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# A-LEVEL BUSINESS

7132/2: Paper 2  
Report on the Examination

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7132  
June 2019

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Version: 1.0

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## Overview

This paper proved to be accessible for students on all questions. Only a small number of students appeared to have issues with timing that meant they were unable to complete all questions asked. There were some high quality responses where students had read the question, kept a precise focus in their responses and met the demands of the question. Students who performed consistently well were able to demonstrate their ability throughout the paper. There were very few occasions where scripts featured a 'no response' mark. In contrast, some students need to focus more clearly on the question. One positive feature in the responses to this paper was the number of students who had moved away from need to use definitions as a starting point for a response.

High level responses were produced by those students who read and focused their answers directly at the questions. There were some very effective responses where students had structured their answers well, maintained focus and produced conclusions based on the analysis made. More able students made use of the items for analytical questions and for evaluative questions used wider examples of business context to highlight and support arguments, rather than writing in general terms. Although the paper itself did not ask explicitly for any particular use of theorists or models, those students who could and did introduce relevant models and theories and use them appropriately often gained higher marks.

On evaluative questions, it was good to see the number of students who were able to offer some support to their conclusions. Again, failure by some students to target the specific question limited some of the judgements made. Well-developed, concise and balanced argument that were critically considered in their conclusion and provided a clear and supported judgements scored well. Answers that had obviously been planned and thought through, showing a degree of selectivity of arguments presented, achieved higher marks than those that concentrated on a volume of less developed points, particularly in Question 1.5. Students should note A04 on the 16-mark questions accounts for 7 marks, and therefore having no conclusion/judgement severely restricts the maximum mark they can achieve on such questions.

A common issue on this paper was that although students were able to access the material, many struggled to support this with effective analysis, often due to a lack of targeting the key aspects of the question asked. Many students attempted to offer too many separate lines of reasoning rather than being selective and offering fewer but more developed and focused points. Few answers lacked any relevant content but there were still a number of responses that were generic and some lost focus on the question, especially on extended answers. Effective analysis will often refocus the argument back to the question itself, after having fully explored a point. A fully explored point involves the student following a logical journey down a line of reasoning that is not reliant on assertions or unsupported statements.

On evaluative questions, less able students need to understand the necessity of presenting a balanced viewpoint to reach a conclusion. These students were often capable of building a one-sided argument but incapable of providing a contrasting view, thus limiting their ability to meet the demands of the questions set as fully as possible. A number of students built their analysis and arguments well but their final judgement let them down; the conclusions, or lack of them, often restricted potentially very good answers. Students need to be more careful about reading the question and understanding what is actually being asked of them. For example, Question 1.5 clearly asks whether the use of market research will guarantee high sales, not how will it help.

## Question 1

### 1.1

Most students tackled this question well; there were very few students who made no attempt. Most students reached level 1 but, surprisingly, some explanations were disappointing. Competitors in the market or changing consumer tastes were popular factors, but frequently explanations were absent. More effective responses perhaps explained the arrival of a competitor's new product that gave them a competitive advantage and higher sales at the expense of Kellogg's. Many students identified more than one factor but did not explain any. A minority of answers explained the absence of a correlation in depth, but then did not identify or explain any other potential reason.

### 1.2

Students who scored well on this question were able to identify a clear reason why the value of sales could increase, often relating to price inelastic demand, with a good explanation of how this would then cause an increase in revenue to occur despite lower volumes.

Many students identified a reason but were unable to develop the link between increased value and decreased volume. Many relied on just rewording the question or simply stating that this would be so, without any supporting explanation. Students in future series need to appreciate that the key word explain requires more than merely giving a simple reason.

### 1.3

The majority of students did well and scored highly on this question. Those that knew the correct formulae were able to access the data easily and perform the correct processes without error. However, even some students who performed relatively well often failed to provide their answers as a percentage figure.

Students who stated the formula and laid out their working clearly were able to secure process marks even if mistakes were made. This particularly worked in the favour of those who calculated each company's market share individually and then added them up. This often resulted in errors from rounding but examiners could award marks if the process could be followed.

### 1.4

This particular question proved highly accessible. A common approach was to begin with market share figure/s from Question 1.3, giving context and linking this to likelihood of threat of entry. Generally, students found this question very accessible with the key discriminator of how/why the market shares affected the threat of entry. Effective responses focused on ability of the big four to strike deals with suppliers that new entrants could not meet, hence keeping unit costs down and experiencing economies of scale. Aggressive price competitiveness was a popular option, as was the effect of brand loyalty on deterring new entrants.

Less effective responses often lacked any reference to the size and market power of the big four and considered generic factors causing barriers to entry, rather than the question of how this market power impacted on the level of threat.

## 1.5

This question proved to be an effective discriminator. Effective answers were able to analyse the data and use the analysis to answer the question. By analysing the data presented, the more developed answers were able to give balance to their response highlighting how and why it would guarantee high sales, such as Kellogg's market power and its overall spending on advertising, and contrasting it with aspects such as sample size, type of research and falling forecasted volumes. Some raised the issue of being unable to guarantee high sales because some vital information was missing, and were able to detail what the information might be. Key to accessing the higher levels, though, was returning to the question and making a final judgement around guaranteeing high sales based on the previous analysis.

It was surprisingly was that many students failed to analyse data or even quote data to support arguments, but simply described the various appendices. Many listed appendices and offered simple explanations, missing important lines of analysis by failing to be selective in what they discussed. Thus they presented a wealth of under-developed points. Similarly, the question was not how the data would help/not help achieve high sales, but whether it could guarantee it.

On the whole, most students were following good exam practice, producing a response with knowledge/understanding, range and some depth, balance, development and judgement. However, the main problems were the quality of what was written, a lack of focus on the question asked and the failure to select the most important data to consider, which prevented students from giving depth and accuracy to key points.

## Question 2

### 2.1

This question highlights the need for students to ensure they are confident with all terms in the specification. A common mistake was to write at length about market share rather than market capitalisation and it was clear many students did not understand the term. This question had more blank responses than any other.

Where students were confident with the concept, they would discuss the positive and negative impacts on share price. The case study was useful for this question in supporting students' responses and most who understand market capitalisation utilised it well. Effective responses considered the short term damage to share price due to the costs of new strategy which will cause profits and dividends to fall, therefore reducing market capitalisation due to shares being unattractive to investors. More effective responses then considered that in the long term, this may be reversed as the new strategy begins to work. Some less well developed responses focused on share volume.

### 2.2

The question called for an advantage and disadvantage to reach Level 3 and in context of the business, not for the employees. More effective responses made clear links between flexible contracts and application to WeRide. With this question there were many possible advantages and disadvantages. The key to a good response was for students to plan and select the most appropriate ie those they could analyse most clearly. The majority considered the advantages to be cost related, and the disadvantages were linked to motivation and how it would improve customer satisfaction. More effective responses considered how WeRide could benefit from lower

fixed costs and higher profits due to better management of shifts and driver availability, while conversely the insecurity of employees may demotivate drivers and lead to increase in labour turnover increasing recruitment/training costs.

Many students struggled though to put this in terms of WeRide and a taxi company, often leading the development of points to be rather generic in approach.

### **2.3**

The core aspect of the question here was ‘businesses’, not just WeRide. This question differentiated well. Students with a broader appreciation of the impact of legislation were able to explain their points confidently and were rewarded by reaching the higher levels in the marking scheme. They were able to use examples of legal changes that have influenced business strategy, whether it be positive or negative. Effective responses showed balance, with arguments centred on how business would benefit in some circumstances and lose in others, fully developing the effect of legislation on certain products or sectors of industry to illustrate the level of effect that would result, such as sugar tax or environmental laws. Others balanced this against legislation that impacts on all business, such as the national minimum wage. These lines of argument gave a really good vehicle for judgement in the conclusion.

However, a common approach was to base a response solely on WeRide and how the laws relating to pollution and restriction on licences had impacted on them (threat) but had created an opportunity for a new venture (Electric Bicycles). However, this narrow approach restricted the mark and to access higher levels, context of wider business was required. Also, there were students who were too focused on explaining the advantages and disadvantages of SWOT and lost focus on the question as a whole.

It was interesting that many students concluded that legal changes create more threats than opportunities when their preceding arguments had given examples of businesses that quite clearly had benefitted.

## **Question 3**

### **3.1**

Many students approached this question well, showing understanding of concepts and the ability to build good lines of reasoning. When students were confident with the concept of profit margin, they could develop some powerful arguments linked to one or both topics and the impact on profit margin. More effective responses considered how research and development creates innovative products, allowing higher prices or new processes and reducing unit costs and boosting profit margins. When combined with a good knowledge of patents this creates a competitive advantage leading to premium pricing and therefore to higher profit margins.

In some responses, clear links were not made as the distinction between profit and profit margin was not established. Profit margins are an area of weakness for many students, with much discussion about increased revenue and profits. Many students argued that increasing sales will increase profit margins automatically and did not explore these relationships effectively.

There was a lack of clarity of the concept of research and development and confusion with market research, with many students analysing how Market/Marketing Research helped profit margins on new products. A small proportion of students had no understanding of the concept of patents.

### 3.2

This proved quite a tricky question for some students. Most students understood the difference between the two but very few were able to make comparisons between them and really state why a regional structure would be more suitable. There were numerous generic, knowledge-based responses as students found it slightly difficult to get context into their answers. A number did achieve this by discussing the products that Galin made and their suitability for different regions. Many students attempted to use relevant theories like Bartlett and Ghoshal or Hofstede's Cultural Dimensions, and a few did so well. The idea of being more able to cater for local needs was the most common approach and some effective responses focused on this, giving context of different markets/cultures and contrasting this with a more centralised standard approach.

A number of answers were focused on labour costs in different regions and answered the question as if it was multinationals with production in different countries. There was much quoting of information that was in the case without developing the benefits of using it. Using the stimulus is good to help support arguments and build context to responses, but simply restating the text does not gain any merit.

### 3.3

This was another evaluative question where the focus was on all business, not just the business in the case (Galín). Many misinterpreted the question and instead focused on ways Galín could improve labour productivity. The students who did well here were those who remained focused on the question at all times. Effective answers demonstrated a clear focus throughout and offered a balance of what employees would and would not welcome, driven by the 'increase in productivity'. Some students made good use of supporting theories such as Taylor, Maslow and Kotter and Schlesinger. More effective answers had an appreciation of the importance of the nature of work that employees would be undertaking, considered the type of employee and used examples of different businesses to support. The most effective answers drew evaluative links between the type of method used, the culture of the business, the type of employee who would welcome an increase in productivity and the level of employee skill.

The main problem students had was maintaining focus on the question. There were lots of answers discussing methods of motivation and increasing productivity, but students tended to drift into the importance of motivation and lose focus on whether it would be welcomed by employees. Many students struggled to use the concept of 'any' business and generate context for their arguments and instead presented knowledge-based responses on their understanding around labour productivity, motivation and resistance to change.

### **Mark Ranges and Award of Grades**

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.