

# Examiners' Report/ Principal Examiner Feedback

## Summer 2015

### Pearson Edexcel International GCSE in Business Studies (4BS0) Paper 01

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## **General Comments**

It was apparent by the answers given that many students had gained a great deal of business knowledge from studying the course. However, unfortunately this was not always followed up by (i) applying the knowledge gained to the questions asked and this then (ii) restricted the students' access to the full mark range.

It was evident that many students had gained a great deal of business knowledge from studying the course and this was apparent in the answers given. Unfortunately this was not always followed up by (i) applying the knowledge gained to the questions asked and this then (ii) restricted the students' access to the full mark range. The scenario of Covers-up Ltd was something that they could relate to, as there were fewer students giving answers which were totally irrelevant to the background or situation.

As commented on in previous reports, there were still a number of students who answered the questions from a generic point of view and did not apply their answers to the context. They were therefore, unable to access the full range of marks available for questions. As mentioned last year, the markscheme includes the Assessment Objectives to help in the preparation of students for future examinations. All four of the Assessment Objectives were covered throughout the paper and the percentage breakdown of each AO can be seen on page 8 of the Teacher's Guide. Also on page 14 there are examples of the command words used that indicate which of the AO's are being tested. In a question where more than one AO is being tested the command word will always refer to the highest AO.

Students must indicate if they have continued their answer somewhere else on the paper. Although many students did heed the advice given in previous years, there were are still a number who did not. It is also important that students clearly label the additional pages to show the question they are continuing with.

Questions can be taken from any part of the specification; therefore centres should ensure that all sections are covered so that they do not disadvantage any students. From the work seen it appeared that some students had not covered the full specification.

## **Comments on individual questions**

### **Section A**

#### **Question 1**

The multiple choice questions were answered quite well by the majority of the students.

However there appeared to be some confusion with 1 a (iii), where a number of students thought that Health and Safety training would be given as part of the employees' on the job training. This might well be the case but all new employees have to have some health and safety training and this should take place before they commence work. The remainder of the multiple choice question were answered well by students.

In part 1 b – The most popular answers to this question were recruitment and training. However the question was not as well answered as expected, many students included motivation, paying wages etc. These are jobs of work that the department may carry out but they are not functions of the department.

In part 1 c (i) – Over half of the students did not gain any marks for this question which was a straightforward knowledge question of what 'retained profit' was. Many commented on money that was left over, it is, but is not always kept back, which was what was required.

In part 1 c (ii) – students were asked to analyse two drawbacks of using retained profit, again just under half of the students did not score any marks on this question. For those that answered the question the majority were able to comment on the fact that once used it could not be used again and it might not be available in case of an emergency.

In part 1 d – this question was well answered by the majority of the students gaining the four marks available, being able to match the objective to the definition.

In part 1 e – most students were able to appreciate the reduction in costs by only having one factory, however, many were unable to develop their answer to gain the full marks available. Most seemed to consider that the company would make more profit. This would not always be the case. Some students gave more than one benefit which would not allow them to gain the full marks available for the question.

## Question 2

In part 2 a (i) – it appeared that a number of students did not understand the importance of Limited Liability to shareholders. Often there was a detailed description of what it meant, but then this was not applied to the shareholders.

An extract from one student's work that gained one mark,  
"limited liability is important to shareholders because limited liability is only liable for the original amount of money invested in the business for shareholders are the owners of the business."

Whereas this student gained the full three marks available.  
"Limited liability is important to shareholders because this if the business was to fail only the money they have invested would be lost whereas unlimited liability means personal belongings may be taken, so this makes it more secure for shareholders investments. Limited liability will make it more appealing to shareholders to invest in."

In part 2 a (ii) – not as well answered as expected as half of the students only gained one mark. This was an opportunity to demonstrate their knowledge of other advantages of forming a private limited company.

In part 2 (b) – again a question where approximately only half of the students gained one mark. Perhaps students had not read the question carefully enough and did not explain one reason against becoming a public limited company. For those that answered correctly they understood that shares could be bought by the public and if they gained more than 50% of the shares they could take control of the business. For some students there appeared to be some confusion as they assumed that a plc is controlled by the government. Again student's examination techniques could be improved by ensuring that they give one reason and then develop it as opposed to giving many reasons.

In part 2 c (i) – nearly all students made the correct calculation.

In part 2 c (ii) – although for this part of the question just under half of the students gained no marks. The most popular answers were that it was the end of the year or a seasonal time when people buy items and they would want a cover for them. Some other suggestions were not related to the information given and therefore gained no marks.

In part 2 d – most students were able to gain marks on this question with the understanding that Cover-ups Ltd would need to monitor its sales and the justification for this. Most understood the concept of monitoring sales to ensure the price is correct and that they have sufficient stock, or that they had to make financial plans for the future.

In part 2 e – this question was to demonstrate their knowledge of cost-plus pricing. Very few students were able to gain the full marks available for this question, but most had the basic concept of what this strategy involved.

### Question 3

In part 3 a – it is pleasing to report that this question on finance was answered much better than previous finance questions. Very few students were unable to calculate the correct ratio figures, thus gaining two marks. However, very few students were then able to make justifiable comments on the liquidity of the business. Students did not have to calculate the ratios to gain all the marks available for the question.

An example of a well answered question.

	2014	2013
	£	£
Current assets	60 000	36 000
Current liabilities	48 000	48 000

(a) Analyse the change in liquidity for Covers-up Ltd between 2013 and 2014 using the current ratio.

(6) Q03a

Current ratio 2013 → 0.75 : 1      current ratio 2014 → 1.25 : 1

The liquidity of Covers-up Ltd refers to the business's ability to pay off its liabilities with its assets. The current ratio, also known as working capital ratio shows the business's ability to pay off short-term liabilities. In 2013, it was 0.75:1, which is below the standard ratio of 2:1. This indicates that Covers-up Ltd might have faced difficulties to pay their creditors in UK. However, in 2014, the current ratio increased to 1.25:1, which is an improvement from last year's ratio. This could be due to Covers-up Ltd asking for prompt payment from the department stores, which increases the cash flowing into the business, increasing its current assets. Another reason for this improvement could be the injection of fresh capital into the business by the ~~owner~~ <sup>selling</sup> of shares, which would further increase its cash or bank which are current assets. Since the ratio is still below the standard ratio, it would be advised to sell off unwanted ~~fixed~~ assets and stocks to increase working capital, which in turn would improve its current ratio.

In part 3 (b) – most students were able to gain at least two marks for this question with the understanding of what 'span of control' means. Most popular responses were related to; closer working relationship, better motivation of worker. However there were a number of blank answers to this question.

In part 3 (c) – very few students were able to gain full marks on this question. Most repeated the stem in their answer which did not gain them any marks. The stem is used to help guide students and therefore should not be repeated in the answer. Again perhaps this is an examination technique that could be practised with students to avoid making a similar error. Some students made comments on general communication but did not relate it specifically to the directors and hence did not gain any of the marks available.

An example where a student response was not sufficiently specific enough and thus gained no marks.

"The business not only depends on one department, it is made up by more than one department. Everyone in the business needs to know what is happening, so when products need to be delivered, how many products,

what type of product. Efficient communication between departments helps to reduce errors, so more profit is made."

In part 3 d – Most of the students appeared to opt for option A, keeping the price at €15.60. In general, students were able to gain some marks but did not develop their answers sufficiently to gain the higher level. Some were able to justify their choice and realised that the alternative would be very expensive and might not achieve the sales they were hoping for. Students should be encouraged to read carefully the stem and then not keep repeating it in their answers. A number of students commented on the profit and loss for the business but did not analyse or evaluate their answers sufficiently. Not well answered by over half of the students.

As the question is asking students to 'justify', it is a good examination technique to draw conclusions.

An example of a good answer.

choice A- to keep the price at €15.60

\* (d) Justify the effect of the choice on Covers-up Ltd. (6) Q03d

If Covers up Ltd keep the price at 15.60 than the demand for its products will increase in the European Union. This can increase their market share and help gain more customers. However, this can have a negative effect on covers up Ltd and this is because it could change from means that they will not be able to cover all their costs for making the product and therefore reduce the amount of profit made by the business. Covers up Ltd may take large amount of money. In mean getting good quality leather and the costs may not be covered by the price rate. However by raising the price to €19.50 they may not be able to get as many customers.

(Total for Question 3 = 20 marks) Q03\_Total

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\* Answer continued on a additional paper. **TOTAL FOR SECTION A = 60 MARKS**

3d)	Raising the price may not be a good idea because covers up Ltd is moving to a new location and they may already not have many customers that know them and in the European Union and so they would prefer if the prices are charged at a lower rate.
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## Section B

### Question 4

In part 4 a – again a knowledge question where nearly three quarters of the students did not gain any marks. Most commented that it was making the goods, when the customer wanted them.

In part 4 b - this question was not as well answered as anticipated. A number of students did not read the question properly where it asked for **why** Covers-up Ltd would prefer to use batch production rather than job. Over half the students only gained 0-2 marks for this question. This is probably due to the fact that they had not read the question correctly and saw the words batch and job and gave full descriptions of these types of production. There were no knowledge marks allocated to this question. The majority of marks were for evaluative comments which students failed to pick up. Explain does appear in AO2, AO3 and AO4 but most often is used to point students in the direction of AO3 and AO4 type answers.

eliminate the cost of holding stock. This means stock will only arrive in the production when they are needed.

(b) Explain **two** reasons why Covers-up Ltd would prefer to use batch production rather than job production.

(8) Q04b

1. Batch production is a production where a Covers-up Ltd produce a number of products to a same design or specification and then changes the ~~job~~<sup>product</sup> to different specification which help them to produce a range of products and the unit cost will also be lower whereas in job production high labour is there as the workers are skilled and it is labour intensive.

2. Job In job production they produces one product from start to finish <sup>before</sup> moving onto the next product so it consume a lot of time and it is ~~an~~ expensive. Job production is used for products such as one off so it is not suitable for the covers-up Ltd as they have 2 factories so they need to produce <sup>range</sup> variety of products and batch production also meets the customers requirement specifically.

In part 4 c – this question was mainly answered well, with students showing an understanding as to why a business would move to a poorer country to manufacture their goods. Most popular reasoning was cheaper labour and plenty of labour available with some justifying that health and safety legislation was not as rigorous as in other countries, therefore making it easier to set up a business.



In part 4 d – a question that tested the knowledge of students, nearly half of the cohort did not gain any marks for this question. The command word of 'suggest' was used showing that the main AO that was being tested was AO4 – Evaluation. From some of the student's responses it appeared they did not have an understanding of what TQM meant or how it was applied in a business. There appears to be some confusion between TQM and Quality Control. For those that did understand some went into great detail about what TQM is, but did not apply it to Cover-ups Ltd and therefore did not gain any marks.

	<p>Total quality management is a managerial approach that is used to ensure quality in all aspects of the business. When using TQM, Cover-ups Ltd are able to ensure that all the stages in the production process place importance on ensuring quality. This is because everyone is involved with TQM. TQM ensures that the employees in Cover-ups Ltd pass on the parts on and receive the semi-finished work that meets the quality standards, ensuring that only those covers that meet the quality standards are continued to be produced. Also TQM forces the <sup>Cover-ups Ltd</sup> <del>managers</del> to have a zero defect policy. This means that the company will not produce or try to minimise the covers which have defects. This ensures that Cover-ups Ltd only produces quality covers. Also TQM results in the division of the 60 Cover-ups Ltd's workforce into teams. These teams will control the particular areas of production.</p>
	<p>(Total for Question 4 = 20 marks) Q04_Total</p>

4d)	ensuring that the quality is maintained in all the stages of the manufacture of the covers. This allows Cover-ups Ltd to produce or manufacture covers that meet the quality standards and to high quality covers are produced.

### Question 5

In part 5 a (i) - over half of the students were unable to define the term economies of scale which is a knowledge question.

In part 5 a (ii) – the question specifically asked about managerial economies of scale and not general economies of scale. Over half of the students did not score any marks on this question. Most tended to comment on the advantage of economies of scale being able to buy in bulk. However this is not **managerial** economies of scale. Again worth reiterating, that all sections of the specification should be covered to enable students to have the opportunity of answering the question.

In part 5 b – Again another question, that was not well answered by the majority of students. Students demonstrated their knowledge about what promotion was, but there were no knowledge marks available. Also some students discussed what promotion is when gaining a new job. It appears that students were either misinterpreting the question or not reading it fully before they answered. On the other hand, some students were able to comment on the importance of ensuring that the customers know about a product and this helps them when deciding what to purchase. However, there was an understanding that without promotion the customers would not know about a product and others made reference to giving special offers to encourage customers to purchase the new covers.

In part 5 c - The question asked for students to justify why they had chosen one option and not the other. Students tended to gain the marks for their chosen option but did not gain the full marks for the option they had rejected. Therefore, comparatively few students were able to comment successfully on the method they had chosen, whilst rejecting the other option and justifying their reasons through analysis and evaluation, as required by the question. There were still a number of students who were writing in bullet point format and this did not allow them to gain the analysis and evaluation marks available.

Non-financial incentives tended to be the most popular option selected by students. A number of the responses were very descriptive and knowledge based, with little or no analysis or evaluation. Students need to understand that they choose one option and then have to justify why they have rejected the other to gain the marks available. Often students do either one or the other and not both. A number of students gave detailed comments on Abraham Maslow and his theory and made reference to each stage of the hierarchy.

It is worth pointing out to students that this question does carry the most marks and they should allow sufficient time to answer it. A number of students only completed a few lines and therefore did not gain many marks. As mentioned previously some students continue on additional paper but if there is no indication on the examination paper that they have done so, valuable marks could be lost.

An example of knowledge based answer.

The motivation of workers is very important for a business. The more motivated the workers are, the more work will be done. Motivation can be made in many different ways. Workers could be motivated in the area/surroundings of a work place, they could have rotation in the business that will challenge them, or they could get promotions when they have worked extra hard. They could also be rewarded with fringe benefits (non-financial incentives) to keep the workers motivated.

Fringe Benefits are things such as, getting a free car from the business, getting memberships to clubs and resorts. Anything that can be rewarded to a worker without physically giving them money.

Non-financial incentives ~~are~~ (fringe benefits) will motivate workers more because it is a constant entertainment. Work car / mobile will / could be used on a daily basis and memberships to clubs / resorts can be enjoyed

whenever wanted.

Whereas financial incentives don't include any of these. Financial incentives is a pay rise or promotion as to where the worker will get paid a certain amount of money more (only that month)

(Total for Question 5 = 20 marks) Q05\_Total

An example of a student who has analysed and justified their comments.

"I have chosen option 1 as financial incentives are a lot more wanted by everyone. If the workers get bonus or pay rise they will work a lot better and efficiently as they are getting more money. They will also be happier meaning the morale of workers will be higher so work ethic will be better. With non-financial incentives workers may be more motivated but with financial rewards they have to work towards it is more appealing. As everything gets more expensive people need more money, so this is another reasons why financial incentives are better. There are also more options with financial for workers. For example if whoever makes the most products by the end of the week gets £500 extra they will work ten times harder to get the money. A problem with this is that the quality may decrease as they try to get more items made.

Personally I would definitely prefer a financial reward than non-financial and so would everyone I know. As money is what makes the world work which is why I would choose option 1."

This answer has made many valid points for the financial incentives but little against them which means they would have gained half marks.

## **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>



