

BUSINESS STUDIES

Paper 9707/11
Short Answer/Essay

This paper gave most candidates opportunities to show the knowledge acquired from their studies and, especially in **Section B**, to apply that accumulated wisdom. Many candidates appeared to have sufficient time to produce answers to all of the questions which the rubric demanded. There were still those, though, who spent too much time upon **Section A** and then did not have enough time to complete **Section B**. I also draw attention again to questions with a tariff of only two marks; “define” and “briefly explain” indicate that an extensive explanation is not required.

Many candidates were well prepared for most questions, although as has happened before, any discussion of ethics provides candidates with difficulties. In contrast, for example, **4(a)** and **4(b)** in **section A**, produced many good answers.

On this paper, many candidates chose to answer **Question 5 (a)** at great length, so having less time to spend upon part **(b)** which carried the bulk of the marks. Some confident candidates, seeing **Question 5** and finding it to their liking, made the decision to answer this question first, often very well. They then found the more wide-ranging **Section A** more challenging, obtaining a mark guaranteeing a pass but not much more. The choice was for them to make and such a strategy was not treated adversely. However, it is still advisable to prepare oneself by revising the whole of the syllabus.

The tendency for candidates to produce proper essays continued. The classical model of an essay has an introduction, followed by the discussion, which may be a series of paragraphs, and concludes with an evaluative paragraph, which may be relatively short. Many candidates need to improve their understanding of the use of paragraphs as they have a value, disciplining the writer to structure an argument. Good candidates often produce plans and can then utilise them to form relevant paragraphs. Plans do not have to be crossed out and are read by Examiners.

Context needs to be used more widely by many candidates. Although not so important in this paper, except in **5(b)** where the “competitive business environment” was demanded, the use of contextual examples is a distinct advantage. It enables candidates to illustrate their answers and Examiners to conclude that knowledge is being applied clearly. In the case of **5(b)**, candidates needed to indicate the particular problems of such an environment, rather than simply repeating ‘competitive environment’.

Diagrams and graphs, although used more widely in other syllabuses such as the sciences, may still be a useful addition to an answer in Business Studies. Some candidates demonstrated this by using a neatly-sketched graph when answering **1(a)**.

SECTION A

Question 1

- (a) Very few candidates gave the simplest answer, that the ‘break-even’ point is equal to the Total Fixed Costs divided by the Contribution per unit. Total revenue equalling total costs was also acceptable. The best candidates gave a sketch graph which was labelled. Some candidates discussed profit, but without any qualifications, for which they could not gain credit. Many candidates discussed profit and loss, gaining marks by pointing out that break-even occurred when neither profit nor loss occurred. Some candidates mentioned that costs could be variable or fixed but needed to link this more clearly to the question.
- (b) The strongest answers to this question included discussion centring on cost-volume-profit analysis. Other good answers looked at use, not simply describing the relationship. This may have been about the choice between two or more products or a change of price. Candidates giving a similar answer to **1(a)** but including some elaboration about prediction regarding profit and loss could only

gain one mark, There were some candidates who simply repeated their answer to the sub-question and so could gain no further credit.

Question 2

- (a) There is no single definition of a niche market, as one can discover by looking at several textbooks, or by utilising electronic retrieval methods. However, there are some common features: the niche market is small, a subset, a sub-segment, of the whole market, a specific product is being produced and, perhaps most importantly, the company concerned has identified this sector of the market (or perhaps 'conceptualised' would be a better word). Indeed, some authorities believe this identification is the key feature, as then the company can go on to produce an appropriate marketing strategy. The strongest candidates utilised some of the features given above. Many candidates appreciated that a segment was being discussed but could have been writing about segmentation in general - maybe very large segments of the market – so then needed to contrast niche with mass marketing to make the distinction clear.
- (b) This question demanded the explanation of two disadvantages for a company operating in a niche market. A niche is small so the market may be too small to give any appreciable opportunity for expansion, thus limiting sales and profits. Even before the exploitation is started, a firm may have to spend a large sum on market research. The research and development costs may, relatively, be large. This point is often made by entrepreneurs specialising in this area, and clearly increases the risk of failure.

The strongest candidates discussed disadvantages such as entry into the market by competitive firms with greater resources, hence loss of revenue and profit, followed by collapse of the company. The lack of economies of scale was often mentioned by candidates. Again, the best answers followed the answer through to consequent high raw material costs and a price too high for the niche, with again loss of sales and profit.

Many of the candidates who had discussed segmentation in (a), without emphasising the small size, then went on to answer (b) as if a segment was being discussed, so could receive limited credit. Candidates need to choose examples carefully to ensure that they support their answers fully: products such as diet drinks or shampoo for women are not niche markets, so could not gain any credit.

Candidates also need to read the questions carefully. Some answers to this question discussed advantages and so could not gain any credit.

Question 3

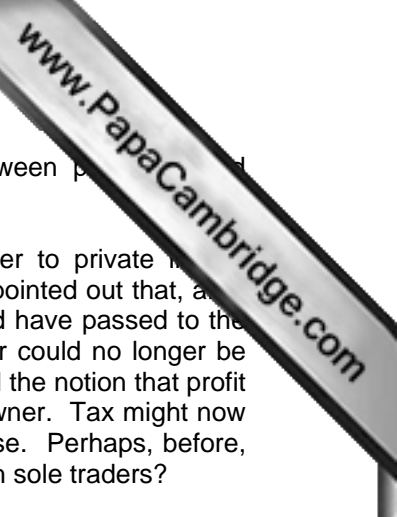
This question concerned a public limited company (not a private limited company) and the finance for a large capital project. There were several possible sources for this finance. Many candidates began their answer with the issue of shares to the public, or a rights issue, to raise the large amounts. Loans were acceptable, too, but would have to be long-term for such a project. Debentures were suggested by many candidates. Sale of surplus fixed assets and retained profit were also accepted.

To obtain the higher marks on this question, candidates needed to emphasise the context of a plc and a large capital project, perhaps suggesting that the choice of one source or of a mixture depended upon the particular position of the company, or maybe the state of the economy.

Some candidates misunderstood the question and discussed publicly-owned companies, which could utilise government finance. Some also suggested overdrafts, which were not considered appropriate for a large capital project.

Question 4

- (a) Private limited companies are often, depending upon the country, small family firms. This point was made by many candidates. Also common was the answer which pointed out that the name of such firms ends with Limited or Ltd. The number of shareholders is limited to 50 in some countries, but can be unlimited in others. Many candidates appreciated this. Share transfer often cannot take place without the agreement of all current shareholders. Many candidates stated correctly that such firms have limited liability and are separate legal entities. Some candidates need to develop



their understanding of limited liability and to distinguish more clearly between private limited companies and public limited companies.

- (b) The question demanded two disadvantages of the change from sole trader to private limited company. A good answer had to focus upon the change. Many candidates pointed out that, after the change, the trader was no longer the only decision-maker. Control would have passed to the board of directors and maybe managers would also be involved. The owner could no longer be authoritative and decide upon strategy, for example. Other answers contained the notion that profit would now have to be shared, so there would be less for the previous sole owner. Tax might now have to be paid, though candidates did not explain why this might be the case. Perhaps, before, accounts were not produced or the tax collection authorities were more lax with sole traders?

Weaker answers ignored the transformation from sole trader to private limited company. Some candidates simply discussed sole trading or pointed out disadvantages of being a sole trader. These candidates needed to focus their answers on the end result of the change upon the sole trader, rather than simply pointing out the cost, time and legal formalities which were involved in the process.

SECTION B

Question 5

- (a) The strongest candidates gave the usual distinctions made between the two: the differences in decision-makers, hence the amount of time involved, the one- versus two-way communication, and the likelihood (but not certainty, as many candidates seemed to think), that more motivation would result. The best answers included examples: the army was common for autocratic leadership, but other candidates discussed the police and the need for autocracy in emergencies, where democratic leadership had prevailed. Democratic leadership was often seen by candidates to be more useful in competitive situations (perhaps indicating that these candidates had read the whole question before commencing their answers).

Some candidates began to evaluate the utility of the two types, but this was of more relevance in (b). Only analysis of the difference and realistic definitions were required to gain full marks in (a).

Weaker answers to this question often confused autocratic and democratic leadership. Authoritative was an acceptable synonym for autocratic leadership but discussion of paternalistic, laissez-faire and other types of leadership could not gain any credit.

- (b) This question demanded a discussion of the view that democratic leadership is more appropriate in the competitive environment of today. The strongest candidates utilised the distinction which they had drawn in (a) to develop an argument pointing out that nowadays people expect to be treated with some respect and given some say in their working lives. Employees can be willing to contribute new ideas to the firm, which may give the firm a competitive advantage in the fast-changing world of business. Low absenteeism, even increased loyalty, may be the end products of such a management style. The very best candidates often included some degree of qualification; they pointed out that it depends upon the context, the type of industry maybe, the culture of the firm, the education and qualifications of the workers and the time available to make a decision.

There was a tendency for the weaker answers to cover the same points made in the answer to (a) rather than developing them in the context of the "competitive business environment", as required by the question.

Question 6

This question proved unpopular with candidates and produced two basic types of answer. The first type could have been written about objectives in general and did not demonstrate that the candidates understood what ethics are. Such an answer did not fulfil the requirements of the question and so could not gain much credit.

The second type (although often confusing legal practices with ethical ones) conveyed the idea of a 'right and proper' approach to business, some notion of morality, and of what could be considered the right way, for example, to treat staff. Stronger answers gave examples of unethical practices such as the exploitation of children.

Once candidates had introduced the basic notion of ethical business, they often gave several reasons for ethical behaviour. These included the marketing impact, increased trust in the brand, the attraction of competent and loyal staff, and enhanced interest from ethical investors. The very best candidates alluded to the costs, although usually without any details. Case studies do exist, on the Internet for example, and show that there are costs of such behaviour, for example paying for the various audits needed and the costs of staff training. An importer of clothes might have to train buyers in ethical sourcing.

Question 7

- (a) This was not a popular question and, as with **Question 6**, candidates' answers were generally either comprehensive or fairly weak rather than from across the whole range of ability.

To gain the higher level marks, some analysis was required. For payback, some candidates alluded to its simplicity compared with average rate of return [ARR], which they believed to be complicated and disliked by 'non-mathematical managers'. This gained some credit but these candidates need to develop further their appreciation of these two methods in context.

For payback, the strongest candidates pointed out the limitations of cash earned after the payback not being taken into account and that the profitability of a project might be ignored. For ARR, these good candidates drew attention to the ease of identifying the opportunity cost of an investment and being able to compare the overall rate to other uses of the investment funds.

Very few candidates gave any indication of the formulae which are usually used to calculate payback and ARR. Candidates demonstrating a knowledge of these (they are not overly complicated) could gain further credit. Candidates could give descriptions of the calculations and these, if accurate, were acceptable.

- (b) The question demanded that candidates consider to what extent investment decisions be made using only quantitative factors. The other group of factors, which is listed together with quantitative appraisal in the syllabus, is qualitative. Many candidates need to develop their understanding of the distinction between these two groups, as those who were unclear about the distinction produced answers which added little to their (a) answers and so could gain little credit.

An aide-memoire such as PEST/PESTLE or even SWOT would have helped here. Other important sets of factors could be the human resources of the company and the views of the various stakeholders. The stronger candidates gave consideration to such factors and the best candidates concluded their answers with an evaluation, perhaps explaining that it would depend upon the particular company and its situation.

BUSINESS STUDIES

Paper 9707/12
Short Answer/Essay

General comments

It is pleasing to note that many candidates are responding to advice given in previous reports. In particular, there are more examples of good practice in the form of sound conclusions being written at the end of the essay answer in **Section B** of the Paper. The writing of sound conclusions has the potential for candidates to include some evaluative comments where appropriate.

The following suggestions are made to improve candidate performance further.

Candidates should always ensure that they read each question carefully to ensure that they focus on the particular question set rather than on one they had prepared for.

Candidates should also note any 'key' words in a question in order that their response can be focused and relevant. This was particularly important in the interpretation of **Question 6** ('measuring the success of a business') and **Question 7 (b)** ('introduction of more delegation').

Some candidates continue to write extended answers to the 2- and 3-mark questions in **Section A** of the Paper, when much briefer answers would suffice and leave more time and room for writing the essay answer.

Comments on individual questions

SECTION A

Question 1

- (a) Many candidates were able to give a clear definition of 'work study' and some strong answers made reference to the work of F. W. Taylor. However, some candidates lacked specific knowledge of this concept and presented a very general definition relating to the study of work. Precise definitions need to be learned in order that candidates can gain these initial knowledge marks.
- (b) Strong answers addressed the issue of productivity and linked the results of work study to improved production methods and the saving of time and effort. These answers focused on improving specific tasks in a production or administration system. The very best answers then suggested that workers should be trained in the 'best method' to complete tasks in a new standard time. Weaker answers, often lacking a clear definition in part (a), were unable to connect higher productivity or greater worker motivation with the results of work study and consequently produced a very general response. Candidates must ensure that they make the connection in their explanation to the concept or term specified in the question.

Question 2

- (a) Most candidates produced an accurate response to this question and demonstrated that they have a good understanding of the 'marketing mix'. Some candidates spent too much time giving detailed explanations of the elements of the marketing mix. This was only a 2-mark question, so candidates should give a clear definition and then move on to part (b).

- (b) Strong answers explained the role of Place by giving a specific example of how a product might be distributed in appropriate areas in order to reach a target market. A luxury product, for example, needs to access high earner shopping outlets. The very best answers connected the role of Place with other elements of the four Ps. Some weaker answers referred to issues related to the location of a business rather than discussing Place in a marketing context.

Question 3

Candidates should ensure that they discuss the precise term in questions (in this case 'profit maximisation'). Strong answers focused also on the word 'importance' and discussed the need to maximise profits in order that a business might achieve some of its other objectives, such as survival and perhaps growth. Many restricted their answers to explaining 'how' businesses might achieve profit rather than discussing the 'importance of the profit maximisation objective'. Weaker candidates tended to discuss the generation and importance of profit in a very generic way, without focussing on profit maximisation as an objective.

Question 4

- (a) Good answers to this question clearly identified two relevant short-term sources of finance, such as short-term bank loans, overdrafts, or extending payment to creditors. Accurate answers to this question required candidates to understand fully the difference between the longer-term nature of capital expenditure and the shorter-term nature of revenue expenditure.
- (b) Most candidates showed a clear understanding of the difference between capital and revenue expenditure and gave relevant examples of each.

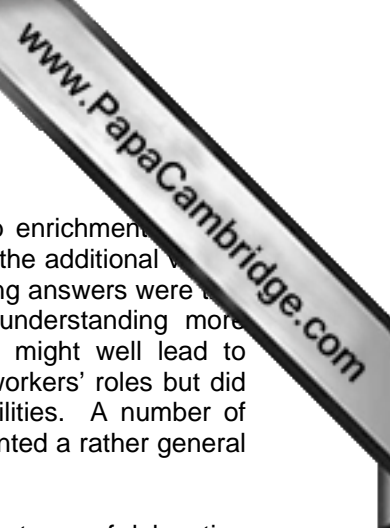
SECTION B

Question 5

- (a) Most candidates who chose this question were able to show a clear difference between batch and flow production methods, although some answers confused batch production with job production. Strong candidates described job production as being relevant in businesses where production needs to be varied in order to meet changing customer needs, in contrast with flow production where standardised products are produced using capital-intensive production methods. The strong answers to this question identified one or two relevant differences and gave some detailed explanation. Weaker answers contained much less explanation.
- (b) Stronger answers focused on a number of potential implications for businesses as a switch was made from batch production to flow production. Many candidates identified issues such as the need for increased expenditure on flow production equipment and the human resource issues that might arise, such as training requirements and possible job losses. There were some very perceptive answers that suggested that businesses considering a switch from batch production to continuous flow production should undertake some market research in order to ensure that the market for the product was indeed large enough to justify the change from batch to flow production. Some weaker answers simply repeated material presented in **section (a)** of response.

Question 6

The majority of candidates who answered this question succeeded in explaining the key components of published accounts and were able to provide some detailed description of what is contained in each of the key financial documents. Strong answers referred to accounting ratios and specific success indicators, such as net profit margin and value of assets. They also often indicated reasons why financial indicators might not be so useful due to reasons such as depreciation, changes in accounting practices and attempts to 'window dress' accounts. It should also be noted that published accounts are based on past figures and are no guarantee of future success. Unfortunately, a significant number of candidates either drifted into a rather general description of the content of profit and loss accounts, balance sheets, and cash flow statements or developed a detailed account of how different stakeholders might be interested in these accounts. While this was useful contextual information, this question required a particular focus on the usefulness of these accounts 'in measuring the success of a business'. This focus was required in order to gain marks in the higher mark bands.



Question 7

- (a) The concepts of job enlargement and job rotation are closely related to job enrichment. The essence of job enrichment is the vertical element of added responsibility and the additional variety of tasks that workers would undertake. Some of the benefits identified in strong answers were that workers would extend their skill range, as well as gain experience of understanding more responsible tasks. Many candidates suggested also that job enrichment might well lead to increased worker motivation. Weaker answers recognised the widening of workers' roles but did not make reference to the deepening of their role due to added responsibilities. A number of candidates were unsure of the precise definition of 'job enrichment' and presented a rather general explanation of a non-financial reward.
- (b) Most candidates presented a good explanation of the advantages and disadvantages of delegation and identified appropriate business situations and management and leadership styles. Fewer candidates responded directly to the question of introducing 'more delegation in a business'. Strong answers focused explicitly on the factors and situations that might be conducive or not to an increase of delegation in a business. For example, it was often suggested that a more autocratic style of leadership was unlikely to lead to more delegation within a business.

BUSINESS STUDIES

Paper 9707/13
Short Answer/Essay

General comments

This paper proved to be accessible to candidates of varying ability levels, allowing each to demonstrate their own individual level of knowledge and understanding. Most candidates answered all of the required questions, with the majority of them showing that they had prepared well for the examination and balanced their time wisely between **Section A** and **Section B**. There were still a small number of candidates who wrote extended answers to the short answer questions and consequently did not leave enough time to be able to write an essay in sufficient detail to gain marks from the higher mark bands.

Candidates seem to be more willing than in previous sessions to offer a judgement when questions require it, which shows that candidates are being well prepared in examination technique. Future candidates should ensure that they identify and respond to any specific context in the questions in order that their answers can be more focused on the precise wording of the whole question rather than merely responding to the business concept in the question. The context can require their business studies knowledge to be used in very different ways and, without the relevant focus, answers can be prevented from receiving marks from the higher mark bands. Candidates should also ensure that any judgement that they make should be the one asked for in the question. For example, in answers to **Question 6** candidates sometimes concluded that businesses should delegate but did not say why and/or did not link this to either the workers or the management. Such an approach seemed to be answering a slightly different question from the one set and therefore would not attract marks from the higher mark band.

Comments on individual questions

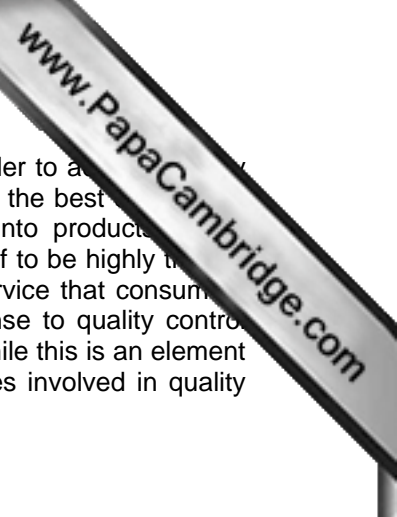
SECTION A

Question 1

- (a) Most candidates answered this question correctly, with several giving a numerical example in addition to a written definition. A small number of candidates reversed the explanations of the two and a small number also described the mode as being the middle number in a set of numbers arranged in ascending or descending order (the median). Some candidates merely described the mean as being 'the average of a set of figures' and could not gain credit for this.
- (b) Many candidates gave an accurate description of how the mode might be useful in a business situation. Several candidates gave an example from a previous examination paper when candidates had been asked to explain how a shoe manufacturer might find the mode useful; this past paper gave candidates an ideal example to use in this instance and this opportunity was taken by a large number of candidates. Good answers were extended to explain how the identification of the mode could enable a business to stock or produce the most popular size/product and so save on unnecessary storage or production. They also looked at this from the customers' point of view and explained that once the mode had been identified, a business could ensure that it held sufficient stock of the popular product/size in order to meet customer demands.

Question 2

- (a) Good answers to this question recognised that 'quality assurance' means to focus on ensuring that agreed quality standards are met and maintained throughout an organisation, in order to make sure that customer satisfaction is achieved. Weaker answers focused more on quality control issues but often did say something that was also relevant to quality assurance.



- (b) Good answers recognised the business-wide approach that is required in order to achieve quality assurance and made reference to the need to use high quality materials and the best processes. Some candidates correctly referred to the requirement to design quality into products from the start of production even begins. Several candidates also referred to the need for staff to be highly trained in all aspects of the business, from production through to the after-sales service that consumers would experience. Weaker answers were those that restricted their response to quality control issues, such as checking and monitoring the production and final product. While this is an element of how quality assurance is achieved, it is a narrow view of the wider issues involved in quality assurance.

Question 3

Most candidates were able to identify legislation that could affect the operations of a business, with the most common examples being health and safety legislation and employment legislation. Many candidates mentioned the minimum wage and working hours restrictions. In most cases, candidates stated that businesses would be required to meet the requirements of such legislation by, for example, ensuring that the workplace was a safe and healthy environment in which to work. A smaller number of candidates then went to explain how this might impact on the costs of a business and, by extension, might impact on the profitability of the business. Some candidates did follow this line of argument and further explained how this might affect not only current profitability but also future profitability, due to retained profit, and therefore the ability to invest in future projects of improved equipment, being reduced. A large number did make reference to how this affected businesses in their country and therefore fulfilled the requirements of the question. There were many candidates who did not respond to the 'in your country' element in this question and therefore prevented the examiner from awarding maximum marks.

Question 4

- (a) Many candidates correctly identified the current ratio or the acid test ratio (quick ratio) and accurately stated the name of the formula and the formula itself. A small number of candidates named a ratio but did not give the formula, while another small group of candidates gave a formula but did not state which formula it was. Apart from the current ratio and the acid test ratio, candidates could also have given debtors' collection period or creditors' collection period, both of which are accepted as being some measure of the liquidity of a business. Unfortunately, a small number of candidates gave inappropriate formulas such as profitability formulas, which could not be rewarded.
- (b) Most candidates were able to offer some influences on the profitability of a business, with the most common one being an increase in costs either of materials or wages. Some candidates suggested that competition might affect profitability but in many cases the way in which this might happen was not explained. Candidates needed to explain that the presence of competition might force a business to lower its prices but, unless costs could also be lowered, there would be a decrease in profits obtained. In order to gain maximum marks in such questions, candidates need to identify a relevant factor and then clearly explain the link between the stated factor and profitability. It was this shortcoming that prevented the award of maximum marks in some cases.

SECTION B

Question 5

- (a) The majority of candidates choosing this question were able to demonstrate a good knowledge of McGregor's theory and were able to explain clearly the difference between 'Theory X' and 'Theory Y' business managers. While a sound knowledge of the theory was evident in most cases, the theory was often applied to workers rather than to business managers and, even though understanding of the key issues involved in 'Theory X' and 'Theory Y' was demonstrated, the application of the theory to business managers was overlooked. There were some candidates who responded very well to that element of the question and explained how, for example, a 'Theory X' manager would view his workers as being lazy and incapable of taking on any responsibility and therefore they would require constant supervision and clear instructions about their work. Candidates also frequently linked the two opposing views to leadership style and, in the case of a 'Theory X' manager, explained that they would be more likely to use an autocratic style of management. Weaker answers restricted themselves to outlining the 'Theory X' and 'Theory Y' concept without attempting to apply their knowledge to business managers at all. A small number

of candidates reversed the perceived characteristics of X and Y, therefore undermining the value of knowledge that the candidate had.

- (b) Candidates seemed to have a good understanding of the advantages and disadvantages of delegation both to managers and to workers, with only a small number of candidates directing the answer at either managers or workers. Stronger responses developed points fully and responded to the specific wording of the question, which required a discussion of the 'benefits' of 'successful delegation' rather than an advantages versus disadvantages approach. Some candidates responded to the precise wording of the question and were able to outline some of the benefits that might be achieved when delegation was successful and were also able to develop their arguments in terms of benefits for both the managers and the workers. Weaker candidates wrote about delegation in a more textbook form and did not identify anything specific to 'successful delegation'. Crucially, in a question of this kind, the use of the word 'discuss' in the question indicates that a judgement is required in the answer. Although several candidates gave a balanced judgement at the end of or during their answers that further demonstrated their appreciation of the benefits of successful delegation within a business situation, many candidates did not offer a judgement.

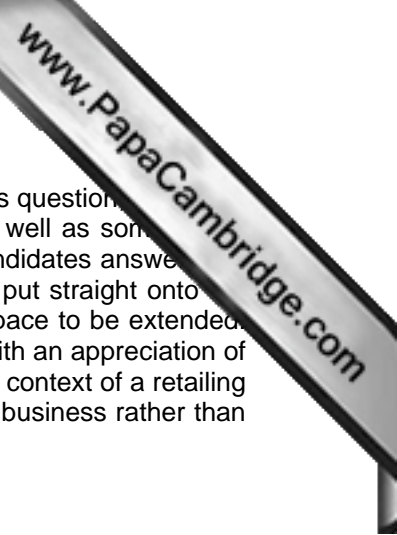
Question 6

Candidates mostly demonstrated a good understanding of market research and many were able to apply this knowledge to a car manufacturer. Strong candidates retained focus on the context of a car manufacturer throughout their answer, by making reference to such things as the various engine sizes that might be preferred by consumers or the option of a family car as opposed to a sports vehicle. Common benefits that candidates identified were that the car could be produced in accordance with consumer wants and the limitations were commonly seen as being the inability to rely on responses given due to the correct target market not having been correctly identified. While the high cost of market research was often identified as a limitation, stronger candidates balanced this against the cost of production and the high cost of not undertaking market research and therefore launching an inappropriate vehicle. Some of the stronger answers also referred to the long design and development period involved in car production and reflected on the fact that, while the information gained through market research might have been correct at the time it was gathered, in the period between that and the launch of the vehicle consumer tastes might have changed or competitors might have launched a comparable vehicle first, thus reducing the chances of success. Weaker answers seized on the market research phrase in the question and wrote at length about the various types of market research that could be undertaken but without making any reference to the context in the question. Such answers often gave a 'textbook' advantages and disadvantages approach to market research. Candidates should ensure that they always discuss concepts in the context of a given business situation as indicated in questions if they are to obtain marks in the higher mark bands.

Candidates frequently offered a judgement in answers to this question. It was usually focused on whether or not market research was essential for a car manufacturer, with the common conclusion being that without market research car manufacturers might launch a totally inappropriate vehicle. This point was often linked to the high cost of production in car manufacture and the potential financial implications of not having acquired the correct information before starting to produce either a new vehicle or an updated one.

Question 7

- (a) Candidates were able to show that they understood the concept of stock management, with the majority of candidates making reference to the implications of holding too little or too much stock. These aspects of stock managements were often explored in terms of financial cost implications and/or opportunity costs. This question highlighted instances where candidates need to move away from repeating textbook facts about the concept in the question and apply their knowledge more specifically to the precise wording in the question. In this case, candidates were required to recognise that the question was about 'effective stock management'. Many stronger candidates reflected on the importance of effective stock management in terms of how and why this could impact on a business. Several candidates identified the possibility of opportunity costs being incurred by holding either too much or too little stock but a smaller number of candidates expanded their answers to explain what the opportunity cost might be. For example, if the business was holding too much stock, the money might have been better spent researching and developing new products, which might lead to higher profits in the future. Weaker candidates restricted their answers to a discussion of the various costs potentially incurred by holding stocks. Many candidates stated that money could have been put to better use but did not give any examples of what that better use might have been and just how that might have produced greater benefits for the business in the future.



- (b) Just in Time (JIT) was understood by the majority of candidates who chose this question, many of them being able to refer to the space-saving aspect of such a system as well as some of its possible drawbacks, such as deliveries being received late. Some strong candidates answered in the context of a retailing business, referring to products being 'delivered and put straight onto shelves' or to the need for less storage space, therefore allowing the retail space to be extended. Such answers showed a clear understanding of the concept of JIT, together with an appreciation of how it would impact on a retailing business. Not all candidates recognised the context of a retailing business in their answers and responded more in the context of a production business rather than a retailing one.

BUSINESS STUDIES

Paper 9707/21
Data Response

General comments

This is the data response paper and most candidates were able to demonstrate their ability to use some of the information in the case study in their written responses.

Although general subject knowledge was sound and candidates seemed to understand the case material, the effective use of case material (application of context) is an area that remains one for improvement for many candidates.

Much greater evidence of the use of evaluation skills was required. Where judgements are made through decisions, for example in **Question 1(d)** on marketing, it is crucially important that such judgements are supported by the evidence and analysis. Candidates should be encouraged to create a balanced argument of factors and to come to conclusions about their relative importance in the context of the data.

There were few instances of candidates missing out questions through lack of knowledge or time limitation. On the whole, the answers given were well structured, with good use of paragraphs to separate relevant issues. Candidates must ensure that they look at the whole picture rather than just concentrating on one particular factor. For example, in **Question 1(c)** there were a number of government policies in the data but many of the candidates wrote up to a whole page on the environmental issues at BB rather than including other issues, such as the effects of fiscal and monetary policies.

Some candidates found it difficult to handle the business-to-business nature of **Question 1**, where the customer is not the final consumer. This was evident in the answers to **Question 1(d)** in particular. This remains an area for development and candidates should be encouraged to research as many instances of business-to-business activity as possible.

Responses to **Question 2** were sound, with a few excellent answers to both **Questions 2(c)** and **2(d)**. Most candidates need to be encouraged to use the context of the data when answering questions where the knowledge itself is easily accessible, such as market research and recruitment. In **Question 2(c)**, for example, candidates need to focus on the specified target market and the qualities of a marketing manager in particular.

Comments on specific questions

Section A

Question 1

- (a) (i) Most candidates had a good understanding of the term **exchange rates**. The best answers gained all the marks available by showing an understanding of comparison between currencies together with an example.
- (ii) Most candidates quoted the formula for **cost of goods sold**. Candidates should be encouraged to develop such knowledge further to show a full understanding of how cost of sales is used in the final accounts or by the business.

Teaching tip: Explaining accounting terms often presents a problem to candidates. The marking scheme only rewards knowledge at a certain level; full marks require the candidate to show understanding. When teaching accounting terms such as cost of sales, it is useful to encourage the candidates to explain the terms verbally in terms of where they are used and how useful they are to a business and its stakeholders.

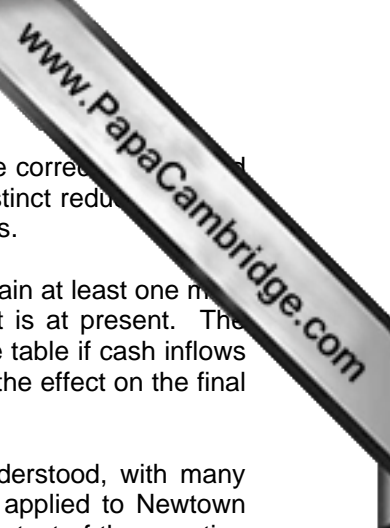
- (b)(i) Most candidates were able to calculate the gross profit margin as 20%. On the whole, this was very well answered and there were few candidates who lost a mark through omission of the percentage (%) sign. A number of candidates incorrectly used the formula 'cost of goods sold / sales X 100'.
- (ii) The best answers used the answer to **b(i)** to show how the gross profit margin had decreased significantly and explained that this was due to reduced sales and the increased cost of raw materials. There was plenty of information in the data for candidates to draw on to support their conclusions. Where candidates incorrectly calculated **b(i)**, most obtained a mark in **b(ii)** for referring to an increase or decrease and correctly explaining the change.
- (c) Many candidates used the 'environmental' aspects of BB and the Government's response to these as the basis for the answers. This was a limited approach. The best responses offered a variety of options in context, in particular referencing taxes, grants, fiscal and monetary policies and exchange rates as well as environmental policy. Some candidates needed to apply their analysis in context, while others did this well, showing the implications to BB, such as increased costs, falling demand, increased reputation, changing spending patterns etc. In this question there were many links in the data to answer the question, so there was no real reason why candidates tended to rely on the environmental aspects rather than any other.

Teaching tip: Candidates should read the question carefully and then select all the parts of the data that might be useful when answering the question. In the case of **Question 1(c)**, there were many hints in the data, such as exchange rates, fiscal and monetary policies and the environment. Analytical questions require candidates to think about what the questions are asking and then to develop the implications of different courses of action, external influences or policies on the business. In practical terms, candidates might use peer assessment to help identify analytical statements in each other's work.

- (d) Knowledge of marketing (in terms of a business marketing to a final consumer) is good but candidates found it much more difficult to apply marketing knowledge when the customer was another business, such as MoneySave supermarket. Some candidates used their knowledge of the end user to analyse the impact on MoneySave of a reduction in the demand for bags and the subsequent effect this would have on BB. The best candidates identified the changing attitudes of BB's customers and ways in which BB's market was declining in terms of business customers. These candidates were able to analyse some of the responses that BB might give to these changes, accepting that in some cases these actions might be long-term in terms of their implementation. These actions included extension strategies, such as alternative uses for the bags, reduction of costs of handling, investment in new products and diversification. Most candidates' responses would have benefited from evaluation of the suggested strategies. In this case, judgement could have been made by prioritising the problems and solutions in terms of the long- and short-term success of the business.

Question 2

- (a)(i) This was generally well answered, with most candidates gaining full marks. It was encouraging to see that most candidates understood the concept of 'ownership' and did not confuse **private sector** with private limited company.
- (ii) On the whole, the concept of **delegation** was well explained, although 'tasks' rather than 'authority' were often quoted as being 'passed down'. Many candidates also confused responsibility with authority, or stated that both were transferred, when in fact responsibility remains with the manager.



- (b)(i)** Most candidates were able to gain all three marks available by calculating the correct answer and showing how the calculation had been carried out. This year there was a distinct reduction in the number of candidates who omitted to include a \$ sign or put the answer in 000s.
- (ii)** The majority of candidates who gained at least one mark in **(b)(i)** were able to gain at least one mark in **(b)(ii)**, usually by explaining that the closing balance would be less than it is at present. The question then required them to describe specifically what would happen to the table if cash inflows fell. Those who achieved all the marks used different cash inflows to explain the effect on the final balance.
- (c)** On the whole, methods of market research were clearly explained and understood, with many understanding the limitations of the methods. Answers then needed to be applied to Newtown College and 'textbook' answers that contained little or no application to the context of the question were limited in the number of marks they could gain. In this case, the college is attempting to increase revenue by offering facilities to various market segments. The best answers identified these segments and analysed different methods of research that might be used effectively by Newtown College for those segments. For example, secondary research into similar businesses offering the same facilities could be used and primary research among the targeted users in terms of their needs and the price they might be prepared to pay could be appropriate. Although many candidates achieved some of the marks available through knowledge of methods and their limitations, candidates must note that the important issue in this paper is to use the context of the data to analyse situations in a business realistically, not just to show knowledge.
- (d)** Most candidates were able to make statements about the factors involved in recruitment and selection in general, with some brief analysis, but little context was included. Fewer candidates considered the difficulties of appointing an experienced marketing manager who would be capable of handling a variety of delegated tasks and would be prepared to work part-time during term time and full-time during the college holidays, for a limited salary. There was a great deal of information in the data to allow candidates to identify and use some of the specific context so that more generalised statements about selection could be developed. Evidence of evaluation was rare, with only a few candidates making judgements about key factors involved, in particular the limitations of the budget in terms of salary and the likelihood of finding marketing expertise at this level.

Teaching tip: Use of a number of different types of business - large, small, primary, secondary, tertiary - and different products and markets allows candidates to explore the varying implications of different issues on each type of business. Candidates should be encouraged to identify the key factors that affect specific functions in a business and to look at many different situations in which a particular business must operate. Emphasis on limited resources often leads to judgement in terms of the relative importance of factors. This in turn encourages evaluation in a particular context.

BUSINESS STUDIES

Paper 9707/22
Data Response

General comments

This is the data response paper and most candidates were able to demonstrate their ability to use some of the information in the case study in their written responses. Most candidates were able to perform well in the calculation questions.

The quality of answers generally showed good use of business language and overall communication skills. Although general subject knowledge was sound and candidates seemed to understand the case material, the effective use of case material (application of context) is an area that remains one for improvement for many candidates.

Much greater evidence of the use of evaluation skills was required. Where judgements are made through decisions, for example in **Question 1(d)** on marketing, it is crucially important that such judgements are supported by the evidence and analysis.

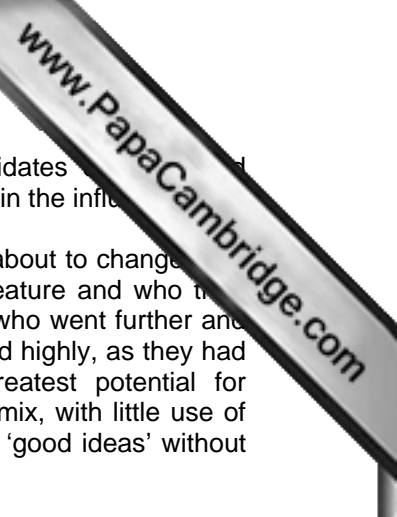
The case material seemed generally accessible to the candidates and there was no evidence of questions being misunderstood. Although most candidates handled the business-to-business nature of **Question 2**, this did not apply to the question on market research (**Question 2(c)**), where nearly all candidates saw final consumers as the target for the market research.

Comments on specific questions

Section A

Question 1

- (a) (i) Most candidates showed some knowledge of the concept of **interest rates**. Better answers explained the term using a brief reference to the impact of interest rates on business or consumer decisions. A few candidates confused interest rates with exchange rates.
- (ii) Good answers recognised that **e-commerce** is using technology for carrying out business transactions, such as buying or selling products and services, 'online'. Many candidates needed to develop a better understanding of **e-commerce** within the business environment, as a common belief was that e-commerce relates to the keeping of electronic data, which was not sufficiently relevant.
- (b) (i) Most candidates calculated the net profit margin correctly as 25%. A few candidates obtained 75% by ignoring cost of goods sold. Of those candidates who did not get the correct answer, most showed their working so that method marks could be rewarded.
- (ii) Comments ranged from a simple statement, such as 'it's falling' to more detailed comments on the relative movements of sales, cost of goods sold and overheads. Candidates who made more than simple statements were using the data effectively and were appropriately rewarded higher marks.
- (c) The case material had several stimulus themes relating to the external influences on the business, including economic, environmental, technological and market influences. Nearly all candidates demonstrated knowledge and understanding of some of these influences but then needed to make better use of the context. Good answers referred to several influences and developed their likely impact on BB. For example, many candidates recognised that the product is made of plastic and so tighter environmental controls could well add to costs or lead to product changes. Economic influences could be developed in two directions: the direct impact on the costs of the business and



the indirect impact on customers and, hence, the business. Good candidates showed an analysis through the likely consequences on BB and its customers of changes in the information.

- (d) The key feature that candidates needed to recognise was that the market is about to change from business customers to final consumers. Candidates who recognised this feature and who then developed appropriate changes to the mix were rewarded well. Candidates who went further and developed ideas about which were the most important changes were rewarded highly, as they had demonstrated evaluation skills. The answers that demonstrated the greatest potential for improvement were those that made general comments about the marketing mix, with little use of the context provided by examiners. Usually these answers were a series of 'good ideas' without relevance to the given situation or justification in terms of discussion.

Question 2

- (a) (i) Most candidates showed some knowledge of the concept of the **public sector**. It was essential that candidates mentioned the concept of ownership – a lot of candidates referred to 'businesses that are run by the government', which is insufficiently precise. Better answers explained the term by providing suitable examples of public sector organisations and explained their relationship with business objectives. Some candidates need to clarify the difference between the public sector and a public limited company.
- (ii) Most candidates understood that **capacity utilisation** is a measurement related to efficiency but then needed to explain the relationship between actual production and potential production. The best answers gave the formula for capacity utilisation, with an explanation of 'the higher the better' until diseconomies may set in.
- (b) (i) Most candidates correctly calculated the closing balance as \$36 m. A few candidates did not use the correct opening balance but were rewarded method marks, provided they showed their working. Some candidates gave the answer '36' which, although numerically correct, has no business meaning – the units are needed in such circumstances. Also, a significant number of candidates did not add the \$20 m to the inflow of \$30 m giving a total inflow of \$50 m. Thus, a few candidates gained two marks for an answer of \$16 m.
- (ii) Comments ranged from a simple statement, such as 'it shows cash flows', to more detailed and relevant comments that linked the cash flow forecast to the decision on the proposed change (e.g. the level of overdraft that might be needed). Candidates who made more than simple statements, used the data effectively and related their answer to the decision were appropriately rewarded higher marks.
- (c) Most candidates understood various types of market research and were able to describe or analyse primary and secondary market research effectively. Fewer candidates were able to apply this understanding to the situation described in the question. Candidates were asked to link the market research to the pricing decision and, more particularly, the pricing decision where the customer is not the patient but the private sector provider of services to the patient. A large number of answers addressed the patients' needs but then needed to link these back to the impact on the provider. As a consequence, this proved to be a difficult question for many candidates. The best answers referred to the kind of prices that are charged for similar services, which might be found out by approaching other hospitals and private health organisations.

Examination tip: It is important to bear in mind precisely who is the customer, particularly when the scenario is a 'business-to-business' relationship.

- (d) Examiners were expecting, and good answers provided, discussion of the likely impact of an increased workload, additional and different skills that might be needed and the likely position of the trade union. The few answers that demonstrated evaluation skills prioritised the factors, usually by arguing the critical role of the unions or the essential need for additional training. A significant number of answers adopted the approach that NH would need to recruit extra staff. The case clearly stated that NH would not recruit extra staff, though candidates could have achieved high level evaluation marks had they queried NH's decision to not recruit. Candidates should ensure that they read the case material and the questions carefully before answering questions.

Examination tip: It is essential to analyse the question first and to identify all the data to answering that question. Once the demands of the question are clear and assembled, it is then possible to work towards a contextual answer.

BUSINESS STUDIES

Paper 9707/23
Data Response

General comments

This is the data response paper and most candidates were able to demonstrate their ability to use some of the information in the case study in their written responses. Most candidates were able to perform well in the calculation questions.

There were some excellent responses to the extended questions, which showed the ability to come to a justified evaluation. The best responses used the context well. Some candidates need to focus more on making a final decision when asked to “discuss” (**Question 1(d)** and **Question 2(d)**), so that they can show the ability to come to a judgement about which is the most important issue and why. That judgement should relate to the specific context of the business in the case studies. This enables evaluation marks to be rewarded.

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

Comments on specific questions

Section A

Question 1

- (a) (i) Most candidates had some understanding of the term **research and development**. The main elements seen in candidate responses were the focus on developing a new product/service or a new production method. These were often backed up by a good example. Some candidates needed to focus more on covering the “development” aspect of the term rather than describing elements of market research.
- (ii) There were some very good responses in which candidates gave a solid definition and good examples of **market research**, usually drawing on issues in relation to primary and secondary research. Weaker explanations were characterised by a tendency to give definitions rather than explanations.
- (b) (i) Some candidates correctly calculated \$150 m for the sales revenue. A few candidates stated their responses as 150 without the corresponding unit. Candidates should show their workings as they may gain marks for their method even if the answer is incorrect. 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 on why the gross profit margin was falling (declining sales). A few very good responses noted what the implications might be for the next financial year if the trend continued. Weaker responses needed to make clear use of the Table, which would have provided the context for the response.
- (c) This question was answered very well by some candidates, who clearly identified and analysed economic policies. Most candidates were able to demonstrate that they could use the data in their responses. Policies such as interest rates and taxes were generally explained well. Better responses analysed the implications well and made clear links to BB, the business in the case study. Other responses were very general and needed to make greater reference to BB. Candidates must ensure that they read questions carefully so that they focus on the question set, as candidates who drifted away from economic policies could not access the full range of marks for this question.

Teaching Tip:

When answering a question on economic policies, candidates need to look carefully through the case study and make links between an economic policy and the context. For example, if interest rates fall, what would this mean for BB? Would they be able to borrow money more easily to fund investment into environmentally-friendly production? Is this important?

- (d) This was a very open question, with candidates given an opportunity to evaluate what they feel is the most important issue for BB and how they should respond. Better responses focused on how to deal with the high wastage and how to deal with the competition from cheaper imports. Weaker responses tended to focus on repeating case evidence rather than offering a suggestion for how BB should respond. Examiners are not able to reward candidates who copy sentences or terms from the case. It must be stressed to candidates that they should read questions carefully and avoid restating the information that is presented in the case study.

Question 2

- (a) (i) Many candidates had a good understanding of the **tertiary sector**, with links to services industries and real examples being used.
- (ii) Better responses showed a clear understanding that **operational efficiency** is linked to productivity and the ability of a business to gain more output from their inputs. Weaker responses were characterised by a lack of understanding of the outputs in relation to inputs, which is key to the explanation.
- (b) (i) Most candidates attempted to calculate the value of X, with responses gaining full marks. Some candidates used the wrong opening balance. Others left the question out completely.
- (ii) Most candidates were able to show an understanding of cashflow. Better responses used the table well to comment on the improvement in the cashflow and the reasons why, such as declining outflows. Weaker responses were characterised by a lack of reference to the context and so a theoretical response was offered about cashflow rather than about the change in the closing balance as stated in the set question.
- (c) This question asked candidates to analyse how NU could promote its facilities. Better responses focused on promotional methods and analysed why they would be good methods for NU to use. Good responses recognised that this was one business (NU) promoting to another business, thus personal selling and using their excellent reputation would be important methods. Weaker responses gave too much of a theoretical overview of promotion and candidates need to understand that they must relate their ideas to the business in the question. Better responses that developed analysis focused on costs of promotion and were very clear as to the target market, such as the advantages of personal selling the research facilities to businesses and why TV (or radio) advertising would not be useful in this context.
- (d) This question was about how management might motivate employees. Responses that gained high marks made good use of the context and focused on how specific motivational strategies would work. Better responses noted that NU did not want to recruit more workers and the fact that there was a trade union, hence negotiating with the union to avoid staff worries about overtime and efficiency was going to be very important. Other better responses noted that financial motivators such as bonuses for selling research would be important, providing that finance was available. Some candidates analysed in good detail but then needed to evaluate what the most important methods of motivating would be. Some weaker answers made general statements using motivational theory such as job enrichment, more pay and boosting self-esteem, but then needed to apply these to the context of the case. Another common feature of weaker responses was to comment on the need for more recruitment when the case clearly stated that NU did not want this to happen.

Teaching Tip:

It is important for candidates to avoid generalised answers. Candidates need to avoid using generic terms such as “business”, or describing too much theory. When answering a question with “Discuss how” in the title, candidates need to ensure that they always attempt to offer a solution to the problem and explain how their ideas will work in the context of the business in the case study. This will enable them to use more effectively the context as they develop their answers. To gain more analysis marks in this type of question, candidates need to focus on the advantages and disadvantages of their ideas, again using the context. Evaluation then comes through judgements as to which are the best.

BUSINESS STUDIES

Paper 9707/31

Case Study

General comments

This paper allowed able and well-prepared candidates to produce outstanding scripts. Less capable candidates were able to access the case study too and gain marks for displaying some relevant subject knowledge and limited analysis. Very weak candidates often struggled to give answers that contained relevant subject knowledge. There were very few errors involving misreading or misinterpretation of the questions, which is encouraging.

As always, there were some outstanding scripts that combined all the important skills covered by the assessment objectives. Many candidates found it quite easy to gain access to this case study and the issues and problems that the cosmetic manufacturing business faced. There were many responses which showed consistent application and analysis, a clear and sometimes sophisticated style and an ability to consider and judge alternative courses of action. It was pleasing to see some evidence that candidates from several Centres had devoted much thought to the case study context to avoid responses becoming completely unconnected to the nature of the business in the case and the problems it faces and the decisions its managers need to take. Candidates from a few Centres seemed to be unprepared for the level of subject understanding required and they were often unable to give accurate definitions of key terms or to identify and develop important lines of analysis. It is pleasing to report that few candidates answered every question in a list format, as this is a poor examination style that often means candidates are unable to gain many marks at all.

The essay questions brought forward responses of rather variable quality. On occasions, excellent responses to the first five questions were followed by rather brief and one-dimensional essays that were adequate in terms of knowledge and analysis but then needed to develop the wider aspects of the issues raised. Further details are given below in the comments on specific questions.

There is clear evidence that candidates are improving their management of time during this lengthy examination. There appeared to be no candidates who were constrained by time limits and were struggling to complete their final responses. The overall standards of language, spelling and punctuation were adequate to allow examiners to understand the great majority of the points that the candidates wished to convey.

Comments on specific questions

Section A

Question 1

This was a very accessible question if candidates were able to avoid confusing this important term with market research. Analysis of the benefits of R and D was often strong but some candidates needed to develop their arguments more fully to demonstrate to the examiner that they fully grasped how, for example, new product innovation might lead to a unique selling proposition which might allow higher prices and profit margins. Some answers needed clearer focus on the cosmetic company featured in the case. This was done by some candidates when making observations that this was a fast-changing industry with many new developments being released each year. If Radar was unable to compete with the new product launches of rivals then it might fail to build on earlier growth.

Many candidates from several Centres needed to show much clearer understanding of the meaning of research and development and the importance of investment in this to allow for the development of new products and processes. The majority of answers would have gained a clearer sense of direction from the outset if they had started with an accurate definition of research and development. However, in this

instance, the marks for subject knowledge were often gained by an understanding of the research and development can have on product development and the potential benefits of this. candidates who confused R and D with market research, marks were only awarded if there was reference to the need to develop new products in response to market research data.

Question 2

Nearly all candidates were able to approach this question on at least one level and to give a clear recommendation. Very good answers were able to demonstrate an understanding of contribution costing, calculate contribution correctly and go on from there to develop a range of arguments for and against stopping production. Many candidates observed that as the contribution was positive it would be unwise, at least in the short run, to stop production. Qualitative factors that were incorporated into many answers included the impact on sales of the other products, whether the production capacity could be used for other products and the need to use marketing techniques more intensively for this newly-launched product.

A few candidates gave arguments for continuing production and arguments against it but the overall decision was either not made or was unclear. It is not possible to gain marks for evaluation with an answer that concludes, "So, there are many arguments for and against stopping production of Aquaskin Junior and the management of Radar will have to consider them all before making a final decision". A much better conclusion was this: "On balance, Radar should continue with the production of Aquaskin Junior in the short term if the production capacity cannot be used for another product offering an even higher contribution. It would be unwise to stop production of a product, giving the potential for bad publicity in the business press, especially when there has been insufficient investment in the promotion of it".

Many weak answers needed to give much more attention to the numerical data available – as required by the question – and focused only on qualitative factors. It is advised that candidates are given experience at making decisions based on contribution costing data. It is not only a common form of A Level question but these decisions involve techniques and forms of analysis that many businesses have to apply often.

Question 3

This question led to a few outstanding answers that demonstrated all of the key assessment objectives. A typical good answer explained the key components of a marketing plan and examined how they would help Radar – or would have helped the company in the case of launching Aquaskin Junior. For example, clear marketing objectives would have allowed a more careful assessment of the sales and contribution data in Table 1. An appropriate marketing budget might have allowed the company to invest in important market research before developing the product and effective promotion once it had been launched. An integrated marketing mix would increase the chances of success for the newly-launched product by helping to establish a coherent and consistent brand image for the new cream. Strong answers were able to evaluate marketing plans in two main ways. Firstly, in terms of the time and cost involved and why these factors might have been important to a business such as Radar. Secondly, in assessing the usefulness of any plan in a market that is constantly changing and the risk of being too tied to, and focused on, the pre-set plan rather than adapting it to changed circumstances.

Many candidates needed to have a much clearer idea of what a marketing plan is and the key features of it. Their answers needed to be developed beyond just considering individual components of the marketing mix in isolation and the responses often needed to be much more evaluative in nature.

Question 4

(a) Certain Centres may not have prepared candidates for questions using the investment appraisal techniques as many candidates from such Centres did not attempt this question. Of those candidates who did attempt it, there were some completely correct answers that were laid out very clearly, which made it easy to follow the method used. Candidates are always advised to write a formula where necessary (as with calculating the average rate of return) and to demonstrate clearly the method being employed (as with payback and net present value). The best answers to this question did all of this. Some weak attempts at tackling these three investment appraisal calculations gained a few marks if it was clear, for example, that some appropriate use was being made of the discount factors provided, even though the correct final result was not obtained.

It is advisable for candidates to gain as much experience as possible in working through investment appraisal techniques, especially those problems that require them to calculate the appropriate net cash flows before the measures can be calculated.

- (b) This question proved to be one of the most accessible on the paper, as virtually all candidates were able to make some use of the data provided in Table 2 and/or other information provided. Examiners applied the “own figure rule” when candidates discussed their own (incorrect) responses to **Question 4(a)** so they were not penalised twice. Candidates need to be encouraged to do more than just restate relevant information from the case as, although this is an important starting point, it does not display any assessed skills. So, for example, when stating that “country S offers opportunities for joint ventures” due to the large cosmetics industry already located there, some astute candidates deduced that this could also mean that there might be high demand for suitably experienced labour in this industry and that external diseconomies of scale might be just as likely to arise as external economies of scale.

When answering questions that require a recommendation to be given, full marks will not be awarded for an answer that suggests, for instance, that “both sites have advantages and disadvantages and therefore making a final decision is very difficult”. Candidates should be encouraged to recognise that most business decisions are “difficult to make” and that choices often have to be made on the basis of inadequate or incomplete knowledge. So, although it is good judgement to recognise the limitations of the data provided, it is still essential for candidates to make a clear, supported final recommendation.

Question 5

This question was also accessible for most candidates, although there were also many further opportunities for candidates to demonstrate the skill of application in their responses. Good evaluation of the arguments made was evident in the best answers. One candidate commented, “The need to maintain loyal and well motivated staff is important for any business but in Radar’s case, they need to cut costs to make products such as Aquaskin Junior profitable in the long term. Therefore, the cost benefits of temporary contracts are the most important factor. Radar should adopt the HR Director’s suggestion.”

Many candidates did not make any reference to the case at all. There were a number of ways in which they could have done so. Firstly, there was reference in the case to seasonal demand for products – this could mean that flexible employment contracts would allow more effective workforce planning at times of both high demand and periods of lower demand. Secondly, the quality standards of cosmetics needs to be very high for reasons of customer health and, as the Human Resources Director hinted at, using flexible and temporary contracts would allow the staff that achieve high quality standards to be employed in the longer term while the staff that fail to meet those standards would not be re-employed after the temporary contract period.

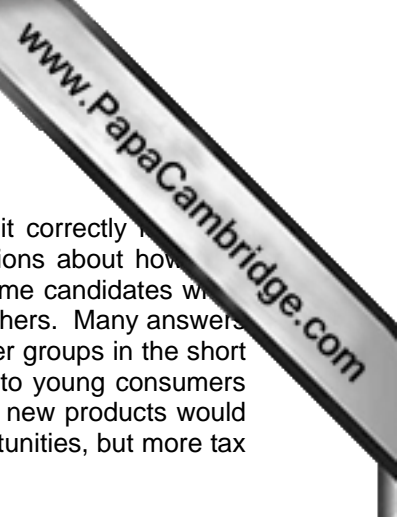
Section B

Question 6

This was the more popular of the two essay questions. Most candidates who attempted it were able to gain marks for subject knowledge by showing understanding of the data in Appendix A. Better responses developed arguments for how these economics changes might impact on business in general and on Radar in particular. Relatively few candidates did not gain any marks for application at all but many answers could have made the link between the economic data and a cosmetic manufacturing business more clearly.

Evaluation in the best answers was wide-ranging and appropriate. In some cases, candidates identified – and attempted to justify – what they considered to be the most important economic variable for Radar’s future success. On occasions, detailed consideration was also given to the relative importance of other external factors to the business, such as competition in this industry. Astute candidates went even further and recognised that internal factors were also going to be significant to Radar’s future and analysed how issues such as correct location choices and management of the workforce would be just as important as external factors.

Other candidates needed to be encouraged to do more than just list all the external factors they could think of, with only limited analysis and application. As a general rule, it is often more effective in terms of gaining marks if candidates highlight two or three issues and carefully apply and analyse these, rather than suggest many more factors but fail to develop any of them fully.



Question 7

This question proved to be quite accessible in that most candidates who answered it correctly identified the relevant stakeholder groups in this case and used some evidence to make observations about how they were being affected by Radar's operations. Good evaluation was demonstrated by some candidates who suggested that certain stakeholders were faring better from Radar's actions than others. Many answers also explained that Radar seemed to be acting against the interests of many stakeholder groups in the short term – for instance, the risk of job losses if production is relocated and the reference to young consumers being "tricked" into buying Aquaskin Junior – but that in the longer term, investment in new products would lead to expansion of the business. This could result not just in more employment opportunities, but more tax revenue for the government and a wider product choice for consumers.

A two-sided response will always be required to answer **Section B** essay questions effectively. **Question 7** was a typical example. There is no clear "answer" to this question, so what examiners are hoping to identify in candidates' responses is a balance of arguments and effective weighing up of arguments and evidence so that a final conclusion can be supported. An excellent answer to this question concluded: "It is perhaps impossible for all stakeholders of any business to have their objectives met at any one time. Radar is no different – and although workers in country P should be concerned for job security, the expansion and product development of Radar in the longer term may mean that more stakeholders have their objectives met than are disappointed."

BUSINESS STUDIES

Paper 9707/32

Case Study

General comments

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Comments on specific questions

Section A

Question 1

This was a very accessible question if candidates were able to avoid confusing this important term with market research. Analysis of the benefits of R and D was often strong but some candidates needed to develop their arguments more fully to demonstrate to the Examiner that they fully grasped how, for example, new product innovation might lead to a unique selling proposition which might allow higher prices and profit margins. Some answers needed clearer focus on the cosmetic company featured in the case. This was done by some candidates when making observations that this was a fast-changing industry with many new developments being released each year. If Radar was unable to compete with the new product launches of rivals then it might fail to build on earlier growth.

Many candidates from several Centres needed to show much clearer understanding of the meaning of research and development and the importance of investment in this to allow for the development of new products and processes. The majority of answers would have gained a clearer sense of direction from the outset if they had started with an accurate definition of research and development. However, in this

instance, the marks for subject knowledge were often gained by an understanding of the research and development can have on product development and the potential benefits of this. candidates who confused R and D with market research, marks were only awarded if there was reference to the need to develop new products in response to market research data.

Question 2

Nearly all candidates were able to approach this question on at least one level and to give a clear recommendation. Very good answers were able to demonstrate an understanding of contribution costing, calculate contribution correctly and go on from there to develop a range of arguments for and against stopping production. Many candidates observed that as the contribution was positive it would be unwise, at least in the short run, to stop production. Qualitative factors that were incorporated into many answers included the impact on sales of the other products, whether the production capacity could be used for other products and the need to use marketing techniques more intensively for this newly-launched product.

A few candidates gave arguments for continuing production and arguments against it but the overall decision was either not made or was unclear. It is not possible to gain marks for evaluation with an answer that concludes, "So, there are many arguments for and against stopping production of Aquaskin Junior and the management of Radar will have to consider them all before making a final decision". A much better conclusion was this: "On balance, Radar should continue with the production of Aquaskin Junior in the short term if the production capacity cannot be used for another product offering an even higher contribution. It would be unwise to stop production of a product, giving the potential for bad publicity in the business press, especially when there has been insufficient investment in the promotion of it".

Many weak answers needed to give much more attention to the numerical data available – as required by the question – and focused only on qualitative factors. It is advised that candidates are given experience at making decisions based on contribution costing data. It is not only a common form of A Level question but these decisions involve techniques and forms of analysis that many businesses have to apply often.

Question 3

This question led to a few outstanding answers that demonstrated all of the key assessment objectives. A typical good answer explained the key components of a marketing plan and examined how they would help Radar – or would have helped the company in the case of launching Aquaskin Junior. For example, clear marketing objectives would have allowed a more careful assessment of the sales and contribution data in Table 1. An appropriate marketing budget might have allowed the company to invest in important market research before developing the product and effective promotion once it had been launched. An integrated marketing mix would increase the chances of success for the newly-launched product by helping to establish a coherent and consistent brand image for the new cream. Strong answers were able to evaluate marketing plans in two main ways. Firstly, in terms of the time and cost involved and why these factors might have been important to a business such as Radar. Secondly, in assessing the usefulness of any plan in a market that is constantly changing and the risk of being too tied to, and focused on, the pre-set plan rather than adapting it to changed circumstances.

Many candidates needed to have a much clearer idea of what a marketing plan is and the key features of it. Their answers needed to be developed beyond just considering individual components of the marketing mix in isolation and the responses often needed to be much more evaluative in nature.

Question 4

(a) Certain Centres may not have prepared candidates for questions using the investment appraisal techniques as many candidates from such Centres did not attempt this question. Of those candidates who did attempt it, there were some completely correct answers that were laid out very clearly, which made it easy to follow the method used. Candidates are always advised to write a formula where necessary (as with calculating the average rate of return) and to demonstrate clearly the method being employed (as with payback and net present value). The best answers to this question did all of this. Some weak attempts at tackling these three investment appraisal calculations gained a few marks if it was clear, for example, that some appropriate use was being made of the discount factors provided, even though the correct final result was not obtained.

It is advisable for candidates to gain as much experience as possible in working through investment appraisal techniques, especially those problems that require them to calculate the appropriate net cash flows before the measures can be calculated.

- (b) This question proved to be one of the most accessible on the paper, as virtually all candidates were able to make some use of the data provided in Table 2 and/or other information provided. Examiners applied the “own figure rule” when candidates discussed their own (incorrect) responses to **Question 4(a)** so they were not penalised twice. Candidates need to be encouraged to do more than just restate relevant information from the case as, although this is an important starting point, it does not display any assessed skills. So, for example, when stating that “country S offers opportunities for joint ventures” due to the large cosmetics industry already located there, some astute candidates deduced that this could also mean that there might be high demand for suitably experienced labour in this industry and that external diseconomies of scale might be just as likely to arise as external economies of scale.

When answering questions that require a recommendation to be given, full marks will not be awarded for an answer that suggests, for instance, that “both sites have advantages and disadvantages and therefore making a final decision is very difficult”. Candidates should be encouraged to recognise that most business decisions are “difficult to make” and that choices often have to be made on the basis of inadequate or incomplete knowledge. So, although it is good judgement to recognise the limitations of the data provided, it is still essential for candidates to make a clear, supported final recommendation.

Question 5

This question was also accessible for most candidates, although there were also many further opportunities for candidates to demonstrate the skill of application in their responses. Good evaluation of the arguments made was evident in the best answers. One candidate commented, “The need to maintain loyal and well motivated staff is important for any business but in Radar’s case, they need to cut costs to make products such as Aquaskin Junior profitable in the long term. Therefore, the cost benefits of temporary contracts are the most important factor. Radar should adopt the HR Director’s suggestion.”

Many candidates did not make any reference to the case at all. There were a number of ways in which they could have done so. Firstly, there was reference in the case to seasonal demand for products – this could mean that flexible employment contracts would allow more effective workforce planning at times of both high demand and periods of lower demand. Secondly, the quality standards of cosmetics need to be very high for reasons of customer health and, as the Human Resources Director hinted at, using flexible and temporary contracts would allow the staff that achieve high quality standards to be employed in the longer term while the staff that fail to meet those standards would not be re-employed after the temporary contract period.

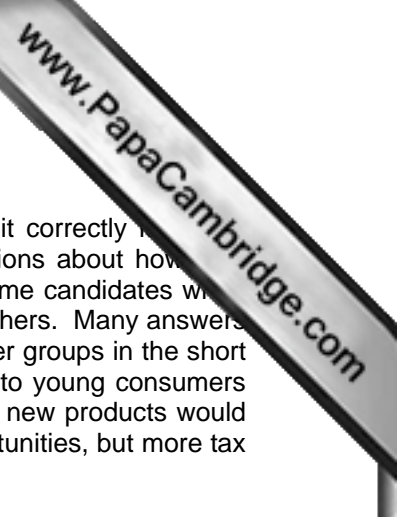
Section B

Question 6

This was the more popular of the two essay questions. Most candidates who attempted it were able to gain marks for subject knowledge by showing understanding of the data in Appendix A. Better responses developed arguments for how these economic changes might impact on business in general and on Radar in particular. Relatively few candidates did not gain any marks for application at all but many answers could have made the link between the economic data and a cosmetic manufacturing business more clearly.

Evaluation in the best answers was wide-ranging and appropriate. In some cases, candidates identified – and attempted to justify – what they considered to be the most important economic variable for Radar’s future success. On occasions, detailed consideration was also given to the relative importance of other external factors to the business, such as competition in this industry. Astute candidates went even further and recognised that internal factors were also going to be significant to Radar’s future and analysed how issues such as correct location choices and management of the workforce would be just as important as external factors.

Other candidates needed to be encouraged to do more than just list all the external factors they could think of, with only limited analysis and application. As a general rule, it is often more effective in terms of gaining marks if candidates highlight two or three issues and carefully apply and analyse these, rather than suggest many more factors but fail to develop any of them fully.



Question 7

This question proved to be quite accessible in that most candidates who answered it correctly identified the relevant stakeholder groups in this case and used some evidence to make observations about how they were being affected by Radar's operations. Good evaluation was demonstrated by some candidates who suggested that certain stakeholders were faring better from Radar's actions than others. Many answers also explained that Radar seemed to be acting against the interests of many stakeholder groups in the short term – for instance, the risk of job losses if production is relocated and the reference to young consumers being "tricked" into buying Aquaskin Junior – but that in the longer term, investment in new products would lead to expansion of the business. This could result not just in more employment opportunities, but more tax revenue for the government and a wider product choice for consumers.

A two-sided response will always be required to answer **Section B** essay questions effectively. **Question 7** was a typical example. There is no clear "answer" to this question, so what Examiners are hoping to identify in candidates' responses is a balance of arguments and effective weighing up of arguments and evidence so that a final conclusion can be supported. An excellent answer to this question concluded: "It is perhaps impossible for all stakeholders of any business to have their objectives met at any one time. Radar is no different – and although workers in country P should be concerned for job security, the expansion and product development of Radar in the longer term may mean that more stakeholders have their objectives met than are disappointed."

BUSINESS STUDIES

Paper 9707/33

Case Study

General comments

This paper allowed able and well-prepared candidates to produce outstanding scripts that combined all of the important skills covered by the assessment objectives. Generally, candidates found it quite easy to gain access to this case study and the issues and problems that the public transport business faced. There were many responses which showed consistent application and analysis, a clear and sometimes sophisticated style and an ability to consider and judge alternative courses of action. It was pleasing to see a great deal of evidence that candidates had devoted much thought to the case study context. Less capable candidates were able to access the case study too and there were very few weak scripts. This case study paper allowed those who understood the importance of applying knowledge to the business in the case and who could show some skills of judgement to gain marks that were considerably above average. Candidates who had relevant subject knowledge and could explain or analyse their answers, but not in the context of the business in the case study, were less well rewarded. It is pleasing to report that no candidates attempted to answer every question in a list format, as this is a poor examination style that often means candidates are unable to gain many marks at all.

There were very few errors involving misreading or misinterpretation of the questions, which is encouraging.

The essay questions brought forward responses of rather variable quality. On occasions, excellent responses to the first five questions were followed by rather brief and one-dimensional essays that were adequate in terms of knowledge and analysis but then needed to develop the wider aspects of the issues raised. Further details are given below in the comments on specific questions.

There is clear evidence that candidates are improving their management of time during this lengthy examination. There appeared to be no candidates who were constrained by time limits and were struggling to complete their final responses. The overall standards of language, spelling and punctuation were excellent.

Comments on specific questions

Section A

Question 1

This was a very accessible question with several clues and hints given in the case study. Most candidates were able to gain full marks for knowledge of the issue of privatisation. Most answers started with a definition of privatisation and this is always advisable. However, in this instance, the marks for subject knowledge were nearly always also gained by understanding of the impact that privatisation can have on business objectives, structure and decisions made. Analysis of the points made was often strong but some candidates needed to develop their arguments more fully to demonstrate to the examiner that they fully grasped how, for example, the profit-seeking objectives of most privatised businesses could, in practice, lead to changes in key areas of the firm that would lead to higher returns. Some answers needed clearer focus on the bus company featured in the case. This was done by some candidates when making observations that governments often use state-owned public transport businesses to provide a loss-making public service. By removing this service requirement from a privatised bus company, higher fares and more restricted route networks would be likely to result in higher profits.

Question 2

- (a) This proved to be a most accessible calculation question, with a large majority of candidates gaining full marks. In most cases the appropriate formulae were written out and workings clearly shown and this is good examination style. Candidates are obviously being encouraged to learn key formulae and apply them accurately to previously unseen data.
- (b) This question led to many well-focused answers that examined, in context, the likely reasons for the disappointing employee performance data and suggested appropriate methods that could be adopted to overcome these problems. Candidates should be encouraged to develop and analyse their suggestions fully, by using the techniques and theories of the subject. In many cases this was very effectively done, as some candidates supported suggestions made with succinct references to motivational theorists. There was also widespread use of the other data in Table 3, which allowed comparisons to be made with the human resources strategies adopted by a major competitor. Many candidates evaluated their answers in context. For example, if some form of “payment for each kilometre” travelled is introduced, there was recognition that this could lead to problems of speeding and reduced safety for passengers. Some evaluative statements could have been more carefully linked to the requirement contained in the question for there to be no increase in unit costs. One candidate perceptively judged that “although improved training schemes will be expensive to implement, the future gains in reduced labour turnover due to feelings of higher status within the organisation, should lead to cost savings that outweigh the initial expense”.

Question 3

This question led to many outstanding answers that demonstrated all of the key assessment objectives. A typical answer would explain the potential impact of each proposed change on the bus company’s short-term profitability. Clear references would be made to this particular business, for example, by making a clear link between reduced vehicle maintenance and the resulting higher risks of bus accidents that would discourage future passengers from using this company’s services. Evaluation was then frequently shown by judging the likely long-term impact of each of the proposals. The best answers concluded with a clear recommendation as to which option the candidate considered would be best for SIBCO to adopt.

Question 4

- (a) Most candidates accurately demonstrated their knowledge of the moving average technique of sales forecasting by correctly calculating these four values. If errors were made in calculating w and x then credit was given for a correct “own figure rule” calculation of y and z .
- (b) Relevant subject knowledge was demonstrated by most candidates. Others focused on “sales forecasting” in general and needed to make specific references to the strengths and weaknesses of the moving average method in particular. Some answers made very good evaluative judgements concerning the risk attached to being over-dependent on sales forecasts using just this one method at times of market and economic changes, and references were made to SIBCO’s competitors and how changes in policies of these rivals could make SIBCO’s sales forecasts unreliable. The best evaluation was often in the form of making observations about the declining accuracy of forecasts the longer the future period being predicted for and the need to consider sales forecasts from more than one source. Other answers needed to develop the points made in much more detail and needed a clearer awareness of how external changes, related to the case study business, might reduce the accuracy of sales forecasts based on the moving average method alone.

Question 5

The wording of this question encouraged candidates to give a clear recommendation based on their analysis of the evidence presented to them. Indeed, this is precisely what the great majority of answers did conclude with and the quality of supporting analysis was often very high. A few candidates gave arguments for the acquisition and arguments against it but the overall decision was either not made or was unclear. It is not possible to gain marks for evaluation with an answer that concludes, “So, there are many arguments for and against this takeover and the management of SIBCO will have to consider them all before making a final decision”. A better conclusion was this: “On balance, SIBCO should attempt to take over NBC but it should place an upper limit on the share price it is prepared to offer as over-extending finances may leave the new combined business short of funds for new buses and other investments.”



Section B

Question 6

The essay questions were answered by approximately equal numbers of candidates. This question gave candidates the opportunity to discuss the wide issue of government intervention in business operations. These include those areas “hinted at” in the case study but these were not meant to include all of the different ways in which governments might exert control over businesses. The case study suggested several areas of business activity that many governments might want to control or influence. These included abuse of monopoly power such as destroyer pricing, takeovers leading to potential dominant market position, unethical business practices and minimum maintenance standards for buses.

Many candidates needed to give their answers a wider perspective. Focusing on one issue, and the most common one was government policy towards takeovers, limits the range of arguments that can be analysed. Evaluation of government control varied considerably between answers. At a rather simplistic level, some candidates suggested that the free market might be a more efficient method than excessive state control over business. A few of the best answers went into more detail and, for example, considered the potential cost on business of some government controls, such as health and safety in the bus industry. One answer suggested that consumers and other stakeholder groups might need protecting from unscrupulous business activities but that high profits, perhaps gained by monopoly practices, might be invested back into the industry to benefit some stakeholders too. A range of different approaches were acceptable as forms of evaluating the arguments used.

Question 7

This question led to very many well-applied answers in which candidates were able to use examples from the case study to illustrate both “management styles” and “decision-making” ability. Good subject knowledge was demonstrated in both explanations of different management styles and different approaches to decision-making – e.g. scientific and “hunch”-based. Most candidates needed to give greater width to their evaluation of the arguments used. The best answers identified and explained several other factors – both internal to the business and in the wider external environment – that could have a significant effect on the future success of a major bus company. One candidate concluded: “So it will be important for Sylvio and Indranee to adapt both their management style and decision-making approaches to meet future challenges, especially if NBC is acquired. However, perhaps the most important factor influencing the future success of SIBCO will be government intervention which could both stop the takeover and limit the ability of the company to take important decisions as a powerful monopolist”.