power and freedom from control of her managers as motives for the decision. Those responses that considered the motives for working independently were mistaken to include the fact that this might be in order to work fewer hours. Some candidates showed understanding of the risks involved (in setting up a new business) but did not take the opportunity to expand this to access the mark for this distractor.

Application continues to still sometimes be a problem when explaining why the distractors were incorrect.

When answering why distractors are incorrect, a number of candidate only state that 'A is incorrect' or give a generic definition, which is not enough to award any marks to. What is required is more application to the business in the question. The answer needs to be robust and state how or why it is in incorrect.

There are also a large number of responses that join the distractors together in one sentence to state 'they are all incorrect. Again, potentially significant number of additional marks are being lost. Each distractor needs to be explained in turn as they will all have different reasons for being the incorrect answer- in relation to the business in the question.

Question 2

Q2 (a) The majority of candidates identified that the correct answer was D (ethical considerations) but a significant numbers offered the incorrect response of profit maximisation, offering the argument that all businesses need to make profit so confusion re profit/profit maximisation.

Q2(b) Explanations of the definition of ethical considerations were usually done well but sometimes expanded by introducing references such as farmers low pay as an attempt at context/ application but this was not referred to in the data /question. Stronger candidates were able to state that ethics related to moral values or benefits to society, but weaker candidates were vague by stating for example 'doing the right thing' and were not able to access a mark. The stronger candidates were able to explain that suppliers would receive a higher income if paid above the market price, but not all went on to develop the idea of how the community might benefit. However some students performed well by recognising that ethical motives may exist alongside the recognition of the benefit of enhanced reputation and increased sales volume and/or unit price achievable.

Of the candidates that incorrectly answered profit maximisation, the confusion seemed to be about paying higher than market prices. This was often taken to mean that *Artisan Du Chocolat's* customers would be paying above the market price, or that it meant this was a premium product and could charge the customer whatever they liked – thus maximising profits.

The distractors were not explained particularly well by candidates especially the government intervention and aging population, where little understanding was shown.

Question 3

Q3 (a) The majority of candidates identified that the correct answer was B (resilient personality).

Q3 (b) A significant number of students offered a definition of an entrepreneur rather than entrepreneurial characteristics which was the key business term in the question. Likewise sometimes the student merely offered a list of possible entrepreneurial characteristics and lost the chance for the mark of an explanation of the term.

Significant numbers defined resilient but this is not a business term and then failed to apply this to how Ralph had *shown* himself to be resilient (i.e. application) which meant they did not access the marks available for this.

In terms of correctly dismissing the distracters, the most common answer correctly explained the fact that Ralph was not a risk avoider because he risked losing his house by re-mortgaging.

Question 4

Q4 (a) Many candidates identified the correct answer was A (Trade Credit) but there was a significant number of incorrect answers that identified D Commercial Loan.

Q4 (b) Many students performed well with this question defining trade credit and developing this with application. Weaker candidates did not relate their answer to suppliers or purchase of stock or materials, and often just mentioned 'buy now pay later'. The better answers clearly explained trade credit as giving *Maris Sol* 30, 60 or 90 days to pay. There were a few very good answers that developed this to include the observation that *Maris Sol* may not have to pay its trade credit until after the goods were sold.

Sometimes students sadly chose to define sources of finance and focused too heavily on the benefit to the sellers in that they would know Maria rather than the short term/long term and low costs / delayed payment opportunities that are the reasons why this finance is the most beneficial for Maria herself.

Where candidates answered Commercial Loan, there was little understanding shown that trade credit is a common and ongoing requirement of a retail trading organisation. There was no relation to the fact that a commercial loan was a one-off significant financial commitment and how this would help the business sustain its stock levels.

Explanation of distracters was not well done by many candidates. This was one of the clearest cases where lack of application or context meant candidates did not access marks. For example, in dismissing the distracters of share capital or debentures, candidates merely stated that these were only available to limited companies and *Maris Sol* was not a limited company. If the question has been about business structures and sources of finance, this would have been an acceptable answer. However, the question was about the purchase of materials to keep a business operational. The distractors needed to be dismissed in the context of that question and required explanations of why share capital or debentures would not be suitable to purchase materials.

Question 5

Q5 (a) Many candidates identified that the correct answer was D (costs of supplies).

Q5 (b) On the whole, this question proved challenging for many students. The strongest responses gave clear definitions of inflation but many gave very weak definitions. The application to *Tata* was strong from some students who recognised that inflation would lead their suppliers to experience increasing costs of labour and their own raw material costs which **would lead them** to increase these prices to *Tata* **to maintain their own profitability** so this **leads to an increase in production costs for *Tata***. Very few

candidates developed their answers as to why the cost of the raw materials were rising and sadly only offered the argument that these production costs would increase but failed to offer strong suggestions how or why. Oddly a significant number of students also offered the response that exports would increase as a result of inflation.

Question 6

Q6 (a) The majority of candidates identified that the correct was C (supply of components) but a significant number answered A Rate of Sales Tax

Q6 (b) Not all candidates gave a definition of supply, and of those that attempted not all gained a mark because the key points of a 'given price at a given time' were not fully included. This question also helped to differentiate students as there was much confusion about how an increased supply of components will lead to a decrease in the selling price of *Apple's* iPad minis. A confusion of supply and demand factors occurred. Whereas the stronger responses were able to establish the link between an increase in the supply of components, leading to a fall in the cost of production for *Apple*, which would be passed onto consumers in the form of lower prices. Some candidates offered supply diagrams but sadly did not apply them to *Apple*.

In dismissing the incorrect answers, stronger responses explained why an increase in consumer incomes would lead to an increase in price, and why an increase in advertising costs would also lead to an increase in the price of iPad minis.

A significant number of candidates answered that an increase in sales tax may lead to a decrease in the selling price. They offered the argument that *Apple* would decrease the selling price because sales tax would be calculated as a percentage of the actual selling price. Developments offered stated that a lower selling price meant a lower sales tax. There was a failure to realise that this would still not lead to a lower price to the end consumer.

Data Response Questions

Question 7

Candidates should be reminded that stating “*A competitive advantage is an advantage over its competitors*” is too repetitive/ too vague to be awarded marks. Some candidates managed to show knowledge for competitive advantage but some responses were too vague i.e. ‘gives an edge’ to access full marks. Also there was a tendency by some candidates to state with great certainty facts that were not in case study – for example, references to using new equipment technology to produce the cakes to batch bake, or references to not using any artificial flavourings.

Correct responses referred to the authentic American tastes and the same ingredients and techniques used in home baking with some reasonable application marks for fresh baked, in store. Some also referred to Tarek using organic ingredients, when organic in this case refers to the company growth by opening new stores.

What let most candidates down was the lack of development of consequences or costs to access the analysis marks. So many achieved 3-4 marks for knowledge and application rather than 6.

Question 8

Q 8(a)

A number of candidates defined “retained profit” as starting point on profitability. A concept they had possibly revised through looking at a past paper, but not relevant in this scenario. Very few candidates were able to define “Profitability”, giving instead the definition of Profit. Of those candidates who accessed knowledge marks, this was usually through stating profitability could be improved by either increasing prices or reducing costs.

Some of the stronger responses were able to discuss how *Hummingbird Bakery* could rely on their good reputation and use premium pricing to increase the price of each cake by a few pence to increase profitability.

A common response was to reduce the selling price in order to sell more. Candidates argued that selling more would increase profitability. However, the explanations failed to take into account the fact that production costs would remain the same and each cake sold would bring in a lower profit margin than before. Therefore, this was not accepted as a method to increase profitability. (It is generally accepted as a method of faster profits and increased cash flow than increased profitability). Other common incorrect answers included increase advertising (thus increasing costs)

Q 8(b)

A significant number of candidates did not read the question fully, and instead of explaining the impact of online reviews on *Hummingbird Bakery*, wrote about how websites could be used by *Hummingbird* as a business. This meant they often gave responses that were more about advertising and marketing strategies, rather than how positive or negative reviews affected sales for *Hummingbird*. Application marks proved elusive for many, and responses quite generic.

Many candidates did identify the positive and negative impact of Trip Advisor such as better reviews would be seen and so increase sales/profits. A minority of candidates used the evidence and supply figures to access the application marks but many missed this opportunity.

Question 9

Q9 (a)

Generally those who knew the formula got this correct. There were a small number of candidates who were able to give right formula, provide correct figures from table, but were unable to carry out the final calculation, so dropped a mark. Perhaps they did not have access to a calculator in the exam room.

As the question was about margins, the expectation was that the figure would be expressed as a percentage. Where this did not occur, the candidate lost the final mark – as the number itself was meaningless in the context of the question.

Similarly, where candidate rounded the figure to 83% the final mark was not given. This was because candidates needed to apply the mark to the information given in the question. The revenue figure (£5 536 614) and gross profit (£4 612 839) are significant amounts and a rounding of percentages on this level of trading could result in the business overstating its expected profit margins.

It is important for candidates to understand the requirement for application of their answers in the given context.

Q 9(b)

Some candidates appeared confused about limited liability and private limited companies (Ltd) and often referred to either public sector companies or business ownership of public limited companies (plc). Most candidates were able to access Level 2 or Level 3, but many were limited to the previous level because they did not give any context/application. Candidates should be made aware that just mentioning Tarek's name is not enough for context or application and they need to develop their answer in terms of his ownership of the business.

Question 10

This question was well answered by a significant number of candidates. There were some good answers that met Level 3 and Level 4 requirements, although very few met the criteria for the upper level marks. Students who started in September may not had sufficient time to develop higher level Evaluation skills after a few months of study, which has undoubtedly focussed on content of course instead of practising these skills.

The weaker responses focussed on marketing and advertising activities rather than market research. However, many candidates did attempt to give the value of social networking as a tool. Some attempts were made to link to Facebook and Twitter with explanations of how this helped the business get feedback and comments to help identify products.

Many candidates were able to identify the issues of potential bias and some limitations of social media in market research but again, sometimes not in context so not always able to access Level 4.

Question 11

Many candidate could identify franchising and its use as an expansion method. However, too many responses gave a great amount of detail about franchising, but did not apply their answer to the context, so dropped a level and lost marks. Some responses just described expanding abroad without relating to franchising. Some responses misunderstood the relationship and thought that *Hummingbird Bakery* was going to be the franchisee not the franchisor. A small but noticeable number of candidates thought

franchising was about becoming a multi-national company, with all the bureaucracy that entailed.

Quite a few candidates did not attempt this question.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:
<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

