

# BUSINESS STUDIES

Paper 9707/11  
Short Answer/Essay 11

This paper proved to be approachable for most candidates. All but a few seemed to have sufficient time to produce answers to all of the five questions they needed to answer. Wisely, very few wasted their time attempting all the questions in **Section B**. Many candidates seemed well prepared for most of the questions, although the financial ones did catch some out. As in previous sessions some candidates do write much more than is needed in **Section A**. This presumably means they have less time to produce a more polished answer in **Section B**. When, as in **Question 4(a)**, the word *state* is used, there is no necessity to go beyond a statement such as: "One stakeholder group in a business is employees and another would be shareholders."

More candidates are producing structured essays, although some persist in having only one long paragraph. Conclusions are often found and many candidates give some evaluative comment. However, there are still many candidates who do not contextualise their answers; the marketing function for a service business, as in **Question 7(a)**, operates differently from that of a manufacturing firm. The application of concepts to the relevant context and evaluation of the proposed ideas or suggestions is the key to answers which will gain very high marks.

## SECTION A

### Question 1

- (a) The majority of candidates could *state* two functions of a Human Resources (personnel) Manager, such as recruitment, provision of training or workforce planning. Those who could not seemed to give such a manager far more influence or power than is likely in most businesses. The motivation of the *whole* of the workforce, the provision of help to make all business decisions or the task of being in charge of the whole organisation are not functions normally ascribed to such managers. The first 'function' would tax the very best of managers!
- (b) Most candidates could give a reason for an employee to join a trade union, such as bargaining power, and consequent solidarity. The better candidates then went on to explain what such bargaining might be about and what the end result might be. Weaker candidates seemed to believe that joining such an organisation was the key to wider friendships, for example, or even to accessing a wider variety of customers/consumers. The latter type of answer was presumably confusing a trade union with a trading bloc or economic union.

### Question 2

- (a) Good candidates defined liquidity as the ease with which an asset can be changed into cash. The weaker ones gave confusing answers about stock being transferred into capital, the amount of money a company can spend without going bankrupt or, most commonly, stated that liquidity referred to how profitable it was to sell a product.
- (b) This proved a difficult question for all but the best candidates. Many candidates knew that financial accounting was to do with the performance of the company in the past, often had to be published, and gave profit and loss accounts as an example. However, they struggled with the management accounting concept; some knew that such information was for use within the company, and could be used for budgeting, that is future decisions, but few stated that it was normally confidential, and often involved management information systems, rather than the accounting standards used in financial accounting.

### Question 3

This question demanded an explanation of the *importance* for a business of clear objectives. Candidates who gained full marks here often gave some very explicit comment about the import either at the beginning or end of their answers. Unsurprisingly, answers which just utilised the acronym SMART, explaining what it means, did not gain high marks, as they were answering a different question. They were not explaining why it is important.

Most candidates could explain that clear objectives gave one an aim or focus or “something to go for”, but did not develop that point. Better candidates explained that this could mean, for example, that the business would work at optimal level, with efficiency and good communication; they would waste less time and resources and be more productive. It might also enable separate divisions/departments to be more synergistic, as one candidate suggested, because they were all pulling in the same direction, and singing from the same song sheet!

### Question 4

- (a) Most candidates could state two stakeholder groups. A few gave a definition of shareholders, presumably confusing shareholders with stakeholders. Such an answer could only gain one mark (for one stakeholder group).

Apart from the two groups mentioned in the introductory paragraphs to this report, stockholders (taken to be shareholders in a North American context.), suppliers, owners, customers, government and providers of finance, such as bankers, were also common.

- (b) It was important to explain in an answer to this question *why* one stakeholder group may be interested in the performance of a business. Some candidates ignored the first aspect and/or wasted time by discussing more than one stakeholder group.

Good candidates often used suppliers or bankers in their answers, explaining that these groups are interested because they wish to continue doing business with a successful firm, so that they receive the money due to them and thus their own business can survive and prosper.

## SECTION B

### Question 5

- (a) Most candidates had a reasonable understanding of why quality control is important for a manufacturing company. Again, the *why* is important; weaker candidates gave a list of methods which could be adopted to ensure quality control but did not explain their utility.

Better candidates explained that good and consistent quality gave a competitive advantage, helped retain customers, eliminated costs of scrapping or rectifying defective products and could contribute to company morale- an employee can be proud of his company if customers respect it. Such feelings may not be felt by employees when large firms have to recall products so that they can be made safe.

- (b) This question did demand *how* a manufacturing business might achieve effective quality control. So, this was the part of the question when methods should have been discussed. Weaker candidates restricted themselves to one aspect of quality control, often inspection or testing, and neglected to include other aspects of the process (such as design, choice of raw materials, effective employees, training, total quality management/assurance, quality circles, benchmarking or Kaizen) in their answers.

Of course, not all of these methods were essential for a good answer but the best candidates included a range of methods and then made some evaluative comments about them, such as it depends, perhaps, upon what product is being manufactured. Quality control of car manufacture is different to book printing.

### Question 6

This was the least popular question in this section. It proved to be difficult for candidates and that was not surprising. If we take ethics to be a system of moral values, which often comes, or came, from a predominant religion in a country, then ethical systems clearly differ from place to place. Candidates need to bear this in mind, but could have profitably used such differences to their advantage when discussing international trade and consequent conflicts.

Many candidates restricted themselves to discussing issues that were clearly legal ones in their country, even referring to statutes or acts. Child labour is illegal, but only in some countries. The law often follows where religion has led; the anti-slavery laws in the UK are a good example.

However, good candidates realised that ethics often goes beyond the legal requirements for a company and is therefore about discretionary decisions, guided by values; they discussed clear examples of ethical issues, such as importing goods which had been produced by exploited labour, even giving an example of a company and the consequent mass of bad publicity which forced a rethink of their supply chain. The international aspect coloured many answers; employing women, if one had an office in certain foreign countries, would be impossible, due to local values. Animal testing by cosmetic manufacturers, and the animal rights campaigners producing bad publicity, also appeared in some answers.

The weaker answers were often unrelated to the question, focusing on things such as a discussion of demand and supply, or the factors in general which affect business (e.g. competition).

### Question 7

(a) This question demanded that candidates explain the *importance* of the marketing function to a service industry. Thus an explicit reference to importance was needed, either at the beginning or (ideally) in a conclusion at the end of the answer, to obtain the higher level marks.

In addition a *service* industry context was needed. This requirement could most easily be accomplished by using an example, perhaps a hotel, a hairdresser or an insurance agent. The best candidates did just that.

Most candidates could explain the marketing function, often utilising the four P's (price, place, product and promotion). Some discussed market research, which was fine, but then began discussing test marketing of the *product*, which meant their answer was non-contextual.

The weakest candidates, as is often the case in such questions, seemed to believe that marketing was all about promotion or, worse, just advertising. Such an answer could not gain many marks.

(b) Most candidates showed that they knew what a niche market was, either by a definition or, more commonly, by the nature of their answer, comparing it to mass marketing, for example. There were some good examples of niches.

Many gave advantages of niche marketing, such as a better focus on customer needs or the avoidance of competition. A common disadvantage was given as an inherent lack of a portfolio of products and hence, if customer spending or tastes changed rapidly, the potential for disaster. Another disadvantage was the lack of economies of scale and, maybe when other firms view the firm's success, competition, which could result in a loss of revenue. Weaker candidates often concentrated on the advantages, and saw no possibility of failure; an unrealistic view in an increasingly uncertain world.

As is often the case, the best candidates utilised their example to evaluate what was a likely outcome in a particular context.

# BUSINESS STUDIES

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Paper 9707/12  
Short Answer/Essay 12

## General comments

The Paper proved to be accessible and provided an opportunity for most candidates to demonstrate their knowledge and understanding of a range of business studies concepts.

The quality of analysis was again the deciding factor in discriminating between candidates' performance.

Some candidates need to focus on the context of a question a little more. If a question refers say to a retailing or service context, then an answer with only a manufacturing context will clearly lose marks.

Candidates should always present a conclusion to the essay answer in **Section B**, drawing together the strands of the previous argument and discussion. This might also encourage some evaluative comment. Such comment will always be rewarded.

## **Section A**

### **Question 1**

- (a) The majority of candidates were able to give an accurate definition of 'span of control'. However, some candidates did not recognise that this refers to the number of subordinates reporting '**directly**' to a manager; these candidates often gave a less precise response by saying 'working under a manager'. The critical points to make in this answer are the number of subordinates and the directness of their reporting relationship with the manager. Some candidates confused the term with chain of command.
- (b) Most candidates were able to correctly identify two possible problems that might occur with a wide span of control. Typical problems identified included communication, coordination and lack of management control. One strong candidate wrote "a wide span of control means a relatively large number of subordinates so it is difficult for the manager to manage each subordinate on a 1-1 basis which means that some can feel neglected and even become demoralised". Good references to delegation suggested that more delegation might be required, but that staff might not always be sufficiently trained to carry out delegated tasks satisfactorily.

However, while many candidates explained two problems and were rewarded with full marks, there were a significant number of candidates who gave only a limited explanation of two problems or who were able to explain just one problem.

### **Question 2**

- (a) Some candidates attempted to define the term by using the same words that are being defined, for example "market research is a procedure to research a market". Without further explanation this type of response will not gain marks. However, stronger candidates were able to give their answer in terms of the collection of information on consumer tastes and market trends which would be valuable information for making marketing decisions.

- (b) Most answers to this question correctly differentiated between primary and secondary research. Many good answers described each form of research accurately and included correct examples of various sources of information that might be used. A small number of candidates, however, were confused between the two. Strong answers often included a reference to the purpose of the research and explained that primary research was for a purpose that was specific to the particular business undertaking the research, whereas secondary research had been collected by someone else for a different purpose. A minority of candidates did not understand the question and referred to primary and secondary sectors of the economy.

### Question 3

Many candidates were able to successfully identify two appropriate economies of scale and also to explain them both in sufficient detail to justify the award of full marks.

Common economies were purchasing economies, financial economies and managerial economies. A smaller number of candidates suggested that technical economies might occur, but often their explanation of how this might impact on the business was given in a manufacturing context rather than that of a hotel.

Good answers stressed the bulk buying advantages that might now be gained and therefore that more power might be exerted over suppliers in order to gain larger discounts and possibly priority treatment when it comes to deliveries.

Financial economies were understood by many candidates, who explained this benefit in terms of having more collateral to offer when wanting a loan, which could result in lending institutions seeing the enlarged company as less of a risk, thus leading to a lower rate of interest.

Managerial economies were less well explained by candidates. Many saw this as merely having more managers. A good answer could have mentioned that an increase in the size of the business might mean that they could now benefit from employing specialist managers, or that they might be able to use existing managers to oversee the newly purchased hotels, thus saving on management costs.

Some candidates drifted from the concept of economies of scale and simply described the benefits of takeovers or large sized organisations.

### Question 4

- (a) While many candidates gave an accurate response to this question, there were several who struggled to explain clearly the features of pie charts. Strong answers referred to the proportionality of the segments and how each is shown as a percentage of the whole; the whole being a circle of 360°. Several answers included a diagram that demonstrated a clear understanding of what a pie chart is.

Unfortunately there were many answers whose description could have been equally applied to any other form of visual representation of data.

- (b) The majority of candidates clearly understood what bar charts are and were able to identify some advantages of using them as a method of presenting information. As expected, candidates identified that they are easy to construct and are very easy to understand. The benefits to the recipients of the information were also explained by many candidates: Information could be easily seen and understood, business data and activity could be compared, and trends could be identified, due to the varying height of the bars.

## Section B

### Question 5

- (a) While some candidates demonstrated a clear understanding of cash flow forecasts and why a business should prepare one, many candidates confused them with a cash flow statement and wrote about the contents in an historic context. Vary few candidates expressed their answer in the context of a retail business.

Good answers identified several valid reasons why a cash flow forecast should be prepared, with the most common reason being to allow for forward planning of cash requirements and to allow the arrangement of additional cash should it be required. Commonly, the need to present a cash flow forecast to a bank manager when seeking additional funding was identified as a reason for its preparation.

Good answers correctly focused on the fact that cash flow forecasts are predictions of estimated cash inflows and outflows. Strong answers applied the concept to retail businesses and discussed such issues as the purchase and payment of stock and changes in demand such as seasonal fluctuations.

A common problem was that weaker candidates confused cash flow and profit and incorrectly stated that a cash flow forecast was required in order to tell whether a business or product was going to be profitable or not.

The best answers considered the advantages of pre-planning for an expected deficit or surplus and the very best were able to set their answers within a retail context.

- (b) This part of this question produced some excellent answers. Most candidates were able to explain how extending creditor days and reducing debtor days would help to improve cash flow. Several others included the use of debt factoring and selling of unwanted fixed assets. Better answers analysed the consequences of their suggestions for the business, for example extending the time to pay creditors might make suppliers less favourably inclined to supply an emergency delivery of goods.

Strong answers recommended short-term cash solutions rather than the selling of shares or debentures- more long-term solutions. They also made evaluative comments on the potential effectiveness of their proposals. For example, offering shorter periods of credit may improve cash flow, but in a competitive market this could result in a loss of business to competitors who offer better terms of trade.

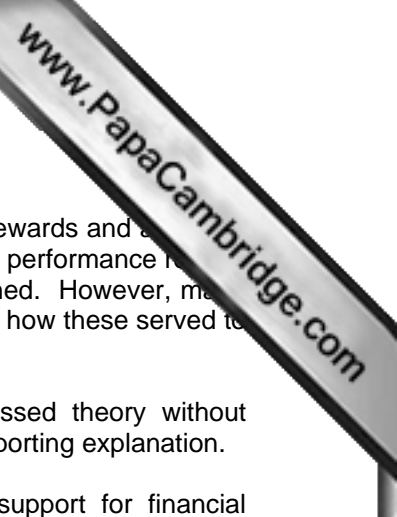
### Question 6

This question required candidates to identify different stakeholders in a profitable business and then to show how the objectives of these different stakeholders might bring one stakeholder group into conflict with another. This required candidates to discuss how the decisions to use the profit might create conflict.

The majority of candidates could identify several stakeholder groups and their objectives. Unfortunately, some candidates did not extend their answer beyond that. Stronger candidates offered some analysis of the potential conflicts, for example that in a profitable year the shareholders would expect to see a higher return on their investment and therefore would expect to receive higher dividends than in a non-profitable year. At the same time the workforce might expect to receive higher wages, as it was their work that had contributed to the achievement of higher profit. Similar conflicts were identified between shareholders and managers; shareholders and the community; managers and workers.

Very few answers included an evaluation of which stakeholder group might hold the most power and therefore might have their objectives met at the expense of another group. However, some candidates did state that it is in the interest of most stakeholder groups that a business is profitable, and that some amicable arrangement must be reached to keep as many as possible happy if the business is going to thrive in the future.

Evaluation was a major weakness in the majority of answers, with only very limited analysis being offered in many other responses.



**Question 7**

- (a) The better answers to this question explained the different types of financial rewards and how they might work. Different types of payment systems such as piece work, performance related pay and bonuses were discussed and reasons why they worked were explained. However, many answers simply described different kinds of financial reward without explaining how these served to motivate workers.

Weak answers confused financial and non-financial rewards and/or discussed theory without applying it. Some answers suggested motivational impact without giving a supporting explanation.

Stronger candidates often referred to Taylor to establish the theoretical support for financial rewards incentivising workers. For example, one strong candidate wrote "piece rate is when employees are paid according to the amount they produce and this means that workers who work mainly for money are motivated to work harder because the more they make the more they get paid and that is how it works". Some stronger responses even considered the potential negative effect of some types of financial reward, e.g. the impact on team spirit or perceived fairness.

- (b) Understanding the precise wording of the question was the key to a successfully focused answer. Many candidates described non-financial rewards and how they might be used to motivate workers. However, a much smaller number of candidates actually answered **why** a business might use non-financial rewards. Some candidates did offer very sensible and correct reasons why this might be so. For example it might be because a business could not afford to offer financial incentives and so they sought to motivate their workers by showing their appreciation of the work done. Many candidates also pointed out that money alone does not always motivate, and that this can depend on the nature of the work being undertaken or the actual needs of the worker. For example several candidates used Maslow's hierarchy of needs to demonstrate that, while money might prove to be a motivator for workers who are trying to achieve their basic needs such as food and shelter, methods other than financial rewards would be required to enable them to meet the higher level needs, such as social and esteem needs and self-actualisation.

Weaker answers incorrectly suggested that fringe benefits were non-financial rewards.

The application of theorists was evident in many answers and added support to the arguments presented, although some candidates assigned theories to the wrong theorists.

# BUSINESS STUDIES

Paper 9707/13

Short Answer/Essay 13

## General comments

The paper proved to be accessible and covered a wide range of the syllabus content. The paper offered an opportunity to candidates of all abilities to demonstrate their knowledge and understanding of a range of concepts.

Candidates appeared to have made sensible choices when deciding which essay question to attempt, although there was some lack of focus on the precise wording of some questions. For example, questions asking 'why' were often answered from a 'how' perspective.

## **Section A**

### **Question 1**

- (a) The majority of candidates demonstrated a clear understanding of what is meant by quality control. However, some candidates merely reworded the question by asserting that quality control is controlling the quality of a product. This type of response did not demonstrate any understanding of the concept. Good answers stated that quality control ensured that products were produced to an agreed standard and would meet the expectations of consumers. Many candidates also stated that this could be achieved through inspection or correction and might even ensure that quality is built into the design through use of materials; although the latter was rare it did show some true insight into quality control.
- (b) Most candidates were able to offer two valid reasons why quality control is important, with the most common reasons being to build the brand image and reputation of the business and to create consumer loyalty. Any weaknesses in answers to this part of this question tended to be in the explanations offered; while most candidates were able to identify two reasons, only some of these were able to expand their answer to explain why a particular reason was so important for a business.

### **Question 2**

- (a) Most candidates accurately explained what primary research is by describing it as the gathering of first hand information for a project that is specific to the business. Examples of primary research methods, such as questionnaires or consumer panels, were often given.

A small number of candidates confused primary research with primary industry and included mention of fishing, mining and agriculture in their answers. This probably came about by a focus on the word 'primary', without taking note of the word 'research' that followed.

- (b) The answers to this part of this question were very variable. Many candidates described random sampling as selecting people 'randomly'; such a response did not show any clear understanding of what is meant by 'random'. There were, however, many candidates who explained that any person in the population had an equal chance of being selected to answer questions and that people would be selected regardless of their, sex, colour, age or geographical location.

Weaker answers often defined quota sampling in a similar way to 'random sampling' by saying that people would be selected according to a quota; they did not explain how that quota would be determined. There were, however, several answers that explained clearly how, if a sample of 100 people were to be taken and it was deemed that 60% of the population were male and 40% female, then 60 men would be included in the sample along with 40 women. Some candidates also added that quota sampling would make a sample more representative of the market population.



### Question 3

Many candidates scored well on this question, with the majority being able to identify and explain the functions of Human Resource Management. Most candidates made reference to HRM as being responsible for recruitment and selection, and good answers explained how HRM would ensure that the right candidate was selected for the right job, thus ensuring the most effective use of the worker. Training was often identified, but often the explanation did not venture beyond listing on-the-job and off-the-job training. Stronger answers referred to the specific needs that could be met through training, such as the need to update skills to keep pace with changes in technology or the need for additional training when a worker had been promoted and needed to expand their skills.

Appraisal was also frequently mentioned and was often also linked to the possible promotion of workers or to the potential for rewards to be given such as bonuses or prizes for outstanding performance.

### Question 4

**(a)** Many candidates defined working capital as being current assets – current liabilities. This was sufficient for full marks. Others described it as being the finance required for day-to-day activities, which also demonstrated understanding. A small number of candidates listed current assets and current liabilities but did not refer to the relationship between the two, thus demonstrating a very limited understanding of working capital.

A small number of candidates erroneously thought that working capital included all assets and included non-current assets (fixed assets) in their answer.

An equally small, yet significant, number of candidates referred to working capital as being either the amount of money required to start a business or the workforce and machinery that a business used.

**(b)** The answers to **(b)** not surprisingly followed the precision, or lack of it, in **(a)**. Good answers in **(a)** generally produced a relevant response to **(b)**. Strong candidates explained why it is essential to manage working capital in order to retain liquidity in the business. It was also mentioned that if working capital was poorly managed then too much stock might be held, resulting in higher stock storage costs- money that could have been used more productively elsewhere. In such cases there would be an opportunity cost to poor management of working capital. Strong responses also stated that liquidity was essential in order to meet short-term liabilities. Some very strong candidates stated that there was a need to maintain a balance between liquidity and lost opportunities caused by holding too much cash.

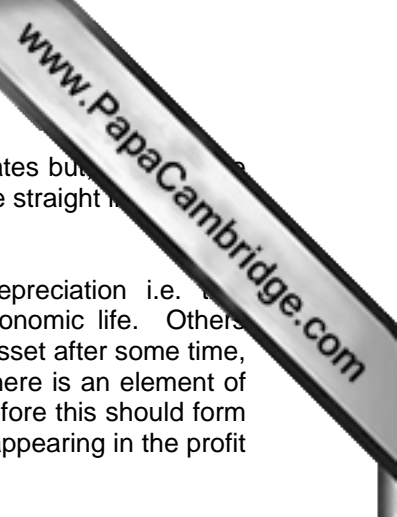
## Section B

### Question 5

**(a)** Most candidates were able to distinguish between a balance sheet and a profit and loss account by describing some or all of the content of each document. However, the strength of answers was differentiated by the extent to which candidates responded to the question, which required candidates to explain 'the purposes of' each of the documents. Strong answers clearly outlined the uses of each of the documents, who might use such financial statements and how they might be useful to various people/groups. For example, many candidates said that shareholders would use them to determine whether the business was profitable or not and therefore whether they could expect large dividends to be paid. Similarly, managers of a business might use a balance sheet to assess any increase in worth of the business and to undertake some ratio analysis, such as liquidity ratios, to ensure that this had not worsened since the previous period. Governments were often quoted as being interested in the profit and loss account as this would give them the net profit and therefore the tax liability of the business.

Some answers dealt with the purposes as though they would be the same for both documents, rather than dealing with the balance sheet and the profit and loss account separately.

Some weaker candidates confused the two documents.



- (b) This part of this question proved more difficult than part (a) for some candidates but, in the limited time, there were many answers that demonstrated a clear understanding of the straight line method of depreciation and why it would be used in a business.

Many candidates began their answer with an accurate definition of depreciation i.e. depreciation is the apportioning of the cost of an asset over its useful economic life. Others mentioned that depreciation allowed a business to know the real value of an asset after some time, or that it was an allowance for wear and tear; whilst this is not strictly true, there is an element of recognising that there is a cost to using the asset in production and that therefore this should form part of the annual costs of the business, hence the provision for depreciation appearing in the profit and loss account.

Many candidates made reference to the accounting concept of prudence and the fact that depreciating assets prevented a business from overstating its profits. Many candidates gave the formula for the straight line method and contrasted this with the reducing balance method. Unfortunately some candidates referred to the straight line method as a percentage of the cost of the asset value being deducted each year, which demonstrated lack of understanding.

In response to the 'why' in this question, some candidates responded in terms of why depreciate assets in general, while others stated that the straight line method is the simplest method to calculate and that it has been used for many years and therefore, to comply with the accounting concept of consistency, it was right for its use to continue.

### Question 6

This question elicited some excellent answers that retained focus on a decision to sell products on the Internet. Other responses dealt with generic issues such as: ensuring that you had a product that met the needs of consumers; the need to price goods competitively and the need to provide good after sales service. Such answers could equally apply to selling on the high street and did not address key issues of Internet selling. The majority of answers showed varying degrees of understanding of the Internet; stronger answers focused on specific issues that needed to be considered before deciding to sell products online. Candidates were expected to identify such issues as the fact that the Internet is global and that requests for goods might come from all corners of the globe; could the business cope with that or did they intend to serve a smaller geographical area? Other considerations were the safety of the various means of payment that might be used and the fear of credit card details being accessed by hackers. The cost of web design was also raised as an issue in some answers, with stronger candidates pointing out that the website needed to be good enough to present a good image for your product/service if customers were going to be enticed to buy from you. The problem of not being able to see and feel products was also raised as an issue- clear and detailed descriptions would be needed in order to overcome that as an obstacle to buying. Many candidates identified that the business would be competing globally and would be in competition with different businesses to when it operated only in a local market. This raised the question of whether a business would need to develop a different competitive strategy when trading via the Internet.

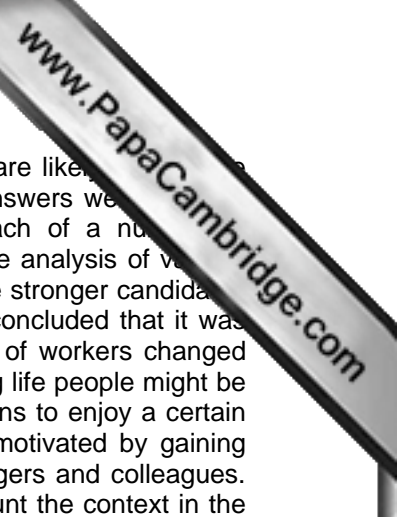
### Question 7

- (a) With this question the 'why' was not always fully addressed and many candidates wrote about 'how' to motivate a workforce. However, often their answers ventured into the 'why' by default and therefore could be rewarded accordingly.

Good answers referred to the need to have a workforce that was willing to work towards the goals of the business and to produce the best possible work in the least possible time. The majority of candidates identified that higher productivity, low absenteeism and low labour turnover are all beneficial to businesses and that these are a result of a motivated workforce. Many answers linked these to cost savings, thus leading to increased profitability.

Weaker answers focused only on productivity and did not expand their answer to consider the cost saving implications for the business.

Some candidates gave their whole response in terms of motivation theories and the various ways in which workers could be motivated, without considering why businesses should seek to motivate their workers.



- (b) Good answers to this part of this question recognised that different factors are likely to motivate different workers at various stages of their working lives. However, such answers were few in number. The majority of candidates took the approach of analysing each of a number of motivational theorists in turn and, while this frequently gave a comprehensive analysis of various motivational factors, this did not always lead to a judgement of any kind. The stronger candidates offered substantial analysis of a range of motivational techniques, but also concluded that it was difficult for managers to assess what might motivate workers as the needs of workers changed throughout their working life. For example, in the early stages of their working life people might be motivated more by money as they strive to provide themselves with the means to enjoy a certain standard of living. However, as their life progresses they might be more motivated by gaining recognition for the work they have done and also the respect of their managers and colleagues. Many candidates did discuss such issues in detail but did not take into account the context in the question i.e. a manufacturing business. The context was there in order to give candidates an opportunity to distinguish between the factors that might motivate the shop floor workers as opposed to the supervisors and managers. Unfortunately this was an opportunity that was seized by only a small number of candidates.

Overall, the paper was well attempted by the majority of candidates. There was no evidence that candidates were short of time, with the majority of candidates appearing to have split the time available very wisely between **Section A** and **Section B**.

# BUSINESS STUDIES

Paper 9707/21  
Data Response 21

## General comments

General subject knowledge was evident from most candidates. There was often limited development in some responses to the longer questions, with 1(c), 1(d) and 2(c) being answered in only a few lines rather than the anticipated extended answer. With such limited evidence of the skills of analysis and evaluation shown it was not possible to award higher marks. Although the responses were limited in length there was, in some cases, an attempt to apply the answers in context. **Question 2(d)** was the best example of this, with many candidates applying their answers to SFF. There were some candidates who did not answer all of the questions. Since there did not seem to be an issue with time this may have reflected a lack of knowledge.

Evidence of analysis was generally poor and, as is often the case, evaluation even rarer. The aim of the exam is to test the ability of candidates to respond to the data. The candidates need to use business studies knowledge in the context of the question in order to assess the implications of different choices, factors and courses of action to come to a supported judgement, comparison or assessment.

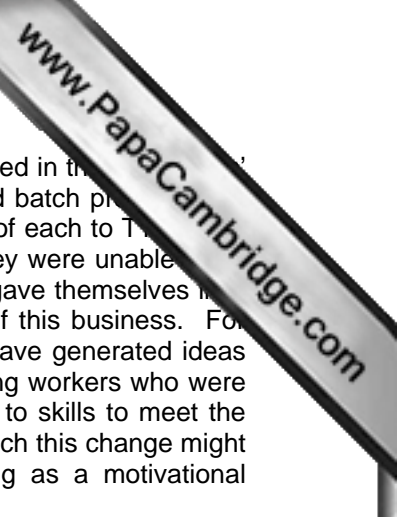
Although the case material seemed generally accessible to the candidates, the responses gave the impression of being rushed and not thought through in terms of structure. The quality of answers generally showed reasonable, if limited, use of business language and overall communication skills.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates had some understanding of the term 'product life cycle'. However the majority of candidates only identified the stages of the cycle. The best answers gave some idea of how the concept of the life cycle could be used to increase sales using different strategies.
- (ii) Most candidates incorrectly defined 'economies of scale' as 'costs decrease as more units are produced.' A few stronger candidates were able to explain that economies of scale were to do with scale of operation and the reduction of average costs. Marks were also gained from giving examples such as purchasing economies.
- (b) (i) Most candidates correctly calculated Return on Capital Employed (ROCE) as 3.3%. Some incorrect answers came from inverting the formula. A few candidates lost one mark through omitting the correct units (%).
- (ii) Most candidates were able to identify that the ratio had changed significantly downwards. Credit was given to those candidates who incorrectly calculated in (i) but nevertheless made rewardable comments in (ii). Better candidates were able to recognise that the decline was due to issues of gross profit, increasing costs and static sales.



- (c) This was probably the most difficult question on the paper and this was reflected in the answers. Most candidates were able to comment on the features of job and batch production in general terms. Fewer demonstrated some understanding of the implications of each to TT. The majority of candidates were unable to relate their response to training they were unable to go beyond Level 1. Too many candidates only wrote a few lines and therefore gave themselves no chance of achieving higher reward. Better answers related to the context of this business. For example, new staff, new skills, new systems, changing atmosphere should have generated ideas about the need for training and the implications of such training for the existing workers who were highly skilled in job production but may have to make significant adjustment to skills to meet the demands of batch production. Such answers might have included ways in which this change might have been managed in order to reduce resistance, such as using training as a motivational technique.

Teaching Tip:

Candidates should ask themselves if they understand what the question requires before they start answering. In this case candidates needed to take account of the key words which were 'job', 'batch', 'training' and 'analyse'. Analyse means to look at the implications of an action in this case in terms of training the workforce for a change in production method. It is useful for candidates to have this mental checklist when deciding how to answer the question.

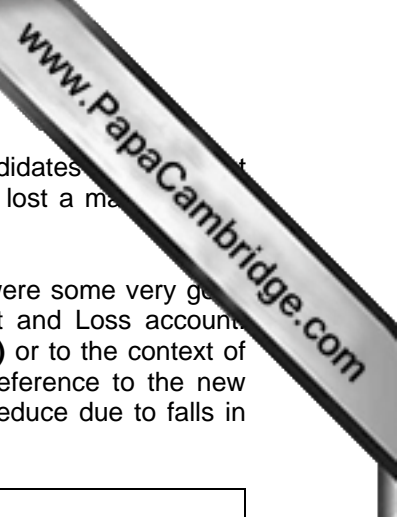
- (d) The answers to this question were disappointing. This was a much more straightforward question than 1 (c) and Examiners expected candidates to discuss in detail the factors which would impact on TT by making the change from quality furniture to school furniture. Most candidates gave generalised descriptions of changing to a new market but with little or no specific reference to the data. Candidates should remember that the objective of this examination is to respond to the data. In this case candidates should recognise that TT moving into the 'school market' which may have limited budgets and require a completely different type of furniture, and that all aspects of the marketing strategy of the business will have to change alongside its changing methods of production. Therefore there were a number of ways that candidates could have gained marks. Since the majority of candidates failed to achieve analysis or context, there was little or no evidence of evaluation. Examiners were looking for judgements to be made in terms of the problems that needed to be addressed by TT and for candidates to give a balanced view of how the change might be managed based on the analysis made.

Teaching Tip:

It is important that teaching includes the idea of assessment for learning. This means that every task set for candidates should include some idea of how the task is to be assessed, whether it be analysis or evaluation. When teaching these skills it is useful to use past questions and to allow peer assessment so that candidates can recognise where analysis and evaluation are achieved in answers.

**Question 2**

- (a) (i) This question was reasonably well answered, with most candidates being rewarded for '2 or more' with some reference to liability. Best answers gave an example such as accountants or solicitors to gain the third mark.
- (ii) This was well answered by many candidates who showed good understanding of the term 'market share' in terms of the whole industry. Best answers gave examples and/or the formula to enhance their answers.



- (b)(i) Most candidates attempted to calculate the annual depreciation. Weaker candidates did not know the formula or could not apply it. Encouragingly very few candidates lost a mark through omission of the \$ sign.
- (ii) Most candidates were able to say something about depreciation and there were some very good explanations of how depreciation affects the Balance Sheet and the Profit and Loss accounts. Unfortunately many did not refer to the answer they had calculated in part (i) or to the context of the data and therefore could not achieve more than one mark. Specific reference to the new equipment on the Balance Sheet or ways in which the owners' capital will reduce due to falls in retained profit would have been expected in the best answers.

Teaching Tip:  
Candidates should practice this type of question in which a calculation is made and then explained in terms of the business. It is always the case that the calculation will inform the second part of the answer and easy marks are often lost through this lack of focus on the context of the data.

- (c) Examiners were disappointed with the large number of very general answers to this question. Most candidates were able to state the advantages and disadvantages of private limited companies but did not develop the answers further by making comparisons with partnerships or by using the data to contextualise the answers. The type of farm which is run by SFF seems to be running successfully as it is. This question called for candidates to analyse whether such a change in status would have a positive or negative impact on the business, perhaps in terms of finance, size of business, communication, possibility of new partners/shareholders etc. Most candidates wrote little in response to this question.
- (d) This question was answered better than the other longer questions on the paper. However answers on the whole were still limited in terms of the reward the candidates could achieve due to the limited use of the data response material. Candidates needed to identify aspects of SFF's business such as product on offer, the message that the business wished to convey, the target market, changing customer tastes, the size of the business and the effect this might have on the availability of a marketing budget to support promotion proposals. Strategic decisions such as promotion cannot be assessed and evaluated without understanding of the context in which SFF is operating and the factors to be considered when making decisions. Most candidates made simple textbook statements about the types of promotion which might be used by the business. Candidates did have some idea of promotional terminology such as target market, market segment, above and below the line promotion, but there was little development of issues and therefore limited reward. As a consequence there was little or no evidence of evaluation in terms of the best methods of promotion to use given the limitations of the business, nor were there many attempts to say how the factors affecting promotion might change over time.

# BUSINESS STUDIES

Paper 9707/22  
Data Response 22

## General comments

Candidates generally made effective use of the case study material in relation to both questions, although there were some key contextual issues overlooked for 2(d). Candidates performed particularly well in relation to both of the calculation questions. **Question 2(d)** proved to be the most difficult question as candidates failed to realise that the actual customer for the meat was TS, a chain of supermarkets, rather than the final consumers. Candidates should expect business-to-business situations as well as the more familiar retail relationship.

There was very little evidence of evaluation skills being used. Candidates need to be mindful that when they are asked to discuss issues/factors (**Question 1(d)** and **Question 2(d)**), there is an expectation for them to come to a judgement regarding which is the most important issue/factor and why, and that the judgement should relate to the specific context of the business in the data response material.

The case material seemed generally well accessible to the candidates and the quality of answers generally showed good use of business language and overall communication skills. There was little evidence of time shortages.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates had some understanding of the term “batch production”. The main elements seen in candidate responses were products made in standard groups, the need for more machinery compared with job, and the nature of batch production. These observations were often backed up by a good example, often from the baking sector. Many weak answers had circular definitions – “batch production is production done in batches...” – these are not rewarded unless there is additional explanation.
- (ii) Candidates clearly understand the mechanics of quality control. Many answers mentioned checking, inspecting, correcting, preventing etc. Fewer candidates understood the purpose of quality control, which is to ensure that products/services meet the customers’ expectations and requirements. The best answers gave examples of where quality control might be particularly important.
- (b) (i) Most candidates correctly calculated 25% for the net profit margin. A few candidates were able to work out the actual gross profit of \$40,000 but then failed to apply this to the correct formula. Very few candidates were unable to attempt the calculation. Some candidates only calculated net profit without expressing it as a percentage.
- (ii) Candidates were allowed to carry forward their answer to (i) when it was incorrect. Most candidates identified the trend with a simple statement – the correct answer showed a downward trend across the years. Fewer candidates were able to use the table to explain that this arose because of falling sales and constant expenses. A few very good responses noted what the implications might be for the next financial year if the trend continued. Some candidates failed to make use of the Table (i.e. the context) and so gave theoretical answers as to what might cause the net profit margin to fall.

- (c) This question was answered very well by some candidates, who clearly identified the factors affecting CC's workforce, namely: the change there might be to the family atmosphere; the impact on the existing staff and the skills that might be needed following the change; the possible need for different staff; extra training and staff resisting change. Good answers analysed the implications as well and made clear links to CC's employees (the context of the question). A few candidates failed to grasp that the question was about the human resources implications and their answers became descriptions of batch or flow production with no reference to human resources at all.

Teaching Tip:

When answering a question on human resources, candidates need to carefully look through the case study and identify the relevant human resource issues, such as what the staff have been used to. If things change, how will this affect the staff? What might their reaction be? Why is the training important? And so on.

- (d) As is often the case, marketing questions are not answered as well as they could be by many candidates. Usually the problem is that the candidate either ignores the context, or simply repeats bits from the case without further development of ideas. Important issues that needed developing included:

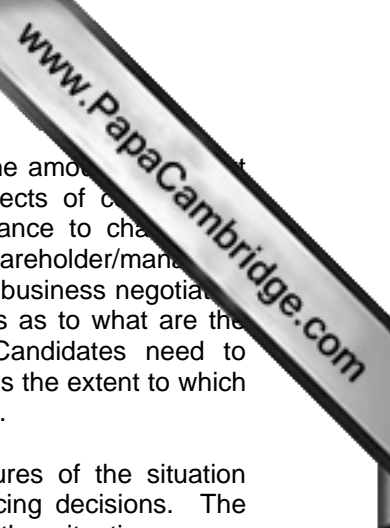
- SS are small so any marketing budget would be small
- The target market is new and different
- The target market probably has smaller spending power
- The existing, more exclusive market needs to be considered
- The distribution channel, which is currently directly between SS and customers, will have to change.

Better candidates took these issues and considered how they might impact on the Mix. The best answers developed arguments that justified which were the most important issues. Examiners are not able to reward candidates who simply copy sentences or terms from the case. These weaker and descriptive answers struggled to identify the factors that might be important and gave very general, knowledge-based answers about the Marketing Mix. It must be stressed to candidates to read questions carefully and to avoid simply restating the information that is presented in the case study – the information needs to be used.

## Question 2

- (a) (i) Many candidates had a good understanding of the term "shareholders". A few candidates confused the term with "stakeholders". Some candidates, wrongly, thought that shareholders had unlimited liability.
- (ii) Most candidates were able to define "primary sector". Explanation usually considered distinguishing it from the secondary/tertiary sectors and providing suitable examples. A few candidates confused the term with "private sector".
- (b) (i) Most candidates attempted to calculate the payback period and many candidates gave the correct answer of 3 year and 4 months or other acceptable variations such as 40 months. The most common error seen by Examiners was for candidates to count year 0 as a full year and then get the answer of 4 years 4 months. A few candidates were unable to attempt this calculation or clearly had little idea as to what was needed.
- (ii) Most candidates were able to gain one mark for showing an understanding of the theory of Payback. It was rare for candidates to gain more than one mark as most did not contextualise their answer. For the few candidates who gained more marks, they stated the fact that as David estimated the forecasts, the payback may well not be reliable. Other candidates mentioned that as SS is small they may well have to borrow to invest and therefore banks would need more information than just payback.





- (c) Answers to this part of the question were a little disappointing considering the amount of detail that candidates could have used in their responses. The two main aspects of context that Examiners were hoping to read in responses were: the need for the finance to change the production system and the current scale of the business with 2 major shareholder/managers. Another useful factor was the potential imbalance caused by a small farming business negotiating with a supermarket chain. Most candidates gave very theoretical responses as to what are the advantages and disadvantages of being a private limited company. Candidates need to contextualise their responses for higher marks. What surprised Examiners was the extent to which many candidates thought that loss of “secrecy” was the most important feature.
  
- (d) Answers to this question divided into those that recognised the key features of the situation described in the case and those that gave a theoretical answer about pricing decisions. The theoretical answers nearly always missed the critical factor: that is that the situation was a business-to-business transaction rather than business to final consumer. Candidates that understood the situation were generally able to then contextualise their answers – the market is competitive, with cheaper overseas supplies available; SS might be able to get a premium price based on the ethical stance they take – that would depend on the attitude of the supermarket and its customers; they would need to recover their costs especially those of the new machinery. Weaker answers were typically textbook answers, usually not recognising the business-to-business situation or sometimes not using the other case material. Many candidates analysed in good detail but failed to come to an evaluation.

**Teaching Tip**

It is important for candidates to avoid generalised, textbook answers. Candidates need to avoid using generic terms such as “business”, “product” and “customers”. They should always attempt to use the name and nature of the business and write about the actual product itself and who the customers are. This will enable them to more effectively use the context of the case study as they develop their answers. This will therefore enable Examiners to award higher marks!

# BUSINESS STUDIES

Paper 9707/23  
Data Response 23

## General comments

Candidates generally made effective use of the data response material in relation to both questions. It was noted that candidates performed particularly well in relation to both of the calculation questions. Question 1(d) proved to be the difficult question as candidates failed to grasp the actual target market for the new clocks and focused too much on candidates rather than Schools.

There was very little evidence of evaluation skills being used. Candidates need to be mindful that when asked to discuss factors (Question 1(d) and Question 2(d)), there is an expectation for them to come to a judgement regarding which is the most important factor and why, and that the judgement should relate to the specific context of the business in the data response material.

The data response material seemed generally well accessible to the candidates and the quality of answers generally showed good use of business language and overall communication skills.

## Comments on specific questions

### *Section A*

#### Question 1

- (a) (i) Most candidates had some understanding of the term “flow production”. The main elements seen in candidate responses were mass production, standardised products and the capital intensive nature of flow production. These were often backed up by a good example.
- (ii) Candidates clearly struggled with the concept of quality assurance, with many confusing the term with quality control. It is vital that candidates give good, clear explanations. It was evident with this question that “inspecting, checking, prevention” which are quality control based approaches, were the most common responses. Only a minority of candidates gained the maximum marks for a clear understanding that quality assurance is about setting standards and ensuring these standards are achieved and related to customer needs.
- (b) (i) Most candidates correctly calculated 20% for the gross profit margin. A few candidates were able to work out the actual gross profit of \$10,000 but failed to apply this to the correct formula. Very few candidates were unable to attempt the calculation.
- (ii) Most candidates performed well – identifying the trend and using the figures in Table 1 to comment as to why the gross profit margin was falling. A few very good responses noted what the implications might be for the next financial year if the trend continued. Some candidates failed to make use of the Table (i.e. the context) and so gave theoretical answers as to what might cause the gross profit margin to fall.
- (c) This question was answered very well by some candidates, who clearly identified the main issues facing CC, namely the impact on the family atmosphere and the skills of the existing staff. Examiners were looking for candidates to focus on the human resources implications of this – new recruitment, training and working with staff to retain the family focus. Good answers analysed the implications well and made clear the links to CC, the business in the case study. A few candidates failed to grasp that the question was about the human resources implications and their answers became descriptions of batch or flow production with no reference to human resources at all.

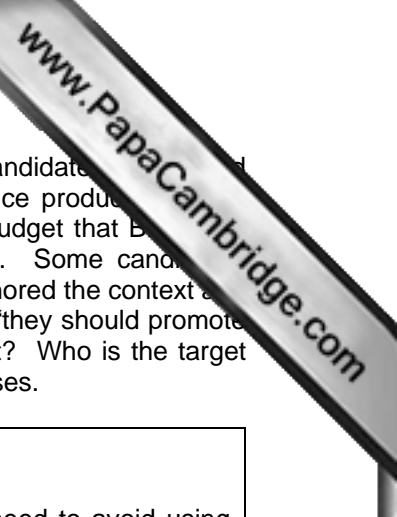
Teaching Tip:

When answering a question on human resources, candidates need to look carefully through the case study and identify the relevant human resource issues, such as what have staff been used to. If things change, how will this affect the staff? What will the business have to do to control the situation, i.e. train the workers? Why is the training important?

- (d) This question was generally not answered well. Most candidates confused who the target market was despite the fact that “Schools” was clearly stated in the question. Weaker responses tended to focus on the fact that the clocks would be sold to candidates, others quoted (but did not apply) the data response material too much. Examiners are not able to reward candidates who simply copy sentences or terms from the material. These weaker and descriptive answers struggled to identify the factors that might be important. Good responses focused on factors such as School budgets and the implications for the price that CC could charge. Others looked at the finance CC would need to set up a flow production system, especially considering the fact that profits were falling. It must be stressed to candidates to read questions carefully and to avoid restating the information that is presented in the case study.

**Question 2**

- (a) (i) Many candidates had a good understanding of the secondary sector, with links to manufacturing being the most common setting. Examples of manufacturers or manufactured products were commonly used to support the given answers.
- (ii) This was well answered, with most candidates able to make the clear and important focus that a private limited company consists of shareholders who are unable to sell shares on the stock exchange. Other approaches included the fact that this was an incorporated type of business and was owned by shareholders. Some candidates limited the mark that they could be awarded as it was difficult for Examiners to determine whether the candidate was explaining a private or a public limited company. This was because what the candidate stated could be applied to both, that is, they are both incorporated, both are owned by shareholders and in both cases the shareholders have limited liability.
- (b) (i) Most candidates attempted to calculate the ARR. A significant number of candidates gained the full marks. Some candidates made the assumption that the net income had already been deducted from the investment cost and they were not penalised for this. The most common error seen by Examiners was for candidates to forget to divide the net income by 5 years and arrive at an answer other than the correct one of 10%.
- (ii) Most candidates were able to gain one mark for showing an understanding of the theory of ARR. It was rare for candidates to gain more than one mark as they did not contextualise their answers. For the few candidates who gained more marks, they stated the fact that as SFF is a small business, cash flow may be important for them. This means the ARR is not useful as it focuses on profit flow rather than the payback method which looks at cash flow.
- (c) Answers to this part of the question were a little disappointing considering the amount of context that candidates could have used in their responses. The main aspects of context that Examiners were hoping would be used in responses were: the need for the finance to purchase the machinery and how continuing as a partnership might not enable this to happen and/or the advantages to Brian and Jenny themselves of being a partnership, that is, they make their own decisions (such as developing new products like Seasonal Choice) and so on. Most candidates gave very theoretical responses as to what the advantages and disadvantages of being a partnership are. Candidates need to contextualise their responses for higher marks.



- (d) Examiners were generally pleased with the use of context in this question. Candidates were asked to discuss the implications for the marketing mix in relation to the new Seasonal Choice product. Candidates should have discussed quality, higher income consumers and price, packaging/promotion and the budget that B and J might have as a partnership and how this would restrict promotion. Some candidates analysed in good detail but failed to come to an evaluation. Some answers ignored the context and made statements like “if the product is inelastic then price should be high” or “they should promote in places where the target market will see the product”. What is the product? Who is the target market? These are questions that candidates need to address in their responses.

**Teaching Tip**

It is important for candidates to avoid generalised answers. Candidates need to avoid using generic terms such as “business”, “product” and “customers”. They should always attempt to use the name and nature of the business, write about the actual product itself and who the customers are. This will enable them to more effectively use the context of the data response material as they develop their answers. This will therefore enable Examiners to award higher marks!

# BUSINESS STUDIES

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**Paper 9707/31**

**Case Study 31**

## **General Comments**

There was a very wide spread of marks on this paper. It is clear that some Centres have really understood the principles behind “case study” based examinations and are preparing their candidates with past paper practice. This exposure to previous 9707/3 examinations helps build the key skills of application and evaluation. Candidates from some Centres did not appear to be so well prepared; not only were there some significant gaps in subject knowledge evident from some candidates’ answers, but there was also a frequent failure to use selectively the data provided to support responses. Weaker candidates are still too ready to copy out whole sections of the case study material without clearly relating this to the question being set. This is not demonstrating the examination skill of application.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess CIE’s Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language. Once again, however, the quality of some scripts was most impressive not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

Time was not a problem as evidenced by long answers to the essay questions following, in the main, good attempts at all of the previous questions.

## **Comments on questions**

### **Question 1**

This question proved to be very accessible and allowed candidates to both show appropriate knowledge and a good awareness of the case study business. The problems of small sample, poor response rate and limited range of questions were frequently well explained in context and the consequences of them analysed.

### **Question 2**

Candidates were generally very keen to demonstrate their grasp of motivational theories and issues. The Human Resource problems within TeenPrint were often implied in answers rather than clearly identified but the suggestions made in most responses were appropriate to these specific problems so application marks could still be awarded. There were many excellent examples of analysis of the two management approaches referred to in Table 1. Evaluation was often in the form of judgements about which features of these two approaches would be most likely to be successful in resolving the HR problems. In addition, most answers contained a final recommendation which was rooted in the preceding analysis.

### **Question 3**

This accessible question allowed candidates to demonstrate their knowledge of pricing methods and it is encouraging to report that many Centres clearly teach these in great detail. Unfortunately many answers, after making this promising start, then failed to fully analyse these pricing methods in context. For example, the competition from other magazines in this age sector should have been considered an important factor in the pricing decision. Similarly the impact on this age range of some of the economic data in Appendix D and the consequences for an appropriate pricing method could have been examined – as it was in some of the better answers. The best answers made a clear and supported recommendation rooted in the context of the case.

#### Question 4

- (a) (i) and (ii). Both of these ratios were well known by the majority of candidates and full marks for correct results were quite frequently given. Different versions of the gearing ratio (other than long-term liabilities/capital employed  $\times 100$ ) were accepted by Examiners.

*Examiner's tip: Candidates should always be encouraged to show clear working when answering a quantitative question and, where appropriate, state clearly the formula or ratio being used.*

- (b) The knowledge and application marks were often quickly earned by most candidates. Analysing the advantages or limitations of different sources of finance was within the grasp of many candidates too. However, Examiners did not accept the quite common suggestion that this private limited company could consider a Stock Exchange listing as a public limited company as the sum of finance required was relatively small and the costs of "going public" would far outweigh the sum to be raised. Most candidates were able to give some form of final judgement but the conclusion, which was seen on several scripts, that: "Ahmed will have to consider the advantages and disadvantages carefully before making the final decision" was not awarded marks unless a supported judgement on the most suitable source was also given.

#### Question 5

- (a) This question led to few completely correct answers yet most candidates were awarded marks for their attempts to calculate the two expected monetary values by manipulating some of the data. Higher marks were awarded to those candidates who made a good effort to multiply probabilities by the forecasted pay-offs. The most common errors were not subtracting the initial capital cost of both options and not including the financial consequence of the Internet option into the final expected monetary value. Many candidates seemed surprised by the second decision despite this style of decision tree featuring in the endorsed texts for this syllabus.
- (b) This question led to some very detailed and effective responses, most of which used the candidates own figures from part (a) of the question. Many of the issues about risk and probabilities of success/failure were discussed together with other factors, such as the magazine writers' experience of producing articles for the younger age groups closer to the 20-35 age segment proposed in one of the options. The best evaluative responses questioned the accuracy of the decision tree technique as well as the importance of data that was not actually provided e.g. the number of direct competitors in these two age segments.

*Examiner's tip: Judgement in an answer can be demonstrated in a number of ways: prioritising factors, assessing their relative importance, giving a justified conclusion, questioning the data used or the techniques that have been applied. Where relevant, it might also be useful to explain how a particular decision might be aided by data that is not provided in the case, explaining how it would have been useful to this particular strategic choice.*

#### Question 6

There was a considerable amount of data for candidates to analyse and discuss here. Most candidates recognised what the data was indicating but many referred to the GDP data as forecasting a recession rather than an economic slowdown. The impact on TeenPrint was often effectively analysed and attempts were made to explain how the data might have a different impact on the success of the two main strategic options. Evaluation was often limited to statements such as: "So all of this data is really important to the future success of the business". This gains few if any marks as it shows no real judgement. Which changes shown by the data might be the most important and why? What factors other than external economic data – there were many suggestions given in the case – might have an even greater impact on TeenPrint's success? These examples of evaluation were well rewarded.

### Question 7

Most candidates who answered this essay were able to demonstrate accurate knowledge about production. Some candidates struggled to apply their answers directly to this business. Many answers focused only on JIT and this was a limited view of the question. The best answers assessed the potential benefits of the lean production concept and the associated techniques to this business. Evaluation should have been focused on whether this company and the two main managers were really able to manage – and afford – the changes that would be needed. Some candidates suggested that the focus of future development and capital expenditure should be on Internet publications so to spend large sums on “flexible” printing machines and staff training was not a wise investment. This form of overall awareness of the industry that the case study business operates in, when used to demonstrate the skill of evaluation, often gains high marks.

### Overall

The continued growth of this syllabus around the world is leading to a very wide range of approaches to answering business studies questions. It is one of the joys of examining this CIE syllabus that the diversity of candidate experience is sometimes appropriately reflected in answers to certain questions. The facts remain, however, that in order to gain high marks in this most prestigious Business Studies A Level qualification, a few key ground rules have to be established with candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 3 (or 31/32/33). Demonstrate knowledge of important business terms and concepts early in the answer – perhaps by means of a definition. Use logical reasoning and appropriate theory to explain and analyse the arguments to be used. Put these arguments firmly into context – how do they apply, in particular, to the business featured in the case study? Finally, show judgement, in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.

# BUSINESS STUDIES

Paper 9707/32

Case Study 32

## General Comments

There was a very wide spread of marks on this paper. It is clear that some Centres have really understood the principles behind “case study” based examinations and are preparing their candidates with past paper practice. This exposure to previous 9707/3 examinations helps build the key skills of application and evaluation. Candidates from some Centres did not appear to be so well prepared; not only were there some significant gaps in subject knowledge evident from some candidates’ answers, but there was also a frequent failure to use selectively the data provided to support responses. Weaker candidates are still too ready to copy out whole sections of the case study material without clearly relating this to the question being set. This is not demonstrating the examination skill of application.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess CIE’s Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language. Once again, however, the quality of some scripts was most impressive not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

Time was not a problem as evidenced by long answers to the essay questions following, in the main, good attempts at all of the previous questions.

## Comments on questions

### **Question 1**

This question proved to be very accessible and allowed candidates to both show appropriate knowledge and a good awareness of the case study business. The problems of small sample, poor response rate and limited range of questions were frequently well explained in context and the consequences of them analysed.

### **Question 2**

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### **Question 3**

This accessible question allowed candidates to demonstrate their knowledge of pricing methods and it is encouraging to report that many Centres clearly teach these in great detail. Unfortunately many answers, after making this promising start, then failed to fully analyse these pricing methods in context. For example, the competition from other magazines in this age sector should have been considered an important factor in the pricing decision. Similarly the impact on this age range of some of the economic data in Appendix D and the consequences for an appropriate pricing method could have been examined – as it was in some of the better answers. The best answers made a clear and supported recommendation rooted in the context of the case.



#### Question 4

- (a) (i) and (ii). Both of these ratios were well known by the majority of candidates and full marks for these results were quite frequently given. Different versions of the gearing ratio (other than long-term liabilities/capital employed  $\times 100$ ) were accepted by Examiners.

*Examiner's tip: Candidates should always be encouraged to show clear working when answering a quantitative question and, where appropriate, state clearly the formula or ratio being used.*

- (b) The knowledge and application marks were often quickly earned by most candidates. Analysing the advantages or limitations of different sources of finance was within the grasp of many candidates too. However, Examiners did not accept the quite common suggestion that this private limited company could consider a Stock Exchange listing as a public limited company as the sum of finance required was relatively small and the costs of "going public" would far outweigh the sum to be raised. Most candidates were able to give some form of final judgement but the conclusion, which was seen on several scripts, that: "Ahmed will have to consider the advantages and disadvantages carefully before making the final decision" was not awarded marks unless a supported judgement on the most suitable source was also given.

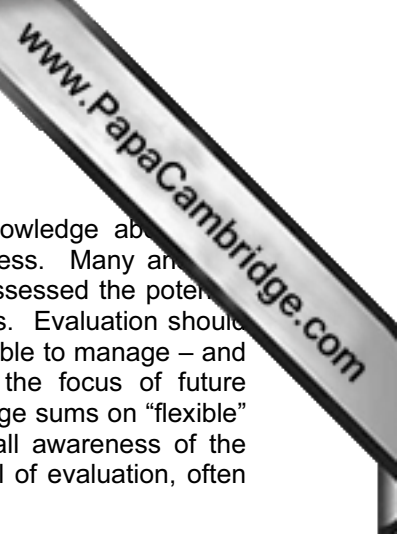
#### Question 5

- (a) This question led to few completely correct answers yet most candidates were awarded marks for their attempts to calculate the two expected monetary values by manipulating some of the data. Higher marks were awarded to those candidates who made a good effort to multiply probabilities by the forecasted pay-offs. The most common errors were not subtracting the initial capital cost of both options and not including the financial consequence of the Internet option into the final expected monetary value. Many candidates seemed surprised by the second decision despite this style of decision tree featuring in the endorsed texts for this syllabus.
- (b) This question led to some very detailed and effective responses, most of which used the candidates own figures from part (a) of the question. Many of the issues about risk and probabilities of success/failure were discussed together with other factors, such as the magazine writers' experience of producing articles for the younger age groups closer to the 20-35 age segment proposed in one of the options. The best evaluative responses questioned the accuracy of the decision tree technique as well as the importance of data that was not actually provided e.g. the number of direct competitors in these two age segments.

*Examiner's tip: Judgement in an answer can be demonstrated in a number of ways: prioritising factors, assessing their relative importance, giving a justified conclusion, questioning the data used or the techniques that have been applied. Where relevant, it might also be useful to explain how a particular decision might be aided by data that is not provided in the case, explaining how it would have been useful to this particular strategic choice.*

#### Question 6

There was a considerable amount of data for candidates to analyse and discuss here. Most candidates recognised what the data was indicating but many referred to the GDP data as forecasting a recession rather than an economic slowdown. The impact on TeenPrint was often effectively analysed and attempts were made to explain how the data might have a different impact on the success of the two main strategic options. Evaluation was often limited to statements such as: "So all of this data is really important to the future success of the business". This gains few if any marks as it shows no real judgement. Which changes shown by the data might be the most important and why? What factors other than external economic data – there were many suggestions given in the case – might have an even greater impact on TeenPrint's success? These examples of evaluation were well rewarded.



### Question 7

Most candidates who answered this essay were able to demonstrate accurate knowledge about lean production. Some candidates struggled to apply their answers directly to this business. Many answers focused only on JIT and this was a limited view of the question. The best answers assessed the potential benefits of the lean production concept and the associated techniques to this business. Evaluation should have been focused on whether this company and the two main managers were really able to manage – and afford – the changes that would be needed. Some candidates suggested that the focus of future development and capital expenditure should be on Internet publications so to spend large sums on “flexible” printing machines and staff training was not a wise investment. This form of overall awareness of the industry that the case study business operates in, when used to demonstrate the skill of evaluation, often gains high marks.

### Overall

The continued growth of this syllabus around the world is leading to a very wide range of approaches to answering business studies questions. It is one of the joys of examining this CIE Syllabus that the diversity of candidate experience is sometimes appropriately reflected in answers to certain questions. The facts remain, however, that in order to gain high marks in this most prestigious Business Studies A Level qualification, a few key ground rules have to be established with candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 3 (or 31/32/33). Demonstrate knowledge of important business terms and concepts early in the answer – perhaps by means of a definition. Use logical reasoning and appropriate theory to explain and analyse the arguments to be used. Put these arguments firmly into context – how do they apply, in particular, to the business featured in the case study? Finally, show judgement, in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.

# BUSINESS STUDIES

**Paper 9707/33**

**Case Study 33**

## General Comments

There was a very wide spread of marks on this paper. It is clear that some Centres have really understood the principles behind “case study” based examinations and are preparing their candidates with past paper practice. This exposure to previous 9707/3 examinations helps build the key skills of application and evaluation. Candidates from some Centres did not appear to be so well prepared; not only were there some significant gaps in subject knowledge evident from some candidates’ answers, but there was also a frequent failure to selectively use the data provided to support responses.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess CIE’s Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language. Once again, however, the quality of some scripts was most impressive, not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## **Question 1**

- (a) (i) The majority of candidates were able to calculate these RoCE ratios successfully. A few answers were based on an inversed ratio formula and others were based on formulae that could not be recognised as being relevant to RoCE.
- (ii) This ratio was less well remembered by many candidates and it is important to reinforce that, although it is several years since dividend yield was examined, all of the accounting ratios listed in the specification need to be learned.
- (b) The answers to this question varied greatly between Centres. Some candidates struggled to explain what dividends were. In contrast, some answers clearly understood the issues involved (for the business in this case) in reducing the dividends per share. There were, in these responses, excellent references to the case and declining profitability and the need to raise finance for the future strategies of the business. The links between reducing dividends, internal finance and impact on shareholders were well explained. Some of the best evaluation considered the likely negative short term reaction of shareholders which might be balanced against the possible shareholder satisfaction in the long term if the increased retained profits were to be effectively invested back into the business.

## **Question 2**

Most answers demonstrated an awareness of the different types and numbers of employees that the business would need if Option A was chosen. The importance of effective workforce planning to the success of a venture for which good customer service would be vital was explained by many candidates. The effective management of human resources – recruitment, selection, motivation, appraisal, for example – was less well explained in most cases. Evaluation was rather limited and for the demonstration of this skill candidates could have weighed the importance of HR management and workforce planning against other key features of the successful implementation of this option. On balance, some of the better answers concluded, the success of Option A would depend on effective management of resources in many departments of the business, but without the right number of workers with appropriate skills, this strategy just would not be workable.

### Question 3

A surprising number of candidates were not able to define or explain “marketing budget”. In most instances the answers tended to drift into the advantages and disadvantages of budgeting in general. The best answers examined why a significant marketing budget would be needed in the case of Option B, recognised the financial constraints that this business might be under. Effective evaluation was often based on suggesting that success of Option B also depended on how well the budget was allocated and the importance of an integrated marketing mix required to convince potential consumers of this change in marketing strategy.

*Examiner’s tip: It is advisable to start all answers with a clear and appropriate definition of any key Business Studies term contained in the question – as with “marketing budget”.*

### Question 4

Good subject knowledge was demonstrated by many candidates in answer to this question. The topic of lean production is being covered in most Centres in much more detail than a few years ago. The key though, as always, is to apply knowledge to the context of the case study, to analyse the advantages and disadvantages and to weigh up the importance of the concept or technique to the business featured in the case. Better prepared candidates were certainly able to show all of these skills and there were a few excellent answers that weighed up the operational efficiency benefits against the potential damage to customer service, especially during the period of transition towards lean production. Some excellent answers suggested that using JIT would put customer service at risk, as failure to hold stocks of popular lines of clothing could be very damaging to sales. This was judged against the faster speed and effectiveness of getting new styles and fashions to market that lean production techniques also implied. Quite a few candidates just focused on JIT with no reference to any other features of the lean production concept.

### Question 5

- (a) Most candidates gained some marks for an attempted decision tree. However, only a minority were able to use appropriate nodes and insert all of the relevant information on to their tree diagram to gain full marks.
- (b) This could have been answered correctly without a correct decision tree so there was no “double jeopardy” involved if candidates could not answer **Question 5(a)**. The main area of weakness was the lack of understanding by candidates from quite a few Centres of the need to multiply the probabilities by the forecasted “pay-offs” in order to arrive at the expected monetary values.
- (c) This style of question is becoming increasingly well answered as Centres prepare candidates to use not just quantitative but also qualitative data in their answers. Making strategic choices and supporting decisions with appropriate analysis is an important skill in business and will be frequently examined on the examination papers based on the revised syllabus from 2011.

*Examiner’s tip: Give candidates as much practice as possible at working through problems that require them to use the quantitative techniques that are such an important component of the 9707 syllabus.*

### Question 6

This proved to be less popular than **Question 7**, which was rather surprising considering the increasing focus given in the world’s media to business activities that can be described as being unethical. There were several instances from the case study that candidates could have referred to and discussed. Using low wage labour overseas, making some workers redundant, using environmentally unfriendly dyes and trying to convince consumers that there was no change in quality – these were all issues that might not be illegal but that could be discussed as being unethical. Candidates need to be able to weigh up both sides of the arguments in all cases similar to these. Are such actions wrong? Will consumers, pressure groups and possible governments take action against businesses adopting such practices? Does it matter if they do? There can be no right or wrong answer to these doubts and uncertainties, which is why the ethical issue makes such an effective A Level question.

The very best answers were clearly rooted in the context of the case study and debated the potential differences between the short term and long term impacts on this business of its questionable decisions.

### Question 7

This question caused candidates more problems than expected. Many candidates focused on organisational changes in the case study business and analysed these, rather than focusing on “how to reduce resistance”. Others answered it as a “typical” motivation problem and this approach could not gain full marks. The question was not concerned solely with motivation but with resistance to change and this requires a much more expansive approach from candidates than one purely focused on “Taylor” and “Mayo”. The need for leadership is crucial at such times – generating a vision of the future that workers will want to “buy into”. The need to manage the changes to the workforce with effective two way communication and the involvement of worker’s representatives was explained by some candidates. Others adopted a more autocratic approach in their responses and this was not necessarily considered inappropriate by Examiners as long as it was analysed and evaluated using appropriate theoretical underpinnings and logical reasoning.

### Overall

The continued growth of this syllabus around the world is leading to a very wide range of approaches to answering business studies questions. It is one of the joys of examining this CIE syllabus that the diversity of candidate experience is sometimes appropriately reflected in answers to certain questions. The facts remain, however, that in order to gain high marks in this most prestigious Business Studies A Level qualification, a few key ground rules have to be established with candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 3 (or 33). Demonstrate knowledge of important business terms and concepts early in the answer – perhaps by means of a definition. Use logical reasoning and appropriate theory to explain and analyse the arguments to be used. Put these arguments firmly into context – how do they apply, in particular, to the business featured in the case study? Finally, show judgement in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.