

BUSINESS

Paper 9609/11
Short Answer and Essay

Key Messages

- Candidates are reminded that marks are awarded for application, analysis, and evaluation on this paper as well as for knowledge and understanding of business concepts. Some candidates in **Section B** are not giving sufficient emphasis to either the general or specific context of essay questions. Where there is no specific context required candidates must seek to **apply** the implications of any issue, concept, or problem to business activity or business performance. Where the context is specific, as in **Question 6** in this paper, explicit reference to a retail store was required for a high mark to be awarded.
- Essay answers in **Section B** must also evidence sound analysis and some evaluative comment if high level marks are to be awarded. Candidates limit the marks that can be awarded if answers are too descriptive.

General comments

Section A proved difficult for some candidates because of an unfamiliarity with some of the business concepts examined—notably **Question 1(a)**, **Question 2(a)** and **Question 4(b)**. It is important that candidates have a sound definitional understanding of the key business terms/concepts outlined in the syllabus.

In **Section B**, it is important to spend some time in carefully reviewing the key words and concepts in the question in order to produce a relevant response. Many candidates still write as much as possible about a concept rather than use the material to give a clear focussed answer. Some candidates write an answer to the question that they might have preferred to have been on the examination paper rather than give an answer to the question set. These approaches often result in little or no attention being given to the context of a question which can lead to a significant reduction in marks awarded.

In **Section B**, many candidates are still reluctant to offer evaluative comment on questions. Candidates are reminded that such comments can be made at the outset of an essay discussion or at intervals in the discussion as well as in a concluding section. A specific evaluative response to a question in the very first paragraph of an essay often assists in the writing of a relevant and focussed essay.

Comments on specific questions

Section A

Question 1

- (a) This was a challenging question for many candidates with price penetration and competitive pricing being incorrectly given as explanations of price skimming. Only a very small number of answers were awarded 2 marks for a sound definition of price skimming.
- (b) As a consequence of incorrect definitions given in section (a), few candidates were able to explain the business benefits of a price skimming strategy. Sound responses made reference to opportunities to maximise short term profit, create a customer perception of high quality, and recover high research and development investment.

Question 2

- (a) Sound definitions of 'window dressing' referred to the accounting practice of presenting published accounts in a favourable way to shareholders/investors in order to give the appearance of a high performing company and/or to attract more investment. However some candidates incorrectly described the concept in terms of making shop window displays attractive.
- (b) Sound responses referred to the limitations of window dressed accounts in terms of making comparisons with previous years accounts and competitor accounts, and made it difficult to make any realistic assessment of business performance.

Question 3

This question was quite well answered. Sound answers accurately defined corporate objectives and explained their importance in terms of creating a strategic context for management and employee behaviour and activity throughout a business. The link between corporate and departmental/section objectives was often at the heart of effective explanations of the importance of corporate objectives. Some candidates however drifted into a very detailed definition of different business objectives and as a result paid too little attention to the question requirement to explain the **importance** of corporate objectives to a business.

Question 4

- (a) There was a mixed response to this question. Candidates with a sound understanding of this business concept correctly defined emotional intelligence as the ability of managers to understand their own emotions and the emotions of the people they work with. A significant number of candidates however lacked any real understanding of this concept.
- (b) Sound answers selected two out of the four Goleman competencies: self-awareness, self-management, social awareness and social skill and related them to a business manager context. Weaker responses struggled to develop little more explanation than that set out in the answer to section (a).

Section B

Question 5

- (a) Sound answers recognised that this question focussed on what stakeholders might expect from a business organisation and developed effective analysis by discussing what stakeholders such as customers, employees, suppliers, local communities, governments, and shareholders might expect or require from an accountable business. Some strong answers also included a reference to stakeholder theory. Some weaker responses limited the discussion to shareholders only.
- (b) Sound answers used examples of stakeholder conflict and applied them effectively to the fast food retailer context. Typical conflicts analysed were the search for cost reduction by the business through sourcing cheaper ingredients opposed by customers demanding quality food and ethical supply methods. Less effective answers said little about potential stakeholder conflicts and gave very few examples.

Question 6

Sound answers outlined the key elements of Maslow's theory of motivation and then applied them to the context of a retail business often discussing how managers might attempt to motivate a variety of employee situations. Effective responses often reflected on the limitations of Maslow and without drifting from the main focus of this essay, suggested that other motivation theories might be equally useful or even more relevant to a retail context. Weaker answers spent too much time explaining the detail of Maslow and too little time applying the theory to the distinctive retail business context.

Question 7

- (a) This along with **Question 5** was a popular question. Most candidates presented a sound understanding of inventory control and gave good examples of the consequences of over/under stocking. Sound responses addressed the importance of effective inventory management to a manufacturing business, while less strong answers were much more general and did not explicitly consider the significance or importance of this critical activity to a manufacturer.
- (b) The majority of candidates were able to effectively describe the fundamental features of JIT and discuss the advantages and disadvantages of this method of inventory management/control. Sound answers gave interesting examples of specific advantages and disadvantages to secure marks for analysis and made evaluative comments relating to issues such as the need to effectively conduct risk analysis when using JIT, and the necessity of establishing sound relationships with business stakeholders such as suppliers and employees.

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<p>Paper 9609/12 Short Answer and Essay</p>

Key messages

- Candidates are reminded that marks are awarded for application, analysis, and evaluation on this paper as well as for knowledge and understanding of business concepts. Some candidates in **Section B** are not giving sufficient emphasis to either the general or specific context of essay questions. Where there is no specific context required candidates must seek to **apply** the implications of any issue, concept, or problem to business activity or business performance. Where the context is specific as in **Question 6** in this paper, explicit reference to school teachers was required for a high mark to be awarded.
- Essay answers in **Section B** must also evidence sound analysis and some evaluative comment if high level marks are to be awarded. Candidates limit the marks that can be awarded if answers are too descriptive.

General comments

Section A proved difficult for some candidates because of an unfamiliarity with some of the business concepts examined - notably **Question 2(a)** and **Question 3**. It is important that candidates have a sound definitional understanding of the key business terms/concepts outlined in the syllabus.

In **Section B** it is important to spend some time in carefully reviewing the key words and concepts in the question in order to produce a relevant response. Many candidates still write as much as possible about a concept rather than use the material to give a clear focussed answer. Some candidates write an answer to the question that they might have preferred to have been on the examination paper rather than give an answer to the question actually set. These approaches often result in little or no attention being given to the context of a question which can lead to a significant reduction in marks awarded.

In **Section B** many candidates are still reluctant to offer evaluative comment on questions. Candidates are reminded that such comments can be made at the outset of an essay discussion or at intervals in the discussion as well as in a concluding section. A specific evaluative response to a question in the very first paragraph of an essay often assists in the writing of a relevant and focussed essay.

Comments on specific questions

Section A

Question 1

- (a) Leadership was generally understood with good answers presenting a definition that linked the motivation of people with the pursuit of common objectives. However there were a significant number of responses that defined management rather than leadership and some responses that defined an entrepreneur rather than leadership.
- (b) Almost all candidates were able to explain two types of leadership with autocratic and democratic being the most popular examples given, Some of the responses were, however, little more than a one sentence statement which failed to convey the key features of a leadership style. Statements such as 'an autocratic leader takes all the decisions at the centre of an organisation' and 'a democratic leader is one who practices two way communication' would not give enough information to be awarded 3 marks. While accurate statements, some key features of each leadership style were missing.

Question 2

- (a) Strong answers gave a sound definition of debt factoring as a business selling its debts to a third party with often an explanation of the discounted amount received by the business. Many candidates were however unsure of this topic and were not able to give an accurate definition.
- (b) The majority of answers understood leasing as an alternative to a major capital investment with many giving a sale and leaseback example. Some candidates however after giving a correct explanation of leasing failed to link understanding to cash flow which was the essence of this question

Question 3

Only a small number of candidates had an accurate understanding of mass customisation. Many candidates misread the question and drifted into an explanation of computer aided manufacturing. Many candidates understood and explained either mass production or customisation but only a limited number managed to put the two concepts together. Good answers, which explained mass customisation as a production process where flow production of standardised products is complemented with the ability and flexibility to create special and different features, then went on to explain how such a production process gave the benefits of specifically meeting customer needs leading to brand loyalty, increased market share and premium prices.

Question 4

- (a) A significant number of candidates were unable to give an accurate definition of 'demand'. Accuracy requires a reference to willingness/ability to buy a quantity of a product/service at a given price or over a given time period. Many answers drifted into considerations of needs and want only, while others gave general statements relating to the laws of demand and supply.
- (b) The majority of candidates gave accurate and confident responses to this question. Sound answers focussed on factors such as price, income, substitutes, and taste as important influencing factors determining the demand for restaurant meals.

Section B

Question 5

- (a) Most candidates identified and explained appropriate problems facing a new business, such as a lack of capital, cash flow problems, established competitors, limited managerial experience and the lack of a strong customer base. While most answers contained some analysis it was often quite limited. Candidates are reminded that 4 marks out of the 8 are allocated for analytic comment.
- (b) Sound answers identified the methods and likely benefits of a business engaging in market research activities. Common benefits identified as a result of effective market research included the production of information relating to customer requirements, competitor strengths and weaknesses and marketing opportunities. Many answers, however, did not develop any strong analysis or evaluation of the contribution effective market research activities might make to a new start up business. This question offered many opportunities to analyse, assess and evaluate the extent to which effective market research could impact on a business. Strong answers questioned the relevance of market research to some new start business problems such as lack of capital or managerial deficiencies, and questioned whether new start-up businesses had the resources or the capability to engage in effective market research.

Question 6

Motivation was well understood as a business concept and most candidates were able to identify and explain a comprehensive set of motivation theories and theorists. Many candidates, however got so involved in describing in detail various motivational theories that an assessment of the importance of money as a motivator was almost forgotten. There was also a low level of application to teachers in a school. Many answers could have been talking about people working in a car assembly unit rather than teachers. There was a general reluctance to give specific examples of the work and influence of school teachers. Sound answers related motivational factors to the quality of teaching and its potential impact on student performance, and questioned the validity of the statement that 'money is the most important factor for motivating teachers in a school'.

Question 7

- (a) The few candidates who answered this question generally had a good understanding of stakeholder groups and most chose to analyse either stakeholders or business managers/employees and most were able to accurately explain the content of income, statements and statements of financial position. Sound answers explained clearly which information could be used by their chosen stakeholder and the potential usefulness of the information, for example profit information which could be used for dividend payments or for enhanced wages/salaries.
- (b) Most answers examined and analysed the content, value, and limitations of the quantitative information presented in the published accounts of businesses. Common themes discussed included the historical nature of published accounts together with the possibility of window dressing. Sound answers also referred to what quantitative results might not reveal about significant internal factors in a business such as employee morale, intangible assets, leadership style, and organisational culture and made evaluative comments as to how this qualitative information might give a more complete picture of business performance.

BUSINESS

<p>Paper 9609/13 Short Answer and Essay</p>

Key points

- Candidates must be prepared to apply their knowledge to the context given in questions. Too many responses show good knowledge and understanding of key business concepts but they do not use that knowledge in the specific business context given in questions.
- Answers to questions in **Section B** must be analytical and evaluative if the higher level marks are to be awarded. Candidates must recognise that in **Questions 5b** and **7b**, evaluation is required. Candidates are limiting the marks that can be awarded by writing answers that are too descriptive in many cases.

General comments

All candidates must learn the definitions of key terms outlined in the syllabus as these often appear on **Section A** of this paper. Time spent learning these will ensure that candidates can write a succinct and accurate definition in the minimum amount of time thus preventing them from spending too much time on one section of the paper.

In **Section B**, many candidates are still reluctant to offer an evaluation when writing their essay answers. If a question requires candidates to 'discuss', then a judgement is required that is relevant to the question set.

All candidates should ensure that they take note of all key words and concepts in the question and respond accordingly and do not try to twist the question towards a focus that they might have preferred. This is common with questions related to motivation when candidates take the opportunity to write all they know about motivation theories and theorists but then avoid answering the specific question set. This is often when the particular context is ignored.

Question specific comments

Section A

Question 1

- (a) The majority of candidates showed at least some understanding of the term opportunity cost. Many candidates gave a precise and accurate definition in terms of opportunity cost being the next best alternative that is foregone when making a choice between options.
- (b) Most candidates were able to identify a relevant business decision where a choice had to be made between two competing options. When candidates failed to achieve full marks, this was often due to them not being precise about which option was the lost opportunity.

Weaker answers described opportunity cost as a financial cost or choosing between options purely on the basis of financial cost rather than opportunity cost.

Question 2

- (a) Many candidates knew that buffer inventory is the minimum amount of inventory that is kept as a back-up or emergency stock to enable production to take place in the case of a delay in the arrival of supplies or in the case of a sudden increase in demand.

Some candidates described buffer inventory as the re-order level of inventory which is different concept and was incorrect in this case.

- (b) The majority of candidates were able to offer good answers to this question. The most common consequences were; if too much inventory was held then some of it might go out of date and if perishable items were held they would be wasted and therefore present a cost to the business. Alternatively, if too little inventory was held then the business might lose customers if they failed to meet a sudden increase in demand.

Many also focused on the related costs of holding too much inventory, e.g. warehouse rental, security guards and insurance.

Question 3

A majority of candidates did not understand what viral marketing is. Many candidates knew that it related to the use of social media and the internet but did not convey any clear understanding of 'viral'.

A small number of candidates understood viral marketing spread news/information very quickly from person to person. Such candidates were also able to explain that this could be important to a business because it is 'free' marketing and that it exposed the products/services to a far greater audience than might be reached through conventional methods.

Many candidates explained what is meant by marketing but did not relate this to 'viral marketing'. A significant number of responses described viral marketing as online advertising but did not demonstrate any clear understanding of what 'viral marketing' actually is.

Question 4

- (a) Good answers to this question defined share capital as being the finance that is raised by selling shares to shareholders. Many candidates were able to offer a clear and accurate definition.

However, some responses described it as the 'number' of shares rather than the money raised by selling shares.

Other incorrect answers defined it as the total market value of shares in a company. Such an answer describes market capitalisation rather than share capital.

Other erroneous answers also defined it as being when two or more people share a business. Many answers described it as sharing resources, machinery or finance.

- (a) Many candidates were able to accurately identify one advantage and one disadvantage of grants as a source of business finance. Most candidates knew that these were usually provided by governments and that they did not require repayment.

A large number of candidates described an advantage of grants as being non-repayable and that no interest would have to be paid. Another common advantage given was that this was a way in which a business that would not be considered for a bank loan could obtain some financial help.

There were also many correct disadvantages identified and explained such as the fact that maybe the business would need to locate in an area that the government chose. Explanations frequently linked this correctly to the desire of governments to reduce unemployment in a particular area.

Section B

Question 5

- (a) Whilst many answers showed a general understanding of the different markets, many failed to address and analyse the more significant differences. Weaker answers described characteristics which could have been applied to any market or business activities. For example, several candidates described the competitive nature of business but did not make this relevant to either a national or an international market.

In many cases candidates had not responded to the word 'features' in the question and wrote about why a business might prefer to trade internationally rather than nationally.

However, a number of candidates did identify and explain the significance of features in both types of markets. Many responses identified the cultural differences and language differences as potential issues when trading internationally. These candidates also often recognised that the consumers in a different country might demand very different products and that a business would have to carefully research the tastes and preferences of consumers.

- (b) The majority of candidates could accurately describe the product life cycle. However, only a small number of responses applied the PLC to a multi-product business in an analytical and/or an evaluative way. The majority of candidates wrote about the various stages of the product life cycle and the impact on marketing decisions for example, the amount of promotion to undertake and also pricing strategies.

Strong answer included some analysis in terms of achieving a balanced portfolio of products allowing products in the maturity stage to subsidise those in the introductory stage. Evaluative answers tended to question the accuracy of a product life cycle and also frequently questioned the likelihood of a new product following the same life pattern. Some evaluative comment was based on the problem of the lack of predictability of external shocks such as a sudden recession which could change the pattern of sales that had been anticipated.

Question 6

The majority of candidates answering this question demonstrated some understanding of emotional intelligence. However, a number of candidates responded either to the word 'emotional' or 'intelligence'. Answers in those categories referred to managers needing to be intelligent if they were to be able to solve business problems and guide the employees. The references to 'emotional' often related to managers showing their emotions at work or needing to hide their emotions while at work.

Strong answers to this question outlined Goleman's theory of emotional intelligence and then explained how, with the ability to understand their own emotions and those of the people they worked with, they would be able to motivate and manage their workforce effectively.

A significant number of candidates failed to offer any evaluation in their answers to this question other than to say that they agreed or did not agree with the statement but did not offer any analysis to support that.

However, some candidates did question whether emotional intelligence alone was sufficient to be an effective manager. Many then outlined why intellectual prowess might be equally or sometimes more important than emotional intelligence. A small number of candidates linked such a view to different leadership styles in support of their judgement about the importance of emotional intelligence to effective management.

Question 7

- (a) Most of the candidates who answered this question showed understanding of both rights and responsibilities of employees as stakeholders in a business. The majority of candidates identified the right to be paid according to minimum wage or to their contract of employment together with a right to be treated according to that contract in terms of hours of work and holidays. Several candidates also identified the right to a safe working environment and also the right to join a trade union.

Responsibilities were also well explained by most candidates. Most responses included the responsibility to work according to the rules and regulations of the business and in accordance with the contract of employment. Another responsibility identified by many candidates is that employees must not reveal any secret information to anyone outside the business.

A small number of candidate were, unfortunately, distracted by the word 'stakeholders' and wrote in terms of right and responsibilities of a wider range of stakeholders.

Some candidates outlined an employee's right to take part in decisions within the business and to be informed of the financial situation of the business. These are not usual rights unless a situation

was described where, for example, the managers had indicated that they would give these rights to their employees.

- (b)** The quality of responses to this question varied considerably. Good answers recognised that public sector organisations are those that are owned and controlled by the government and that they often provide essential goods and/or services to the public.

Candidates were able to identify several stakeholder groups that could be affected by such a decrease in financial support and were able to offer analysis of the possible implications for them. Many candidates highlighted the concern that employees might have; either that they might suffer a reduction in wages or might even be made redundant. Some good answers developed and analysed the possible impact on suppliers to such an organisation and how they might lose business or be forced to supply at cheaper prices, therefore affecting their profitability.

Some strong answers analysed the possible impact on consumers by explaining that public sector organisations often supply essential goods at relatively low prices and that perhaps the price of those goods would have to increase. The potential impact of this was analysed in terms of how necessary the goods/services were and whether or not the consumers might be able to afford the higher prices.

Some evaluative answers questioned the extent of the reduction in financial support and concluded that if the reduction was relatively small then the impact might not be noticeable to stakeholders and would have little if any impact.

Other evaluative responses explained how this might be beneficial for stakeholders such as banks who might then be approached to give a loan in order to make up for the loss of Government financial support. Some candidates also suggested that the reduction in financial support might be a good thing for the organisation because it would force it to become more efficient and to cut down on any wastage.

The majority of responses contained some analysis but lacked any evaluative content.

BUSINESS

Paper 9609/21
Data Response

Key messages

- This paper requires a reasonable amount of extended writing, especially in **Questions 1(c), 1(d), 2(c) and 2(d)**, to build up arguments and come to a justified conclusion. Too many candidates wrote far too little in their responses to these questions and received low marks because there was not enough development. It is not unreasonable to expect at least two good sized paragraphs for any analysis question (the 8 mark questions) and three good sized paragraphs (as a minimum) for questions requiring evaluation (the 11 mark questions).
- The data is there to help candidates place their answers in the context of the given business. This is especially important for **Questions 1(b)(ii), 1(c), 1(d), 2(b)(ii), 2(c) and 2(d)** where a lack of context will see answers gaining half marks or less. For example, in **Question 2(c)** candidates needed to analyse two possible reasons why SA's objectives may change over time. Analysis of reasons why a generic business may change objectives is not in context; the data needed to be used to provide a good answer.
- Candidates too often make a point and do not take it far enough. For example on **Question 1(d)** where many candidates correctly identified ways in which MM could solve its human resource problems but did not analyse the full impact on MM of these methods.
- Analysis is about building up arguments and showing the impact or effects on the business. Evaluation is, therefore, about judging the relative merits of different arguments and coming to an overall conclusion that answers the question. This process of evaluation does need to happen just at the end of an answer. Really good answers evaluate throughout, weighing up the arguments as the candidate presents each argument. There are significant marks available for evaluation on this paper and candidates need to show more of these skills to gain a high mark.
- Centres must prepare candidates to respond at the right level for each question. On this specific paper:

Q1(a)(i) and Q2(a)(i) both require a definition. This is a simple repetition of a learned definition; no explanation or application is required. A good definition (learned from a textbook) is usually a sentence with nothing else required. Vague, imprecise, or unfocused definitions will not receive both marks.

Q1(a)(ii) and Q2(a)(ii) both require an explanation without using the case study. Each part has three marks and candidates should aim for a detailed definition and an example, not related to the case as this will often show no understanding, especially as it may be copied from the text.

Q1(b) and Q2(b) both require a calculation and then a question related to that answer. It is always advisable to use or refer to that answer in the second question. Candidates must answer the second part in context.

Q1(c) and Q2(c) both require analysis in context. Candidates should aim for two well analysed points. A good answer *does not* require a conclusion or any evaluation.

Q1(d) and Q2(d) both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

- **Question 1(d) and 2(d)** both have 11 marks. This makes evaluation based on good analysis even more important.

General comments

The two pieces of data covered both a traditional manufacturing business and a business selling a service to an industrial market. The nature of an industrial market proved slightly more difficult for some candidates, but both were accessible.

Both questions provided enough data to answer the questions. However repetition of the context is never worth marks, unless the data has been used. Some candidates still spend time writing out elements of the case study in the examination. The examiners have had plenty of time reading the data themselves and do not need to be reminded about it by the candidates. By using the data candidates can access all of the relevant application marks and will have more time available for good analysis and evaluation.

Comments on specific questions

Question 1

- (a) (i) Economies of scale was a poorly understood term with many candidates taking a guess that they had something to do with the economic growth. Terms such as these are the basic essentials of a candidate's understanding of Business at AS Level and Centres should devise ways in which candidates can learn and understand all of the relevant terms from the specification.
- (ii) In contrast to the previous question, many candidates did know what buffer inventory was and could show some understanding of the term. The major issue in this question was the lack of care taken by some candidates who used the term 'inventory' to explain the term 'buffer inventory'. This does not show any understanding of what inventory actually is, which is a key part of this question.
- (b) (i) There were a few figures that candidates tried to use to answer this question, but real understanding came from knowing which ones should be used. Too many candidates wrote down numbers with no mention of where they had come from (or what each number represented) leading to the examiners having to 'guess' what their answer actually was. A well set out calculation with simple stages identified is likely to allow the examiner to reward parts of calculations even when the answer given is wrong.
- (ii) The data given allowed for three straightforward, contextual, answers to this questions which candidates could easily have accessed with a good understanding of liquidity. MM could increase their cash through a number of means; increase their current assets and/or decrease their current liabilities. Since all of the figures for these were given in the data, these methods were easy to contextualise. Other methods exist but they were more difficult to contextualise and the candidate should always look for the 'help' that is given in the context for this type of question.
- (c) This was an analysis question. Analysis is about consequences, effects, reaction or impact. In this case, candidates needed to analyse one advantage and one disadvantage to Ben and Mary of changing from a partnership to a private limited company. Many candidates could identify and even explain the advantages and disadvantages of becoming a private limited company, but relatively few could contextualise this in terms of moving from a partnership structure. This was vital for context and therefore application marks to be awarded.

There was some misunderstanding of the nature of partnerships (for example, that they exist with unlimited liability and no separation of legal identity) and private limited companies (which do benefit from limited liability, separate legal identity continuity etc.)

- (d) The human resource problems were outlined in the data and candidates needed to read and understood the issues facing MM so that they could use these as a basis for answering the question. Simple repetition of the problems was to rewardable as this shows no understanding of the problems.

There was a large number of ways in which MM could attempt to solve their problems and the key was not to find certain ones that the examiner was looking for, but to have any reasonable solution and analyse how this might solve the problems. Such an open question as this requires candidates to be able to think about a realistic business scenario and present solutions. This is a skill that must be nurtured by Centres so that candidates can provide good answers to this type of question.

Any evaluation question (using the command words evaluate, discuss, recommend etc.) requires a judgement and too few candidates tried to evaluate and actually answer the question.

Question 2

- (a) (i) Candidates seemed to have some understanding of revenue, but it was sometimes poorly defined. A good basis for definition question is to ask if the definition could refer to any other similar term. In this case a good answer would distinguish revenue from profit. Where a candidate failed to do this they often did not gain marks.
- (ii) This was not a very well understood term and candidates struggled to explain it. Where there is a term such as this with two elements, a good response will explain both elements and then brings them together with an example (not using the data that has been given). In this case an explanation of consumers, followed by an explanation of a market with an example showing what a consumer mark is would have easily gained all three marks.
- (b) (i) Many candidates knew how to calculate the margin of safety but some candidates did not give their answer in terms of units, which is the accepted format. Again, a well set out calculation allowed wrong, or incomplete answers to be awarded as many marks as possible.
- (ii) Break-even was a well understood term and many possible limitations were given in the range of candidate responses. However, there was a lack of context in most answers which limited the marks that could be gained to a maximum of two. Candidates who did manage to gain all three marks used the context of SA and in particular the new service being offered to a new, industrial, market.
- (c) Objectives change for a variety of reasons and good answers started with the context of SA and used the context to guide their answers and develop the analysis. For example, a simple reason for the change could have been that SA has changed their legal structure from a partnership to a public limited company. This change necessitates a change in objectives to fulfil the needs to the shareholders.
- Analysis of the reasons and the importance for the business of the change was relatively straightforward for those candidates who actually used the data. In the case of the shareholders it might be to avoid a loss of share value, or to encourage further investment which SA is likely to need when developing their new service.
- (d) Many candidates had 'run out of steam' by the time they got to this question. Most could identify methods of market research and some could even contextualise these in terms of the industrial market being targeted by SA. However, relatively few went on to analyse the methods and very few evaluated and came to a judgement over the suitability of these.

Discussion is an evaluative skill and as such candidates needed to evaluate the methods of market research that had been analysed. The question called for more than one method, so the most obvious route in to evaluation was to judgement which of the given methods was most suitable.

BUSINESS

Paper 9609/22
Data Response

Key messages

- The data is provided to help candidates place their answers in the context of the given business. This is especially important for **Questions 1(b)(ii), 1(c), 1(d), 2(b)(ii), 2(c) and 2(d)** where a lack of context will see answers gaining half marks or less. For example, in **Question 2(c)** candidates needed to analyse one advantage and one disadvantage of Iqbals's leadership style on the owner-workers. This answer, therefore, should differ from a generic answer about the advantages and disadvantages of democratic leadership.
- Candidates too often make a point and do not take it far enough. For example on **Question 1(d)**, many candidates correctly state reasons for and against Paul entering into a franchise agreement but their analysis was weak and did not show the full impact on the business and/or Paul. The likely impacts for a business such as this are likely to focus on sales, costs and profits.
- Analysis is about building up arguments and showing the impact or effects on the business. Evaluation is, therefore, about judging the relative merits of different arguments and coming to an overall conclusion that answers the question. The process of evaluation does not need to happen just at the end of an answer; really good answers evaluate throughout, weighing up the arguments as the candidate presents each point. There are significant marks available for evaluation on this paper and candidates need to show more of these skills to gain a high mark.
- Centres must prepare candidates to respond at the right level for each question. On this specific paper:

Q1(a)(i) and Q2(a)(i) both require a definition. This is a simple repetition of a learned definition, no explanation or application is required. A good definition (learned from a textbook) is usually a sentence with nothing else required. Vague, imprecise, or unfocussed definitions will not receive both marks.

Q1(a)(ii) and Q2(a)(ii) both required an explanation without using the case study. Each part has three marks and candidates should aim for a detailed definition and an example, not related to the case as this will often show no understanding, especially as it may be copied from the text.

Q1(b) and Q2(b) both required calculation and then a question related to that answer. It is always advisable to use or refer to that answer in the second question. Candidates must answer the second part in context.

Q1(c) and Q2(c) both required analysis in context. Candidates should aim for two well analysed points. A good answer *does not* require a conclusion or any evaluation.

Q1(d) and Q2(d) both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

- **Question 1(d) and 2(d)** both have 11 marks. This makes evaluation based on good analysis even more important.

General comments

Candidates were provided with a large amount of information in both questions. To provide a good answer, candidates needed not only to use the data, but often to be discriminatory about which pieces of data to use. It is unreasonable to expect candidates to cover every point in their answers to **(c)** and **(d)** questions, so being able to decide which are the most important elements to use is important.

Both contexts seemed to be well understood and there was some evidence of the data being more accessible than previous years. However repetition of the context is never worth marks, unless the data has been used. Some candidates still spend time writing out elements of the case study in the examination. The examiners have had plenty of time reading the data themselves and do not need to be reminded about it by the candidates. By using the data candidates can access all of the relevant application marks and will have more time available for good analysis and evaluation.

Comments on specific questions

Question 1

- (a) (i) To define 'long term sources of finance' requires both aspects of the term to be covered. In this case the idea of 'long term' and the idea of 'finance'. As long as both were covered candidates gained both marks. However too often candidates gave a tautological response, using the words 'long term' and 'finance' in their answer. This can never be rewarded as it shows no understanding or knowledge.
- (ii) Diversity and equality both needed to be explained in this answer. Again, many candidates gave tautological responses which did not show any real understanding. Too many responses just stated that equality was about being equal – there needed to be some understanding that this was about treating people/employees equally. Likewise many candidates simply stated that diversity was about being diverse. A good answer showed good understanding of these with an example of some idea of the benefits to a firm of having these policies.
- (b) (i) Generally a well answered question. Candidates needed to use the information in the pie chart to calculate the total value of sales. Those candidates who did not gain marks on this question often tried to do something far too complicated, or did not use the figures correctly. There were some simple mistakes made with the use of the numbers which often resulted in an incorrect answer. Candidates should spend a little time checking their answers, preferably with a calculator, to make sure that these errors do not happen.
- (ii) The answers to this question were often disappointing because they lacked context. If the question refers the candidates to the data (or to a stakeholder's use of the data) then it must be used. In this case the question was about two appropriate methods that could be used to measure the size of PP, not any business. Therefore any answer (no matter how many different methods the candidates gave) that did not use the context could only gain a single mark.
- (c) This was an analysis question. Analysis is about consequences, effects, reaction or impact. In this case candidates needed to analyse two factors that Paul should consider when selecting a restaurant manager. Therefore good candidates found a factor in the data that Paul should consider and then analysed the need for this factor to be considered. For example the ability to manage employees, such as the non-kitchen employees, is important because otherwise the restaurant is not likely to serve customers very quickly, leading to complaints and reduced repeat customers, sales and profits.

The data provide many factors that could have been used and context for a number of others. Most candidates used the data well but lacked the depth of analysis to gain full marks.

- (d) Again there was a great deal of data that could be used to help Paul make his decision and most candidates used this well. The key was not to use all of the data but to be selective and choose the most important data that would lead to good analysis and evaluation. Too many candidates simply went through all of the data piece by piece without any skills of selectivity.

A good answer covered both sides of the argument with at least one well-analysed argument in favour of Paul choosing a franchise, and at least one argument against. This could then lead to a judgement that answers the question, which is the basis of good evaluation.

Many candidates came to a conclusion, but this must be based on good analysis if it is to be valid. Evaluation cannot be rewarded unless the arguments support it.

Question 2

- (a) (i) Candidates seemed to have some understanding of batch production, but it was often poorly defined. A good basis for a definition question is to ask if the definition could refer to any other similar term. In this case a good answer would distinguish batch production from job and mass production. Where a candidate failed to do this they often did not gain marks.
- (ii) Many candidates confused this business term with the word 'co-operate'. Whilst there is some basis for confusion, 'co-operative' is a specification term to refer to a business structure where members (workers, customers etc.) own and run the business for the greater benefit of the stakeholders. Good revision of business terms from the specification would help candidates on questions such as these.
- (b) (i) Many candidates knew how to calculate the gross profit but less were able to turn this into a margin. The answer required candidates to round up and candidates who did not do this could not gain full marks. Those with calculators should have been able to read off the answer correctly (but many did not) and those without might have been better using a fraction to show their answer (i.e. $66\frac{2}{3}\%$).
- (ii) Profits and profitability are two different terms and have different (although similar) meanings and relevance. Profitability is the ability to have a margin between costs and revenue. For example QL's gross profit margin was 66.67% and this is important because it can lead to a profits being made because all of the costs of sales have been covered.

There was also the need to use context in this answer. The most obvious way was to use the figure from **Q2(b)(i)**, but there was other data in the case that could be used.

- (c) Most candidate identified Iqbal's leadership style as democratic. Candidates then went on to analyse the advantages and disadvantages of democratic leadership (which had obviously been learned well) but forgot to use the context in their analysis, leading to a generic answer that could only gain a maximum of half marks.

One of the most obvious pieces of context to use was that this is a worker co-operative and therefore the owners are being led by Iqbal. Democratic leadership is therefore the obvious choice because it allows all of the owners to have a say in the running of their own business, but allows one person to come to a decision.

- (d) Again, there was a wealth of data that could have been used to answer this question; far more than a good answer needed to cover. One of the aspects of analysis is the ability to choose and be selective over which pieces of data to use. Candidates who tried to cover all of the data usually did not have time for good analysis and evaluation or simply ran out of time in the examination. One well analysed, good argument for Option A and one for Option B was enough to allow candidates to come to a judgement and gain evaluation marks. The quality of the arguments is far more important than the quantity of the arguments and always will be in this paper.

BUSINESS

Paper 9609/23
Data Response

Key messages

- Encourage candidates to use the context, presented in the case studies, to support their responses.
- Advise candidates to use a calculator where appropriate but show full workings when answering quantitative questions such as **1(b)(i)** and **2(b)(i)**.
- Identify what analysis and/or evaluation is appropriate to a question and practise these skills.
- Candidates can reach application and analysis with a few well developed points.
- Remind candidates to be aware of the marks available for each question so that they spend the appropriate time on each question and devote adequate time to contextualised, analytical and evaluative questions such as especially in **Questions 1(c), 1(d), 2(b)(ii)** and **2(d)**.
- Advise candidates that questions requiring the use of context, **such as Question 2(d)**, should integrate the information, from the case, in their answer.
- Candidates should practise developing an argument to build up quality analysis.
- Ensure full understanding of the command words.
- Revise key terms for 'explain/definition' questions and get candidates to produce their own list of words/definitions/explanations with examples.

General comments

The case material for both questions seemed well understood. There seemed little difficulty with understanding the questions set although some candidates answered **2(a)(i)** in terms of wants and needs. A minority of candidates gave longer answers to **part a** questions (5 marks) than to **part c** (8 marks) and even **part d** (11 marks) questions.

Teaching tip: Arguments should be developed using chains of reasoning to show good analysis

As in previous sessions, candidates should make full use of opportunities to:

- Use the context.
- Identify opportunities to analyse – **Question 1(c)** required good analysis based on chains of reasoning.
- Identify opportunities to evaluate – **Question 2(d)** required justification of a chosen pricing strategy.
- Answer the set question – **Question 2(b)(ii)** asked for **one** way of improving the profit **margin**.

Comments on specific questions

Question 1

- (a) (i)** Most candidates were able to identify shareholders as owners and something about their role or entitlements, for example, that they get dividends. Some thought the question was about 'stakeholders'.
- (ii)** Many candidates gained all three marks. However, a minority of candidates thought focus groups were simply a sub-set of the employees.

There is no need for context in answering part **(a)**

- (b) (i) Most candidates received at least 1 mark for the correct equation or the correct calculation of wages. Many calculated the total costs of \$500 (worth 2 marks). Most candidates were aware of the importance of showing working out which aided in receiving partial marks in certain responses.
- (ii) The majority of candidates chose piece rate with some choosing salary or commission. Explanation were usually brief, but quite accurate.
- (c) Nearly all candidates identified Training and Motivation as issues but lacked in-depth analysis for each. The best answers identified, for example, that training may be a problem for human resource in terms of initial cost and went on to elaborate how these costs would accumulate – i.e. the amount of time involved plus the disruption to the business's operations as well as the need to support existing staff. A developed chain of reasoning would be based on a chain of events that businesses will face in many situations. Some candidates wrote at length on defining and explaining batch processing rather than answering the question directly. Others discussed issues in terms of budget, machinery, customers, products and so did not discuss employees.
- (d) Some candidates misunderstood the question and answered in terms of the full marketing mix for the new trousers. Others discussed factors that affect pricing rather than the pricing strategies. Most were able to identify market penetration, skimming and competitive pricing and were able to provide good application and analysis of at least one pricing strategy. A few candidates were able to provide some disadvantages in context. Evaluation was successfully attempted by a smaller proportion of candidates with few able to give a justified evaluation.

Question 2

- (a) (i) Some candidates did not have a clear concept of 'demand' and simply wrote about needs and wants rather than willingness to buy at a given price/time.
- (ii) Many candidates were able to gain two Many candidates were able to gain two marks by identifying tertiary as a service and giving an example. Few candidates were able to give a relationship to another sector.
- (b) (i) Most candidates gained one mark by stating the correct formula or gross profit calculation. However, a significant minority calculated profit margin rather than gross profit margin and gave 8.33% as an answer. Some candidates forgot to multiply by 100 and gave the answer as 0.25.
- (ii) Majority of the answers to this question received two marks for writing 'reduce costs' or 'increase price'. Only some mentioned reducing costs whilst keeping the same price or increasing pricing and keeping costs the same. A few mentioned 'increase revenue' and received 1 mark. The question asked about the profit **margin**.

Candidates should be reminded to answer the question set.

- (c) Almost all candidates could identify sources of finances and give a brief explanation of how it worked. The lack of application was the biggest cause for lower marks. There were many instances of inaccuracies; for example, that loans could be quick and easy. Again, many candidates could or would not relate the source of finance to the case study. The best answers did make use of the fact that working capital was low and external funds were needed. Some observed that the profit was just sufficient to buy the lawnmower but also argued that this might not be a good idea as it would leave the partnership without any retained profits.
- (d) Most answers created lists of the advantages and disadvantage of partnership, rather than developing a few points. Many candidates displayed very good knowledge of the features of partnership with focus on the specific roles of the two partners and giving limited analysis. Fewer candidates were able to give good analysis of advantages and disadvantages in context with even fewer able to give an evaluative statement or justified evaluation.

BUSINESS

Paper 9609/31
Case Study

Key messages

- Candidates need to use the context when responding but should avoid re-producing large sections of it word for word.
- This is a three-hour A Level paper. It is expected that candidates will write detailed and complete answers to the questions worth 10 marks or more. A candidate who attempts to answer any of these questions in a paragraph is unlikely to gain many marks.

General comments

Paper 3 has a case study based on a single business. Candidates must read, understand and use the case material to answer the questions on the paper. This needs to be completed in 3 hours.

This can be challenging for candidates to complete and Centres should practise timing with their candidates. Therefore, Centres should prepare and practise the use of unseen case material before the examination. A good technique can be to read the case, read the questions and then to go back to the case again. This process is likely to take 10–15 minutes of the examination, but it will produce responses that are more likely to attain high analysis and evaluation marks.

Context is crucial in this examination and is the basis for good analysis and evaluation. Approximately 50% of the marks on this paper depend on evidence of application.

Section B continues to provide a challenge to candidates. **Section B** requires candidates to demonstrate their analytical and evaluative skills. While there are a large number of candidates who offer effective and relevant analysis, it is a much smaller number who offer in-depth evaluative comment. For **Question 7**, candidates focused too much on strategic analysis and answers would have benefited from a more balanced consideration of other elements of strategic management.

Although the majority of candidates demonstrate knowledge of syllabus content, many provide very short answers with little analytical and evaluative content.

Evaluation should be based on good analysis and application. However, that does not mean it must come at the end of the response. Candidates will often deal with one point at a time but never show how this point helps them to formulate an answer to the question. Good analysis is like building up a jigsaw, piece by piece. Good evaluation is about showing how the whole picture is developing and this can be done after each of the main pieces has been covered. The very best responses are ones where the candidate has already shown evaluation on more than one occasion before the conclusion is written.

Comments on specific questions

Section A

Question 1

Analyse the benefits for TTC of using flexible working contracts.

There were some good answers that appreciated the meaning of flexible working contracts and could give examples of this type of contract. A few candidates focused on zero hour contracts and considered the benefits to TTC in terms of reducing costs and making a more effective use of labour. However, a significant

number of candidates did not fully understand this business term and consequently struggled to make relevant points. In fact, the majority of candidates gained less than half marks for this question. That is atypical for **Question 1** on Paper 3. Although all candidates attempted this question, 7% scored zero marks and the modal mark was four. It was evident that many candidates had a less than complete understanding of flexible working contracts and thus did not achieve full knowledge marks.

Responses often contained large parts of the text without making a link to the question. This was prevalent in many introductions. This approach does not demonstrate knowledge or application. Candidates should continually strive to link each point they make clearly to the question.

There were two common errors in many answers. Candidates should take care to read the question and focus on its directive. Thus, there was no need to expend valuable time evaluating the use of flexible contracts and only an analysis of the benefits of flexible contracts was required. Many answers considered benefits and then analysed the disadvantages before reaching a judgement. Secondly, the question required a consideration of the benefits of flexible contracts to TTC. Thus, where a candidate focused on the benefit of flexible contracts to employees further knowledge and analysis marks could not be awarded.

Question 2

Candidates found **Question 2(a)(i)** accessible. Examiner reports have routinely stressed the importance of candidates setting out their methodology so that marks may be awarded where an incorrect answer is offered. The majority of candidates have heeded this advice and, as a result, those that gave incorrect answers to **Question 2(a)(ii)** were able to access some marks.

- (a) (i) The majority of candidates gained full marks for this calculation.
- (ii) Many candidates were unfamiliar with how to calculate margin of safety. Nearly 50% of responses scored zero marks. Of those scoring 4 marks, the most common error was that the final step of calculating the difference between the expected and the actual margin of safety was not calculated. Candidates should check that they have fully answered the question before moving on.
- (b) Most candidates were able to make links between the objectives listed in Table 1 and the information provided about TTC's management of SRH and thus identify and explain the likely factors for TTC's failure to achieve its objectives. Weaker answers just identified the factors such as TTC's inexperience in managing hotels. Better candidates developed these factors by clearly developing a chain of argument regarding the factor identified. For example, the change to employee contracts, made without consultation, was linked to the higher than targeted labour turnover. This was typically analysed by linking the change in contracts to employee motivation and satisfaction in work that would lead to employees looking for alternative employment. Although many candidates gained all of the knowledge and application marks relatively few gained many evaluation marks with most constrained to the Level 1 band. Candidates could have improved their answers by weighting factors and justifying which was the most important.

Question 3

Marketing questions often elicit responses that treat each element of the marketing mix in isolation and thus suggest a disconnected series of tactics, which are unlikely to maximise the chances of business success. In this question, candidates were required to develop a marketing plan. Many candidates provided a satisfactory definition. However, it was common for definitions to focus on the marketing mix and ignore the importance of market research, setting objectives and allocating a budget. The best answers considered these elements in turn and then focused on the issue of coordinating the marketing mix. There were many examples of an uncoordinated approach with different elements of the mix in conflict with each other. It was not uncommon for candidates to suggest setting a low price to penetrate the market without considering the tension existing between the need to portray an image of exclusivity and the benefit of attracting customers with lower prices.

Some very good yet concise answers focused on just two elements of the marketing mix; sufficient to demonstrate an understanding of the need for a coordinated approach. Although this was a relatively easy question, a large number of responses achieved less than half marks. This was a result of undeveloped analysis and evaluative content. Candidates should be reminded that around 60% of the total marks are for these higher-level skills.

Question 4

As always, the numerical parts of the question were a significant discriminator. Candidates who could work out the answers correctly gained six marks on those who could not. These calculations proved challenging with many candidates unable to identify relevant formulae and thus gain any marks.

- (a) (i) There was a roughly even split between responses gaining full marks and those awarded no marks. Of those candidates with an understanding of gearing, a variety of acceptable definitions were evident. Most candidates identified the gearing formula as being non-current liabilities divided by capital employed multiplied by 100. A few offered non-current liabilities divided by shareholders' equity multiplied by 100. Candidates should be reminded that the answer to a gearing question is a ratio or percentage rather than dollars. Identifying the correct unit of measurement is essential in any calculation to avoid losing marks.
- (ii) Nearly 50% of candidates did not know how to calculate dividend yield. Typically there are 14 marks available for calculations on paper 3, it is therefore essential that candidates practise using ratios and other formulae identified in the syllabus.
- (b) This question caused a number of problems for candidates. A significant number of candidates misunderstood the meaning of sale and leaseback assuming that TTC would no longer be able to use the travel agencies and that revenue would therefore fall. Moreover, many candidates did not appear to understand what dividends are.

Better answers realised that the fall in dividends would not please the shareholders and therefore it might be difficult to sell shares in the future. The benefits of a reduced gearing ratio was generally understood in terms of ability to attract loans from banks but less understood in terms of the link to lower interest costs and therefore higher net profits and hopefully, in the future, higher dividends .

The best answers contrasted the fact that there might be short-term pain for shareholders but that the potential for higher profits in the future might be sufficient for shareholders to see the changes as positive.

Question 5

The majority of candidates had at least an implied knowledge of the meaning of ethics and appreciated that leaving holidaymakers in country Z and putting employees on flexible contracts was arguably unethical. Better responses went on to link this to a reduced brand image, lower sales, profits and demotivated employees.

However, a number of responses appeared to believe that for a firm to be ethical it had to motivate staff through the use of bonuses. This approach tended to result in irrelevant analysis.

Relatively few candidates went on to give balanced argument about ethics and discuss the downside of being an ethical company, for example the potential for increased costs. The best answers contrasted the benefits of ethical behaviour with TTC's aim of offering good value holidays and cutting costs.

Section B

Question 6

This was a well-answered question that was attempted by 80% of candidates. The case study provided information on a range of factors that TTC might consider in choosing between options 1 and 2. Most responses were able to gain full marks for knowledge by identifying appropriate factors such as the decision tree expected monetary value. Access to application marks was possible by making valid comparisons between the two options, for example, identifying that the decision tree expected monetary value of option 1 was less than option 2. Better application was demonstrated by performing a simple calculation, for example, identifying that the expected monetary value was \$20m more for option 2. An effective approach to application is for candidates to make links between different elements of the case study. For example, a few candidates noted that the problems faced by TTC in flying back customers from country Z might have been avoided if TTC had controlled its own airline.

Most candidates gained all three knowledge marks and at least two of the application marks. Section B questions carry four analysis marks. Analysis is about consequences, reaction or impact and can be demonstrated through developing appropriate chains of argument. In this case candidates could build analytical comment through considering the impact on TTC's future growth of the lack of spare capacity in existing airlines. A good evaluation requires argument, balance and judgement. These skills should be demonstrated throughout a candidate's answer.

Question 7

Marks for this question were significantly lower than for **Question 6**. In discussing the importance of strategic management, most candidates referred to the role of strategic analysis. This frequently resulted in an extended explanation of SWOT and PEST analysis with some occasional reference to TTC. However, many answers were descriptive rather than analytical and consequently the contribution of these techniques to the future success of TTC was left undeveloped. A significant minority of candidates did not progress their answer beyond strategic analysis; this constrained the award of marks. Better answers also explained the role of strategic choice and implementation and made specific reference to how these techniques could contribute to future success. The best answers made effective use of the case material, for example, referring to the problem encountered in the takeover of SRH. Candidates providing the most evaluative tone to their answers continually questioned the use of techniques, for example, highlighting the need for SWOT analysis to be frequently updated or the limited usefulness of Ansoff's Matrix in making decisions.

BUSINESS

<p>Paper 9609/32 Case Study</p>

Key messages

- Copying parts of the case does not demonstrate knowledge or application.
- In calculation questions it is important that candidates identify the unit of measurement e.g. dollars and also the magnitude e.g. thousands.
- Candidates should define key terms in their answers.

General comments

Effective knowledge was demonstrated of most key business concepts within the case study. Good candidates developed an analysis of issues in context and then provided evaluative comment where appropriate. Candidates made effective use of the case material to help provide context to their answers. However, some candidates still repeat parts of the case study without giving any interpretation. **Section B** questions continue to provide substantial challenge to candidates due to the weighting given to evaluation marks. It is therefore important to structure answers with the aim to constantly make evaluative comment. Candidates should include evaluation in each paragraph of their answers to either **Question 6** or **Question 7**.

Comments on specific questions

Section A

Question 1

Most candidates were able to define at least one element of globalisation and go on to earn full marks for knowledge and application by identifying its impact on HH in context. Many candidates developed short chains of argument to achieve Level 1 analysis marks.

Better answers considered the fact that holidays are a seasonal business and therefore setting up hotels abroad allowed HH to earn revenue and profits throughout the year.

A number also considered that the company could develop an international brand image and therefore not only set premium prices but also have loyal customers who would stay with HH in different countries.

Many candidates also identified the fact that there was potentially a negative side to globalisation as a result of foreign hotels setting up in country Z and forcing HH to improve its service. This issue was developed in some cases by recognising that foreign hotels might benefit from economies of scale and branding that would make it difficult for HH to compete.

A significant minority of candidates were unclear as to the meaning of globalisation with some defining it as simply selling goods abroad and others just making reference to free trade. These definitions suggested a limited understanding of the term.

It is to be noted again that candidates are often inclined to repeat large parts of the text without making a link to the question. This was prevalent in the introductions written by many candidates. This approach does not demonstrate knowledge or application. Candidates should continually strive to link each point they make clearly to the question.

Question 2

In all calculation questions, the own figure rule applies so it is essential that candidates show full working of their answers so as to ensure that if mistakes are made it may still be possible to secure some of the available marks.

- (a) (i) The majority of candidates achieved full marks on this question. Although a small number provided just an answer with no method shown, the majority of candidates took a methodical approach and stated the break-even equation before providing evidence of accurate calculation. However, candidates should remember that break-even is measured in units of output rather than in dollars. There were many answers given as \$2 300 – this is incorrect. Approximately 8% of candidates did not attempt this question and a significant minority gained no marks as no understanding of break-even was demonstrated.
- (ii) This proved a more difficult question than **2(a)(i)**. However, a majority of candidates gained three marks and demonstrated a range of approaches to calculating profit. Candidates should remember to indicate the correct unit of measurement i.e. dollars.
- (iii) Overall, this proved to be a challenging question. Candidates often used maximum capacity instead of expected monthly demand. Others had no idea what margin of safety was. Many candidates who achieved three out of three on the above numeracy questions, lost marks on this question. Many left the answer blank.
- (b) Candidates were good at picking out the information in the Appendix and most compared the two locations explaining which figures were higher/lower. Good candidates used calculations to show the differences and explained why that would good or bad instead of just listing the factors. Most candidates used their answers from **2(a)**, or referred to them at least.

Good answers did not just list the factors and the difference between the two locations but they went on to make links, for example, to the increase in globalisation affecting tourism and the benefits that would bring to location X. Some candidates referred to the seasonality issue with location X and noted location Y may be more price inelastic due to targeting business customers who do not pay for the location themselves.

Evaluation marks were mainly picked up for a judgement and some questioned the reliability of the data. Some candidates made reference to whether HH could comfortably afford location Y due to the higher costs and already having high non-current liabilities.

Overall most candidates achieved knowledge and application marks, however the higher level of analysis and evaluation was often lacking.

Question 3

The majority of candidates were able to gain knowledge marks by either defining organisation structure, identifying types of organisation structure (most commonly hierarchical or matrix), or identifying features of organisational structures (for example, lines of communication and span of control). Similarly, many candidates were able to gain application marks by identifying that HH had a hierarchical structure, and by explaining, in context, how their current issues, such as the lack of communication between functional departments, could be resolved by changing structure. A number of candidates merely repeated the text in relation to HH's current problems, and consequently were not awarded application marks for just taking this approach. Candidates were able to achieve the knowledge and application marks relatively well. In relation to analysis marks, many candidates achieved L1, but it was not common for candidates to demonstrate sufficient and convincing analysis to enter into the L2 band. Example of approaches by candidates that were creditworthy of analysis included explaining consequences in relation to motivation, communication, efficiency and layering. Less successful attempts at analysis included the approach of systematically describing the roles and activities of the functional areas mentioned in the case (e.g. finance, purchasing, etc.), which demonstrated drift from the demands of the question. It was also quite uncommon for candidates to relate changes in organisational structure to their future growth strategy. In terms of evaluation, it was relatively uncommon for candidates to score well or at a high level with the vast majority of responses remaining in L1 for evaluation. Many answers merely asserted that the changes they had recommended should be implemented, but evaluation at this level was quite superficial. Better responses were able to appreciate some conditional/dependent factors, such as cooperative employees, time and money

commitments to support the change. General performance was good in terms of knowledge and application, but in many cases lacked analysis and evaluation marks to be awarded in the higher band.

Question 4

As always, the numerical parts of the question were a significant discriminator. Candidates who could work out the answers correctly gained six marks on those who could not. Candidates who could not produce an answer in part **(a)** were disadvantaged in answering part **(b)**, although the 'own figure rule' was applied, meaning that an inaccurate result in part **(a)** did not carry-over into part **(b)** and candidates' answers were credited where their arguments were in line with their results in part **(a)**.

- (a) (i)** The vast majority of candidates were familiar with gearing and could give an accurate definition. However, only a few candidates then produced an accurate answer of 55.7%. The main errors were answers of 72.5% and 42.5%. These responses failed to add the sum of \$60 m of new shares. Candidates who stated 72.5% failed to add the \$60 m to the total capital employed, and those who answered 42.5% failed to add it to both long-term liabilities and capital employed. Both these answers received some credit.
- (ii)** Again, in part **4(a)(ii)** the majority of candidates could produce an accurate definition or expression and those who did so often went on to produce the correct answer of 13.33 cents. However, candidates who failed to add \$20 m to the number of shares issued produced an answer of 20 cents. As in part **4(a)(i)** this answer gained some credit. Common errors were to include the market price of shares or to invert the items in the expression. Many candidates did not state the appropriate unit of measurement.
- (b)** Part **4(b)** was generally well answered and full marks were awarded on occasion, so these candidates often had a perfect score on **Question 4**. The vast majority of candidates could write accurately about the pros and cons of loans and shares in context and many picked up the points about shareholder reaction and its possible consequences including loss of ownership. Good answers included calculations of dividend yield or suggested alternative ways of raising the money, such as sale of assets, including reference to the possible closure of three hotels. A few candidates were confused by the figures in brackets in Table 1, thinking that rates of interest had risen or that they were in the range of 5-6%. Other good answers contained proposals to split the \$60m between several sources, some even involving calculations to show how to avoid loss of control.

Question 5

The elements of a marketing strategy are well understood by the majority of candidates. Many candidates defined the marketing mix and then explained appropriate tactics that HH could employ in country P. Better answers considered the elements of the marketing mix in context of the information provided about country P. Thus, reference was often made to the need for competitive prices to be set, or it was suggested that HH might benefit from offering higher level service to take advantage of the high income of country P. However, there is still evidence that candidates continue to consider the elements of the marketing mix in isolation rather than develop a coherent and consistent strategy to achieve marketing objectives. The best answers considered a couple of elements of the marketing mix and gave an integrated strategy. By focussing on elements of the mix candidates were afforded more time to develop analysis of relevant issues.

Section B

Question 6

A reasonably well answered question that was attempted by the overwhelming majority of candidates. The case study provided information on a range of factors that HH might consider in choosing between options 1 and 2. Most candidates were able to gain full marks for knowledge by identifying appropriate factors such as the capital cost and net present value. Access to application marks was possible by making valid comparisons between the two options, for example, identifying that the capital cost of option 1 was greater than option 2. Better application was demonstrated by performing a simple calculation, for example, identifying that the capital cost of option 1 was \$5 m more than option 2. An effective approach to application is for candidates to identify information from within the case study and to contrast it with other information; for example, a few candidates recognised that although the capital cost of option 2 was less than option 1 the data indicated that its net present value was higher. This could be used to offer simple evaluative comment that option 2 was therefore preferable. Most candidates gained all three knowledge marks and at least two of the application marks. **Section B** questions carry four analysis marks. Analysis is about consequences,

reaction or impact and can be demonstrated through developing appropriate chains of argument. In this case candidates could build analytical comment through considering the impact on HH of the differing capital costs of the two options or the implications for HH of the proportion of its workforce with relevant experience. A good evaluation requires argument, balance and judgement. These skills should be demonstrated throughout a candidate's answer.

Question 7

Around 1 in 7 candidates attempted **Question 7**. Many candidates read the question wrongly and focused on the type of corporate culture present in HH and why the culture needed to change. However, the question referred to 'the importance of developing a culture of change'. Good answers analysed how a culture of change would enable HH to be more responsive to the dynamic business environment and used the case study to consider some of the strategic decisions that HH faced that would require flexibility. A majority of candidates gained marks through demonstrating an understanding of the term culture and some answers gave lengthy descriptions of different cultures such as power and role. These answers typically gained some application marks but much of the analysis was misdirected. Candidates should take careful note of the exact wording of questions before answering to ensure that answers remain focused and relevant.

BUSINESS

Paper 9609/33
Case Study

Key messages

- Candidates should practise applying theory concepts in a range of case study contexts. This can be achieved through the use of recent past papers and mark schemes. Advise candidates to spend the first 15–20 minutes of time allowed reading the case study and that they return to the relevant parts before answering each question.
- The use of financial analysis, such as ratios and other calculations, should also be supported by an explanation of what the results or changes **mean** for the business or project in question. An integrated approach, that relates financial calculation from one part of the case, should also be analysed in the context of the company finances overall.
- A good evaluative answer includes detailed application, as well as judgments throughout and a well-supported conclusion at the end. Candidates should read the wording carefully and return to the exact question before writing their final conclusion to ensure that this is addressed, especially in the **Section B** essays where the longer answers sometimes lose focus on the case context and the question.

General comments

Candidates produced a wide range of responses and levels of performance, with total marks ranging from 0 to 95. The mean mark was 41.5%.

There was evidence that some centres had prepared candidates fully and effectively. Better responses demonstrated excellent understanding of AS/ A Level Business concepts and used evidence from the case study to support their answers. In contrast, there were some answers that reflected a more general approach, much less focused on the case study and more inclined towards generic ‘text book’ knowledge and analysis. Success in this case study paper depends very much on the candidate’s ability to root their answers firmly within the circumstances and events outlined in the case study, as well as demonstrating the essential subject knowledge.

It is also important for candidates to read the questions carefully and show judgment when required. Better evaluative answers link different parts of the case together and take a strategic overview of the business, current position, objectives and future plans. When a comparison and choice is required, such as whether to make an investment, candidates should do more than just quoting from the case. There should be an attempt to analyse the advantages and disadvantages of each option firmly in the specific company context. Candidates should be encouraged to consider alternative views, such as, in this case, arguing that labour turnover may have a positive impact in the long run.

Centres can improve candidates’ performance in the important skills of application, analysis and evaluation, by encouraging them to work through past paper 3 examinations and assessing answers using published mark schemes. The importance of answering the exact question asked should be emphasised, as fine focus saves time and is key to good results in the case study paper.

The area of strategic management remained challenging for candidates, especially the use of these techniques to answer questions in context. Centres can improve candidates’ understanding by introducing the concepts from Section 6 of the syllabus early in the second year of the course, integrating them with the A Level functional subject matter.

Comments on specific questions

Section A

Question 1

This was well answered by many candidates, who showed good understanding of outsourcing and its potential benefits to a manufacturing company. Application marks were generally gained by linking the outsourcing of shoe components with issues such as flexibility for the company with 95% capacity utilisation, high numbers of defects and high inventory levels. This, in many cases, led to analysis marks around the consequence of lower costs and potentially, profit. Candidates who focused on benefits to employees and managers, in terms of less pressure of work, were only awarded marks once this was linked with benefits to PV, such as improved productivity. Candidates who had misread the question and included disadvantages of outsourcing did not receive credit for this part of their answer.

Question 2

- (a) (i) Most candidates performed this calculation correctly.
- (ii) Many candidates performed this calculation correctly, but a few were confused by the addition of three negative figures.
- (b) This calculation proved problematic for many candidates, due to the need to read the trend from the graph and then apply the average seasonal variation. However, there were one or two marks available for some attempt, such as predicting the trend from the table, so this enabled some to gain marks.
- (c) This question was about sales forecasting and its usefulness when making marketing decisions. However, many answers demonstrated understanding of sales forecasting, such as prediction of revenue and seasonal trends, but then did not address the marketing focus. Candidates who related sales forecasting to production and meeting demand received credit for this as well as those who referred directly to marketing decisions, such as those related to the marketing mix. Application marks were gained by linking seasonal trends to those for PV and reference to fluctuations in the table and this often led to analysis marks, such as the need to predict seasonal shoe trends in order to maximise revenue. The most common evaluation points were general ones about the likely inaccuracy/unpredictability of forecasting, with better candidates referring to the dynamic nature of this market.

Question 3

This was reasonably well answered, using the large amount of information given in the case. It required candidates to suggest changes to the way in which PV organises production, in order to meet the objectives, which are: quality improvements, waste reduction to 5%, reduce inventory and operating costs. Many candidates correctly identified appropriate methods, such as lean production techniques, changing to flow or cell production and new machinery. However, a few answers focused mainly on the motivation issue, which needed to be clear link to PV's need to achieve production objectives. Application marks were easily gained by reference to the current problems and/or specific objectives and this often led to analysis of how the suggested methods might improve PV's efficiency. Evaluation often suggested the disadvantages of lean production techniques for this business, the need to produce a full range of styles and sizes and also the seeming unsuitability of Pedro's management style for the implementation of change and processes that involve employees, such as TQM and quality circles. Also, the ability of PV to raise necessary finance was mentioned by better candidates in their final conclusions.

Question 4

- (a) (i) Many candidates calculated the payback period correctly, with a few making the error of counting 'Year 0' and therefore giving an answer of 5.25 years instead of 4.25 years. In this case, one mark was awarded.
- (ii) Better candidates carried out this calculation correctly, arriving at one of the possible correct answers, sometimes expressed as decimals, for which full marks were awarded. The most common errors were forgetting to deduct the initial investment or depreciation, which still allowed two marks awarded for making the single error.

- (iii) Most candidates calculated the net present value correctly or received one mark for an attempt.
- (b) The calculation of discounted payback period confused some candidates, but many arrived at the correct answer. An attempt, such as correct use of discount factors was awarded one mark.
- (c) This part of the question was well answered, even by some of those who had not correctly performed all parts of the calculations. There was plenty of information in the case, other than the figures, for candidates to use to gain application marks and support arguments for and against investing in the new machinery. Most commonly, the results from **4(a)** were compared with the predicted five year life of the machine, qualified by the likelihood of the equipment lasting much longer, even fourteen years as is the case with the current machinery. Problems with the old machinery were identified by all candidates, usually balanced against the potential investment costs and questions over staff training needed and sources of finance. Analysis marks were usually gained by considering the future implications for PV of continuing production with the existing machinery as against the introduction of new machinery. Evaluation typically focused on reliability of forecast data, the importance of other factors such as changing market conditions and sometimes questions such as 'is not investing even an option?' or 'would leasing machinery be a possibility?'

Question 5

This was quite accessible and most candidates demonstrated an understanding of why employees may be threatening to leave the business and how this may negatively impact PV. However, responses tended to be simplistic, typically 'pay employees more or provide more benefits', without consideration of what may be appropriate for PV. Very few answers, however, took the alternative view that this could have a positive impact on the company, given current problems, such as a high defect rate and other developments such as increased use of machinery. A few candidates pointed out that, so far, these are only threats and labour turnover is currently low. Application marks were gained by commenting on reasons for employee dissatisfaction and benefits available elsewhere, the importance of the 117 employees, as well as the possible impact of the seemingly autocratic leadership style employed by Pedro. Analysis marks were gained by commenting on the future impacts on PV of responses such as offering or not offering more employee benefits. Points related to employee motivation were only rewarded if developed into impacts on the business, such as less likelihood of increased labour turnover and consequential lower recruitment costs. Evaluative comments were often limited and in many cases completely absent, leading to very few candidates scoring high marks on this question. This was despite there being many points made in the case which could have prompted comments, such as questioning which employees are threatening to leave. Is it the same ones who are causing defects in shoe production? How easy might it be to replace employees? Might these be a need for new ideas in PV?

Section B

Question 6

This was, overwhelmingly, the most popular choice of the **Section B** questions, chosen by 87%, but marks were often low, with very few answers scoring above ten marks.

Candidates needed to evaluate the importance of strategic analysis when making the choice between the two options: A (designer shoes) and B (alter target market and distribution methods). The question did not ask for a choice to be made, although many candidates thought this was required. Appendix 4 provided a range of SWOT and PEST factors for PV, but candidates needed to do more than just repeat from the text to gain application marks. A good start in better answers involved using and comparing the information given, but linking this to the use of strategic analysis techniques, such as SWOT and PEST, as given, but also the Boston Matrix, Porter's Five Forces and core competencies as they apply to PV's option choices. Better candidates also analysed why the data given was not sufficient or even very helpful, given the dynamic shoe market context. However, there was generally too much focus on the given appendix information in most answers, rather than an attempt to go beyond this and suggest other data which would be essential, such as market and competitor analysis. Most candidates drew some justified conclusion as to the sufficiency of the data, but these were generally not fully supported, although a small number of the best candidates did consider wider issues in terms of information needed by PV to help make the choice. Other parts of strategic analysis, most commonly strategic choice, were often mentioned in analysis and evaluation. This was perfectly valid as these would be used to make the decision between the two options.

Question 7

This question was only chosen by 13% of candidates and marks were, again, low, similarly to **Question 6**.

This unpopularity was somewhat surprising as the area of strategic management offered wide scope for different responses. Candidates could have taken the business planning and corporate objectives approach and/or the strategic analysis, choice and implementation route. Either would have been valid, applied to PV's current position and future success. However, there was evidence that although candidates understood the concept in overview, they were unsure of how to apply it in the case context. Commonly, SWOT and PEST factors were quoted, as for the previous question, but very few answers went beyond a simplistic application and some low level analysis of how strategic management techniques may be used. A very small number of candidates did address the issue of how effective strategic management could lead to PV's future success, for example linking strategic management with on-going business planning and objectives to maintain the company's position and lead to further growth in the dynamic footwear market. Most evaluative comments focused on the limitations of techniques, although a few candidates questioned whether PV, and Pedro in particular, would be open to the changes needed.