

# BUSINESS STUDIES

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Paper 9707/11  
Short Answer and Essay

## Key Messages

- It is important to allocate time for careful consideration of each question before writing an answer. Candidates need to identify the relevant area of the syllabus that is being tested in a question. The specific focus of the question also needs to be correctly identified and interpreted. There were examples of answers that were not focused on the particular demands of a question. This was particularly evident in answers to **Question 6** where many candidates presented only a partial response to the issue of leaders and managers.
- Candidates are reminded that context examples will be rewarded. Examiners will respond positively to 'own experience' and 'own country' examples that illustrate and provide analytical support to soundly described business studies concepts.
- Where a specific context is given in a question, as in **Question 5(b)** with the mobile phone manufacturer, it is important to apply knowledge and analysis to that context. Failure to do so means that only a limited number of marks can be awarded.

## General Comments

- In **Section A** there were some candidates who were unable to precisely describe and define business studies concepts such as 'value added', 'sampling' and 'bank overdraft'. This part of the examination paper requires accurate and precise definitions as well as explanatory discussion.
- In **Section B** the essays presented a challenge to many candidates in terms of focus and relevance. As mentioned above, it is vital that time is spent in determining the specific demands and requirements of each question before making a choice and before writing an answer.

## Comments on Specific Questions

### SECTION A

#### Question 1

- (a) A significant number of answers did not identify this question on 'added value' as an operational management issue and incorrectly gave an answer around the concept of profit. Added value is the difference between the cost of purchasing raw materials and the price at which the finished goods are sold.
- (b) There were answers that confused the question with marketing concepts such as branding and the 4 Ps, despite reference in the question to operations management decisions. Good answers recognised that opportunities for added value occur in operational areas such as product design, production process efficiencies and quality standards.

#### Question 2

- (a) There were many confident responses to this question. Relevant aims included references to employee understanding and motivation, customer understanding and recognition, and investor attraction.
- (b) Many candidates interpreted the question in terms of *why* it is important to communicate a mission statement rather than *how* a mission statement might be effectively communicated. The result was that communication measures, such as publishing mission statements in business plans, company reports, and company newsletters and websites, were rarely mentioned.

### Question 3

There were some strong answers to this question on the advantages of market research sampling. Common responses referred to the possibility through sampling of achieving cost and time savings and producing focused and accurate research data. Candidates who produced less relevant answers tended to focus on market research methods and techniques rather than on the sampling method of conducting market research.

### Question 4

- (a) Candidates needed to differentiate between the specific nature and characteristics of an overdraft and a short- or long-term bank loan. Strong answers recognised that an overdraft is an arrangement with a bank to allow a business to borrow money up to an agreed limit as and when required.
- (b) Those candidates who were able to give a correct definition in (a) were normally also able to identify and explain possible disadvantages for a business of negotiating and using an overdraft as a source of finance. Issues such as high interest charges and possible impact on risk to a business if security against business assets was required, were correctly presented as potential business disadvantages.

## SECTION B

### Question 5

- (a) There were some strong responses to this question on the relationship between corporate and marketing objectives. Good answers explained the difference between the two sets of objectives giving sound examples. The contextual nature of corporate objectives such as profit maximisation, growth, market share and survival, clearly need supportive marketing objectives such as appropriate pricing strategies and promotion policies.
- (b) Candidates should understand the concept of product portfolio analysis – reviewing a product mix in the context of the market environment, customer demand, and competitor strengths and weaknesses. Answers that clearly defined the concept and then went on to explain why, in a highly competitive market area such as mobile phone design and manufacture it is necessary and important to identify and understand the strengths and weaknesses of a product mix, secured high marks.

### Question 6

Some candidates incorrectly interpreted the question using the suggested difference between leaders and managers. This statement, a classic differentiation suggested by Kotter in a Harvard Business Review article, provided an opportunity for discussion and analysis of theoretical and practical assessments of leader and manager roles and functions. However many answers simply described different leadership styles and provided little relevant comment or analysis on what leaders and managers are said to do. The specification suggests that there is a potential difference (as well as similarities and overlaps) between business leaders and business managers, and candidates should be aware of the growing bodies of knowledge and theory in relation to leader and manager roles in business organisations.

### Question 7

- (a) A number of responses to this question on a dynamic business environment focused on the internal dynamics of a business organisation and discussed issues such as staff motivation and performance. Often the emphasis was on specific organisational problems rather than on the internal organisational environment affecting such problems. Other stronger answers focused more on the external business environment and discussed factors such as legislation, governmental interference, and competitor actions, and their contribution to a dynamic and turbulent market environment for business decision making.

- (b) The provocative assertion that the sole purpose of a private sector business is to make profit not to pursue corporate responsibility objectives led many answers into a corporate social responsibility essay. This approach clearly contained relevant material but stronger essays unpacked the statement in the question and presented a more balanced and relevant discussion of the relative importance of different objectives that a private sector business might pursue. There were some weaker essays that did not understand the question and strayed into a discussion of how private sector organisations differ from government owned businesses.

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Paper 9707/12  
Short Answer/Essay

## Key Messages

- Once again it appears that some candidates do not allocate sufficient time to carefully consider the meaning of each question. An incorrect interpretation of a question often leads to non-relevant material being presented and/or a narrow or imprecise focus being adopted. There were numerous examples of candidates writing 'all they knew' about a concept or topic rather than writing a focused relevant response.
- There were a more than usual number of answers that took little or no account of the context in a question. This was particularly significant in many answers to the essay questions in **Section B** of the examination paper, notably **Question 5(b)**, **Question 6**, and **Question 7(a)**. Without addressing the specific context of a question, candidates will deny themselves opportunities to describe and analyse relevant scenarios and consequently be unable to access high level marks.
- A significant number of candidates seem not to have the confidence to respond effectively to questions drawn from the Operations Management area of the syllabus. This is a significant part of the syllabus and Operations Management questions are always likely to feature on this examination paper.

## General Comments

- In **Section A** of the examination paper some candidates were unable to give clear definitions in answers to **Question 1**, **Question 2**, and **Question 4(a)**. While an interesting discursive treatment of a topic area is often required (as in **Question 3**) it is also important to be able to clearly define more technical concepts such as retained profit, random/quota sampling and productivity as featured in this examination.
- In **Section B** a majority of candidates selected **Question 5** to answer but did not focus sufficiently on either the precise requirements of part **(a)** or the applied context requirements of **5(b)**.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a)** Only a minority of answers correctly defined 'retained profit' as the profit left after all deductions, including dividends to shareholders, and that which is held in reserve by a company and is a potential source of investment finance. Many candidates were confused about retained profit and incorrectly defined the concept as revenue minus expenses or profit minus tax.
- (b)** The strongest answers to explaining the advantages of retained profits as a source of finance compared retained profits with other sources of finance. Such answers identified advantages such as low cost, availability, accessibility, flexibility, and impact (or lack of impact) on liquidity and gearing situations. Less strong answers wrote about the use of finance generally such as buying fixed assets and paying creditors rather than making comparisons with other sources of finance.

## Question 2

- (a) A significant number of candidates were unable to define 'random sampling' without using the word 'random' in the explanation and without giving any alternative statement to clearly indicate the characteristics of the concept. Few answers contained a clear definition of random such as the situation where 'everyone has an equal chance of being selected, or where people are not chosen according to any predetermined criteria'.
- (b) Many answers gave an adequate definition of quota sampling but were unable to give two advantages of using a quota sampling process and were therefore restricted to one mark. Common advantages identified were the potential relative cheapness of quota sampling and its greater reliability.

## Question 3

There was a mixed response to this question on the influence of ethics on objectives and activities of private sector businesses. Some candidates were unable to differentiate between governmental and legal requirements to perform in certain ways and ethical behaviour adopted independently by businesses. Some candidates had prepared material on business ethics but were unable to apply that information to business objectives and activities and presented a very general and not very relevant discussion. Others drifted into a discussion of motivation emphasising low wages and poor working conditions. Good answers defined ethics, gave precise examples showing how an ethical stance could limit or modify profit maximising objectives and lead to more socially responsible activities.

## Question 4

- (a) A minority of candidates confused productivity with production and some referred only to output over time rather than to the succinct but more comprehensive definition of productivity as the 'ratio of outputs to inputs'.
- (b) Candidates were more confident when giving ways in which a business might increase levels of operational productivity. Good answers explained how new technology, better trained workers and more efficient working practices could influence productivity. Some answers simply identified relevant factors but failed to then explain how they might impact on productivity.

## Section B

### Question 5

- (a) Some candidates drifted into a discussion of motivation and leadership theories without focusing on the specific question of benefits arising from worker involvement/participation in organisational decision-making. Better answers identified potential benefits such as new ideas, more motivated workers, workers knowing more than managers, better two-way communication, better decisions and the release of management time. Some candidates drifted away from the question by discussing disadvantages of worker involvement. Again candidates may well have prepared a 'for and against' answer to a question that did not require this approach.
- (b) A number of weak responses to this question simply reversed the discussion in part (a) and gave an unfocused discussion of authoritarian leadership. Indeed a common error in answering this question was the lack of context information and analysis. Very few candidates seemed to have asked the following questions in planning an answer to this question: What is the business of a hotel? What are its core activities? What worker roles are carried out in a hotel? What sort of employees might work in a hotel? Many answers simply explained the potential impact of authoritarian leadership on employees without any reference at all to the activities and staff of a hotel. Such answers were significantly restricted in terms of marks. Recognition of the many different worker roles in an hotel such as front line reception staff, kitchen staff, cleaning staff, marketing staff etc. would have opened up productive areas of explanation and analysis.

### Question 6

There were very few answers to this question. Once again a number of responses to this question completely ignored the invitation to relate the impact of technological developments to a country specific context. Answers tended to focus on some specific technological development such as computer and mobile phone technology, or CAM and CAD, but with very limited application to, or analysis of, the threats or opportunities posed by such developments. The application of any country examples of impact such as effect on employment, or the economy in general, was very rare.

### Question 7

- (a) Many answers to this question attempted to grapple with the distinction between tangible and intangible attributes and assets but without any reference to the context of luxury cars. The context example is given to assist candidates and the example of luxury car manufacturing should have provided an opportunity for explanation and analysis of distinctive tangibles (such as advanced engineering) and intangibles (such as brand/reputation and image) Answers were generally more confident in identifying and explaining tangible product attributes.
- (b) Many responses simply presented long answers describing a product life cycle and then positioning an extension phase within the cycle without discussing how an extension strategy might benefit or disadvantage a business. Better answers discussed business and marketing objectives, product portfolios, customer and market demands, and then how these factors could affect any extension strategy.

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Paper 9707/13

Short Answer and Essay

## General Comments

The paper appears to have been accessible to candidates and there was no evidence of time being an issue affecting candidates.

There was, however, evidence that while many candidates had revised the subject content thoroughly they benefit from further practise applying their knowledge to different business situations. Some scripts lacked the contextual analysis that was required for higher marks to be awarded, particularly in the essay questions.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) The term 'share capital' was correctly defined by many candidates as the total value of capital raised from shareholders by the issue of shares. Some candidates incorrectly believed that 'share capital' meant that businesses would share the use of equipment and other resources.
- (b) For those candidates who misunderstood the meaning of 'share capital' in (a), the response to this question was also incorrect. However, the majority of candidates were able to explain two correct disadvantages of using additional share capital as a source of finance. The most popular disadvantages were a dilution of the ownership of the company, an increased danger of being taken over by another business and the cost and time involved in arranging a further issue of shares.

#### **Question 2**

- (a) This question was answered very well by almost all candidates. Candidates gave a clear definition of the term 'product life cycle' either by stating that it shows the pattern of sales recorded by a product from launch to withdrawal from the market or by outlining each of the stages in the cycle.
- (b) This was generally a well-answered question. Strong answers focused on 'actions' that could be taken to extend a product's life cycle such as developing new features or uses for the product or undertaking additional advertising and promotion to remind customers of its existence and to promote any new features. A number of candidates lost some focus on 'actions' and tended to write about why actions should be taken. However, there was frequently something of merit that could be rewarded in such answers.

#### **Question 3**

Strong answers to this question discussed the transformation of raw materials into finished goods for sale to the end user. Many candidates were able to score well by including examples of raw materials and the finished goods that they might produce e.g. timber being transformed into furniture. Weaker responses made some reference to a production process but not in the strict sense of turning inputs into outputs; such answers were often based on the idea of a business changing the production process used from one form of production into another e.g. batch production to flow production.

Strong answers often made reference to the value added to a product at each stage of production.

#### Question 4

- (a) Almost all candidates were able to correctly identify two features of a 'public limited company'. Candidates should be reminded that when a question instructs them to 'State', they are not required to give any explanation of the terms. Some candidates wrote at some length when the briefest of answers would have been sufficient.

Popular features were limited liability, the ability to sell shares to the general public through a national stock exchange, continuity and being a separate legal entity.

A small number of candidates misunderstood the term 'public limited company' and wrote about the features of a public corporation owned by a government.

- (b) This was well-answered by the majority of candidates. Candidates recognised many valid advantages of a sole trader changing to a partnership. An increased injection of finance was a popular advantage given, although candidates did not always offer an explanation. The explanation could have been that because there would now be more people owning the business, there would be more people to contribute finance whereas a sole trader has no one else to rely on for finance.

Many candidates also correctly identified that there would be additional expertise in the business and that this would allow each partner to specialise in their area of expertise. Many candidates recognised that this would be likely to make the business more efficient.

#### Section B

#### Question 5

- (a) In response to this question the majority of candidates were able to demonstrate a good understanding of the concept of price elasticity of demand and also of the role of a Marketing Director. Strong answers focused on a range of reasons why a Marketing Director might need to understand PED. A reason given was being able to determine a pricing strategy in terms of which products might tolerate a higher price in the market than others. Several candidates analysed the various responses to a change in price depending on whether the product was price elastic or price inelastic. Good answers followed this line of argument through to discuss the potential impact on revenue for a business. Some very good answers analysed the situation faced by a business when some of its costs increase and a decision needs to be made on whether or not the increase in costs can be passed on to the consumer in the form of higher prices. Some candidates were able to analyse such a situation in detail and with constant focus on the relevance of PED to such a situation.

Weaker answers frequently showed a good understanding of PED but were confined to an explanation of the concept rather than applying their knowledge to the situation in the question.

- (b) Most candidates showed some level of understanding of pricing strategies and a large proportion of candidates recognised some of the features of a highly competitive market.

Good answers analysed the situation faced by a new business trying to enter a highly competitive market and made all of this content relevant to transport. Such answers also focused on factors to be considered rather than simply giving a detailed description of various pricing strategies.

Many candidates correctly identified the availability of a substitute means of transport as being a key issue faced by the new business and also offered sensible suggestions about what pricing strategies could be employed. Many candidates drew on part (a) and discussed PED and its relevance to the context.

Candidates were expected to identify and discuss factors such as the cost of introducing and running such a business, the strength of the competition, the number of competing businesses, the number of substitute transport systems and the ability of this new company to differentiate its service from that offered by other companies.



An evaluative comment was required if the highest marks were to be awarded. Some candidates made a judgement based on the possible business objectives of the new company and the potential reaction of competitors to any pricing strategy implemented.

### Question 6

This question also required candidates to focus on factors a Human Resource Director could consider when seeking to improve staff morale. Good answers retained focus on relevant factors and avoided the temptation to only discuss 'how' staff morale might be improved. Relevant factors that could be considered include the type of leadership employed and the type of workers e.g. skilled or unskilled, part-time or full-time. A key factor identified by many candidates was that the HR Director must first try to determine why staff morale is low. Some candidates based a judgement on a line of argument discussing the fact that morale cannot be improved if the cause of low morale cannot be identified; actions could be taken that actually reduce staff morale even further if the action taken is not appropriate to the prevailing situation.

Weaker answers focused on 'staff morale' and ignored the 'factors' element of the question. Such answers frequently gave detailed description of various motivational theories but did not answer the question set.

### Question 7

- (a) It was pleasing to see that many candidates had a good knowledge of social enterprises and were able to relate their answer to actual examples in their own country. The majority of candidates choosing this question were able to identify the elements of the 'triple bottom line' as economic, social and environmental. A small number of candidates misunderstood 'economic' as being good for the economy of the country and did not discuss this element in terms of the need for the social enterprise to make a profit.

There were many good answers that included clear examples of how the three elements of the triple bottom line might cause conflict. A frequent example was that a business that seeks to be environmentally friendly and to be a non-polluter, might have to install more expensive machinery, the cost of which would reduce the profits for the business. Therefore meeting its environmental objective might prevent the attainment of its profit objective. Several examples were given in some very good answers.

- (b) Many candidates demonstrated a very good understanding of the benefits and drawbacks of entrepreneurial activity in their country. Weaker answers often focused on the characteristics of a successful entrepreneur while stronger answers addressed issues such as the creation of employment and the introduction of a wide range of opportunities within their country. A wide variety of goods was frequently mentioned along with training opportunities for local workers.

Good answers often analysed the potential encouragement of local businesses who, seeing the entrepreneurial spirit, would seek to emulate the entrepreneurs and so bring further benefits to the country. Some candidates analysed the benefits to the government such as a reduced need to support people who were out of work due to the creation of new jobs. Governments might also benefit from an increase in tax revenues if the business was successful. Some strong answers considered whether the benefits would be as great if the entrepreneurs were from outside the country; would they bring their own experienced workers with them thereby depriving local workers of a training opportunity? Would they invest continually in the country or would they spend their profit to benefit their own country?

### Overall comments

Candidates who performed very well on this paper tended to be those who read each question carefully and responded to the precise wording in each question. In particular, in **Section B** candidates who identified the concept being assessed but who did not respond to key words such as 'factors' tended to fare less well than those who applied their knowledge in the manner required by the question.

Candidates might also be reminded that when choosing which essay question to answer, in particular if choosing **Question 5** or **Question 7**, that they must be able to answer both parts of the question in depth. There was evidence that some candidates had chosen a question for which they could give a strong answer to either part (a) or part (b) but not both.

# BUSINESS STUDIES

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Paper 9707/21  
Data Response

## Key Messages

- Candidates should be encouraged to read the data response material, then the questions and to spend some time thinking about the answer to the question. Asking 'do I know the answer to the question?' is always a good starting point. Time should also be spent thinking about how the answer should be structured. This will enable effective use of time and a greater ability to achieve the higher levels of response.
- Candidates should be encouraged to use examples to explain business terms. These often reflect a full understanding of the term.
- Candidates should read the question carefully and note which parts of the data can be used in the answer. Identification of relevant issues such as the size or type of organisation, target market or product or service offered can inform the consequent analysis and evaluation.
- Evaluation can be shown at any stage of the answer in a number of ways. Sometimes it is a matter of making a balanced argument about relevant issues. The evaluation then arises from the analysis of the issues such as the impact on sales from the decision about two different locations (**Question 2(d)**). Terms such as 'this depends on' often lead to evaluation marks when the answer is contextual. However, candidates still need to understand that any course of action is not guaranteed to be a success, and may rely or depend on a number of factors, both internal and external to the business.

## General comments

There was some evidence that candidates were engaging with the data especially in **Question 1(d)** and **Question 2(d)**. Many candidates made the effort to identify more of the characteristics of the businesses in order to analyse only those parts which were specifically relevant to the context and question such as type of organisation, type of product and service and the target market.

There were no significant problems with understanding the questions and there were very few instances when candidates omitted questions. There seemed to be good awareness by many candidates of the command words at the start of each question with candidates using the information to make some analytical statements, especially on **Questions 1(c)** and **2(d)**.

There were no particular areas where lack of knowledge presented a problem. Therefore, the main area on which to concentrate is the development of analysis in context. Many candidates achieved simple analysis by mentioning 'increased costs' or 'increased revenue' but in general terms rather than an analysis of the context. This was highlighted in the responses to **1(b)(ii)** and **2(b)(ii)** in particular, where candidates would have been helped by using and understanding the different types of data and information regarding pricing strategy. Candidates handled the concept of business to business well and there were some insightful comments about the change from a consumer to a business market in **Question 1**. There was evidence in **Question 2** that candidates found it difficult to distinguish between how marketing would change from a niche market to a mass market for paint.

Evaluation remains a problem for most candidates. 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, or make a recommendation that is fully justified by evidence/analysis.

## Comments on specific questions

### Section A

#### Question 1

- (a) (i) Most candidates gave reasonable explanations of partnerships showing understanding of the risk implications of unlimited liability and other features of this type of business organisation such as number of owners and deeds of partnership. Best answers also gave an example to show that often partnerships were used by professionals such as lawyers and doctors.
- (ii) Some candidates found it difficult to explain the term 'revenue', with confusion between revenue and profit. The best answers explained that it was money gained from sales over a period of time before costs are deducted, calculated by sales times price.

**Teaching Tip:** Explaining the meaning of financial terms is often best achieved by giving a formula and then developing an explanation from that. Explanation can then develop through a brief description of how the concept is used and how it is useful to a business and its stakeholders.

- (b) (i) The majority of candidates were able to gain the marks available by calculating the correct answer to the forecast growth rate, showing how the calculation had been carried out. Some did not carry the calculation through but were credited for deducting one year's revenue from another. Others used the incorrect figures but gained reward for the process or the correct formula.
- (ii) Not all candidates were able to comment on the growth rate calculated in (b)(i) relative to the whole market. The best answers recognised that HH's growth was forecasted to be much faster than the whole market and suggested that this may suggest some unreliability of the data collected by Saima. These answers also suggested that other information such as knowledge of local competition and the opportunities available in the area for this market might have an effect on the projected revenue figures. However many of the answers made simple statements about the result with little understanding of the context and therefore gained limited reward.

**Teaching Tip:** Use of numerical data is a common requirement of this paper. The important part of the answer is to use the calculation in part (i) and to ask the following questions. What does it mean? How has it changed? Why has it changed? Is it important in the whole market? What type of market does the business operate in? What are its limitations? Are forecasts accurate? What other factors need to be taken into account? Too often candidates simply make statements such as 'it has gone up/down' or 'it will mean less profit'. This will only gain a limited reward as it shows no real understanding in the context of the data.

- (c) This question required candidates to look at the implications to HH of changing the target market to business customers. An important issue is that of time. This change would take some time and therefore when looking at the marketing mix every part of it needs to be adapted to achieve this change, especially if it is to happen without damaging the existing business. Candidates need to think about the requirements of business customers and how awareness of the new service will be created and maintained throughout the year. Answers tended to work through each part of the marketing mix with simple suggestions such as 'advertise in trade magazines'. Others listed the changes stated in the case such as the provision of conference facilities and IT equipment. It is important that these changes are referenced but how do they apply to marketing the whole package of products and services on offer? Best answers recognised that price could be increased for business customers (as it is on airlines) as the businesses would be paying rather than individuals. Place remains an issue. It is about accessibility in the case of the service sector, this might include online booking and other electronic reservation applications. A common mistake is to confuse 'place' with location, about which there is little that can be done in an established business.

- (d) This question required candidates to apply knowledge and understanding of a variety of human resource issues. Some candidates were able to recognise that this was a particularly demanding business which often attracted part-time and temporary staff especially candidates who might be less than motivated. Some candidates found this a challenging question and simply gave generic solutions to the problems without looking at the specific issues in the hotel industry. For example, firing people for being absent is unlikely to be a solution, it may lead to lower morale. Competition from other hotels is, however, an important issue and some candidates realised that the hotel needed to find out what else the workforce needed in order to retain them. It is often a problem with questions about HR that increased pay is suggested as the answer. Some candidates recognised that this was not necessarily the case and that good working conditions, praise and appreciation might be important, especially in this industry where dealing with customers can be extremely demanding. In any event, increased pay must be affordable by the business.

The best answers recognised that management of change is a complex process and needs to be addressed carefully. Communication is a very important aspect of managing such a change, perhaps the most important. Preconceived ideas such as 'business customers will be more demanding' are often a barrier to change and need to be addressed quickly by management.

**Teaching Tip:** HRM is a particularly difficult area as it requires an empathetic approach from the candidates and a real understanding of the issues facing the particular business. Problems with a workforce can be due to the type of staff in the industry or due to the way the business is managed and organised. Candidates should be given as many different scenarios as possible to identify these factors and to suggest solutions. Often the best solution is to plan any change and to communicate and discuss the change over a period of time. Active solutions such as job rotation, although useful, may not placate the workforce in the long term, and may not be practical.

## Question 2

- (a) (i) This was well answered with most candidates explaining that the 'secondary sector' is the manufacturing sector which processes raw materials into the final product. Best answers used examples to show full understanding.
- (ii) Generally well answered with many candidates achieving full marks for the idea that 'unique selling point[AB1]' was a characteristic or feature of a brand which sets a product or service apart from the competition and therefore could influence the marketing strategies of the business. Examples are always a good way of showing extra understanding.
- (b) (i) Most candidates were able to calculate correctly the new current ratio for BG. The majority also showed the method used and therefore managed to gain credit for an attempt even if the final answer was wrongly calculated.
- (ii) The best answers used the answer to (b)(i) to show how the current ratio had fallen and some were able to explain this in terms of the effect on BG. The best answers used the context of the data to explain the effect of such a fall on BG. However, although many candidates understood that a fall in current ratio may be a bad thing for BG, few referenced the table to explain reasons why this might have happened, such as the decrease in level of cash and increase in accounts payable. There was plenty of information in the data for candidates to draw on to support their conclusions. The own figure rule allowed reward for any analysis based on the answer in (b)(i).
- (c) Many candidates simply stated the advantages and disadvantages of being a public limited company with little or no application to the suggested expansion. Others only addressed the advantages of being a public limited company.

**Teaching Tip:** Questions that use the term 'analyse' require candidates to identify the implications of a course of action to a business. Candidates should be taught to identify factors such as age of business, type of business, product and service sold, target market etc. in order to inform such decision-making. The context of the business in terms of these factors can then be used to analyse different situations such as relocation or expansion overseas.

- (d) This question was answered well by many of the candidates who used the information about the two locations to make a decision about which one would be the best location for the factory. The best answers analysed both locations either separately or as an integrated case comparing one with the other, and then made a justified recommendation. However there were a number of candidates who only looked at the location they had initially chosen and only the advantages attached to it. Weaker answers tended to only focus on repeating the information in the table, with little development of the ideas it contains. These weaker and descriptive answers struggled to find a criterion by which to judge the various statements made about location. Candidates should be encouraged to look at both locations if a realistic judgement is to be made. Stating the choice at the start of the answer is very tempting (and can be acceptable), however it does risk missing explanation and analysis of some of the factors that are important to a realistic decision.

Overall candidates showed that they understood the information in the context of BG. Some argued that country A would be best since it offered more opportunities and would be less costly in terms of workforce and legislation. Others argued that an established economy in country B would be beneficial as training costs would be less and there would be support from other industries. Either approach was equally rewardable. In many cases such analysis was present in the answers. The very best answers developed a range of factors and referenced the possible liquidity problem to argue that the financial issues were the most important in deciding between the two countries. These candidates recommended the low cost, low rent site because it may help to avoid a potential liquidity problem.

# BUSINESS STUDIES

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**Paper 9707/22**  
**Data Response**

## Key Messages

- In order to show good understanding in **Question 1(a)** and **Question 2(a)** candidates could give an example to support their explanation.
- Candidates should answer the question that has been set. This requires careful analysis of the questions.
- Candidates not only need to perform calculations (**Questions 1(b)** and **2(b)**) – they also need to be able to interpret their calculations in context.
- Candidates need to understand that discussion questions – **Question 1(d)** and **Question 2(d)** – require evaluative responses. Centres should encourage candidates to identify what evaluation skills are appropriate to a particular question, and how they can be demonstrated.

## General comments

Candidates generally demonstrated good understanding of the subject, with no particular areas of weakness. Where candidates missed opportunities in gaining marks it was often due to:

- Not analysing the question sufficiently to understand what the question is about.
- Not using the case material effectively.
- Giving answers that could apply to almost any business.
- Not recognising opportunities for evaluation.

Candidates need to use context effectively. This can best be achieved by ‘getting into the minds’ of the stakeholders of the business in question and recognising the constraints and enablers relevant to that business.

The case material was generally well understood by the candidates and there was no evidence of questions being misinterpreted. The quality of answers generally showed good use of business language and overall good communication skills.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates had some understanding of the term ‘corporate responsibility’. Good answers referred to the attitude of the business towards its stakeholders and gave examples of how businesses might be corporately responsible. The best answers referred to the fact that corporate responsibility is above and beyond a legal obligation.
- (ii) Most candidates were able to describe the concept of ‘above the line promotion’. Stronger answers focused on the fact that it is promotion that is ‘paid for’ and gave examples such as advertising on television. Other answers used rather vague terms such as ‘it is expensive’. A very small minority of candidates confused the term with being promoted within an organisational hierarchy.

- (b) (i) Most candidates correctly calculated 2% for the market share. The most common error was getting 20% by being insufficiently careful with the zeros in 10 million. Some candidates used the correct data in an inverted formula.
- (ii) Most candidates struggled to answer this question contextually. Key issues include the fact that the sales data for RR are forecasts and that the restaurant specialises in seafood, whereas the total market data is for restaurants. Better candidates used this information and also observed that market share is more likely to be determined by the behaviour of competitors than any individual business. Another approach taken was that there are better measures of performance such as profits and liquidity.
- (c) Most candidates had a very good understanding of the advantages and disadvantages of franchises. Key issues to mention included the fact that the business is a restaurant in the fast food sector, that accounting, inventory control and above the line promotion are supplied by SF and that RR can do its own recruitment, buy local ingredients and can, subject to approval, decorate its restaurants how it wants. Weaker answers tended to provide lists rather than applying the ideas to RR and with little analysis of the issues.

**Teaching Tip:**

Candidates often find it difficult to apply the ideas/concepts, such as franchises, to particular circumstances. Candidates should develop their application skills through exposure to a range of real-life different business situations.

- (d) There were two key issues that limited the effectiveness of most answers to this question: many candidates thought it was a question about motivation rather than reducing labour turnover. Few candidates recognised that high labour turnover could be expected when employing candidates in the fast food industry. Better answers developed these issues and justified practical methods to reduce the labour turnover such as recruiting non-students, making the work more attractive to students and so on. Weaker answers focused on improving motivation without attempting to make a link between poor morale/motivation and labour turnover.

**Teaching Tip:**

Get your candidates to recognise the salient features of a given business situation and the constraints and enablers peculiar to that situation. Also ensure that the candidates can analyse questions to ensure that they do not attempt to answer a different question.

**Question 2**

- (a) (i) Although there were some good definitions of 'limited liability' there was a number of candidates who were confused by the term. A significant number of candidates, incorrectly, explained unlimited liability within the context of TP. Best answers referred to limited liability in terms of incorporated businesses as well as to increasing the likelihood of individuals investing in the business through reduced risk to the investor. A few candidates confused the liability of the business (incorrect) with the liability of the investor (correct).
- (ii) Candidates generally gave good explanations of the term 'wholesalers' with the best answers referring to the chain of distribution from producers to consumers, intermediaries and the idea of breaking bulk. Better answers referred to improved efficiency in the distribution chain. Weak answers usually had some limited concept of buying/selling in bulk with little idea of suppliers and customers.
- (b) (i) Most candidates were able to calculate break-even. Common mistakes included forgetting to state units (litres) or writing the wrong units (e.g. \$) or omitting 'millions'. It was notable that most candidates performed their calculations in \$s and litres rather than \$m and millilitres. For example, many candidates gave the answer of 42,857,142.86 litres rather than 42.9 million litres. This introduced far greater scope for arithmetic errors.

- (ii) Own Figure Rule applied (candidates were able to carry forward wrong answers from part (i)). Better candidates noted that the break-even figure had increased by 2.9 million litres, meaning that they would have to sell more to break even and the margin of safety had fallen from 10 million litres to 7.1 million litres. However, because variable costs have fallen it would be easier to make profits once fixed costs had been covered. Weaker answers gave simple statements such as 'break even has increased'.
- (c) This question was about objectives in the context of the differences between TP and its main competitors. A large number of candidates focused on the differences between the businesses without linking these ideas with the likely objectives of the business. The best answers identified the key difference of size (competitors are large multinationals whereas TP is a smaller business) and of TP's competitors all being public limited companies (with limited liability for shareholders) whereas TP is a partnership (with unlimited liability for partners). Thus TP's objectives are likely to be more local and modest than competitors' due to issues of risk (through liability) and finance (fewer opportunities for raising finance). Differences could also have been discussed in terms of attitudes to diversification, available production methods and marketing strategies provided these ideas were linked to objectives.

**Teaching Tip:**

Give candidates opportunities to analyse questions so that they answer the question that is set, in this case linking objectives with differences between businesses.

- (d) Many candidates are able to write about the marketing mix, and this seems to be a topic that is well understood by most. However, many answers missed the key issue of the question, which was how the marketing mix would change. This can only really be addressed with reference to the existing marketing mix (individually negotiated prices, regular visits to industrial customers, business to business market, competing against large, international plcs). Answers could then develop the change in market – to house owner, house builders etc. who are likely to use retail outlets supplied by wholesalers and for whom the existing marketing mix is entirely inappropriate. The best answers focused on this change in market, developing the idea that because it is an existing product but a new market, the critical issues will be Promotion (to inform the market of the existence of TP's paints for this market) and Product (final consumers will buy smaller volumes of paints from retailers compared with direct, bulk sales to airlines). This enabled evaluation skills to be shown. The few stronger answers followed this line of argument. Weaker answers tended to either describe a suitable marketing mix without justifying it or explaining how it is to change. Many candidates continue to confuse 'place' with location rather than making the correct interpretation which is 'channel of distribution'.

**Teaching Tip**

It is important in 10-mark questions that candidates identify ways in which evaluation skills could be demonstrated. It is useful to spend time developing this skill using past questions. Once opportunities have been identified it is then easier to demonstrate the skill. Marketing questions are often looking for more than a simple statement of a suitable marketing mix.



# BUSINESS STUDIES

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Paper 9707/23  
Data Response

## Key Messages

- In order to show good understanding in **Question 1(a)** and **Question 2(a)** candidates could give an example to support their explanation.
- Candidates generally performed well where calculations are required, many showing, and then applying, the required formula. However candidates do usually need to interpret their answers in context for subsequent parts of the question.
- Many excellent responses made good use of the case study provided and applied their ideas. This was particularly evident in **Question 1(d)**.
- Candidates need to understand that discussion questions – **Question 1(d)** and **Question 2(d)** – require evaluative responses. Centres should encourage candidates to offer a conclusion to their answers that reflects the main issue so that candidates can come to a clear judgement with justification. If candidates are required to give a recommendation, then they should be clear about their decision and the reasoning behind it.

## General comments

Candidates generally made effective use of the case study material, particularly in **Question 1**. It was noted that candidates performed particularly well in **Question 1(d)** with most being able to use the case evidence to decide on a suitable location. **Question 2(d)** proved to be a challenging question as candidates needed to use the liquidity ratios in their response in developing possible solutions to the working capital problems.

In **Question 1(d)**, there were strong attempts at evaluation being demonstrated. Candidates attempted to give a clear recommendation and justification as to their preferred site for the new coffee shop. It is important that any recommendation should avoid simply repeating previous points. Candidates need to show that they have read, interpreted and selected what they consider to be the most important reason for their recommendation.

The case material proved accessible to the candidates and the quality of answers, particularly in **Question 1(a)** and **Question 2(a)**, showed that candidates had some good understanding of business terminology.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates demonstrated good understanding of the term 'internal growth'. Many candidates referred to organic growth and the features of internal growth. Good explanations included an example and/or a feature of internal growth, for example, it can be a slower method compared to external growth.
- (ii) Candidates were able to give some relevant examples of 'direct costs'. Better responses were able to give a clear definition. Candidates need to be clear on the difference between a direct cost and a variable cost.
- (b) (i) This question was answered well by most candidates who clearly showed their workings for applying mark-up and arrived at the correct answer of \$1.87. Most candidates remembered to include the \$ sign in their response. Where errors occurred in applying mark-up, it was when candidates did not calculate the correct total cost per meal of \$1.10.

- (ii) The most common factors that candidates referred to were competitors and added value, i.e. the image that Anna tries to achieve for her coffee shops. The better answers used information in the case study to develop the explanation, for example, data was given in the case study about the competitor's price. Some candidates used this data and compared it to Anna's possible price of \$1.87. Candidates need to ensure they do not offer general responses such as 'if competitor prices are lower, Anna could lose customers'.

**Teaching Tip:**

When candidates are asked to explain a factor that a business should consider such as in setting prices, they should select and apply the factor directly to the case study. This means they should use the case study information as they develop their response and ensure that their explanation specifically relates to the business in the case and not to just any business.

- (c) The question focused on the recruitment and selection process, not how to improve motivation. Candidates must consider what the key issues are in the case study and include methods that are in context. Good responses focused on how to attract better quality applicants through effective job descriptions and person specifications so Anna can recruit applicants with, for example, customer service skills or previous experience in dealing with customers. Other candidates emphasised improving the selection process through Anna interviewing candidates herself and the benefits of this, alongside 'trials' to test whether applicants work well in a coffee shop. Weak answers focused on improving motivation.
- (d) Candidates made good use of the case study in developing their responses and most candidates attempted to recommend a site and state the basis for their recommendation. It was clearly demonstrated that candidates understood the main issues (for and against) each of the two sites. Issues such as rents, ability to customise each location and the likely volume of passing trade were common. There was some excellent analysis and clear evaluation. Some answers only analysed one site – this was insufficient to make a recommendation.

**Teaching Tip:**

When candidates are asked to give a recommendation, they should focus on justifying the main reason for their choice and apply this clearly to the context. Repetition of previous points or a list of the main points will not demonstrate evaluation. This approach means that candidates will a) give their recommendation, b) select carefully the main reason for their recommendation and then c) apply this clearly and specifically to the case study.

**Question 2**

- (a) (i) Strong candidates were clear that 'consumer markets' are focused on selling to the final user. Some candidates explained the difference between 'B2C' (business to consumer) and 'B2B' (business to business). Using examples here would have enabled candidates to develop their responses more clearly. Some candidates confused the term and described demand or market research.
- (ii) This was generally very well answered when candidates were able to refer to cash inflow and cash outflow. Good explanations included the benefit of preparing a cash flow forecast. A few candidates confused cash flow with profit and used terminology such as revenue and costs rather than receipts and payments.
- (b) (i) Almost all candidates correctly calculated the answer of 4 (–4). Only in a few instances did candidates inverse the formula to arrive at 0.25.
- (ii) Most candidates were able to show some understanding and application to the context; for example, some candidates explained that it would be wise for CeC to reduce price on the computer cables due to the elastic demand whereas others commented on the reasons behind the elasticity for each of the cables. On a few occasions, candidates merely stated what the elasticity result meant – that an elasticity of 4 is elastic – without the commentary as to why.

- (c) This question focused on the need to review objectives. Better responses focused on the changing economy and the growth of CeC. Answers that took this approach were generally good with most candidates able to apply the factors and describe the consequences if CeC did not review their objectives. Some responses were general and descriptive. Some candidates need to understand that they must constantly use the context of the case study. In some responses candidates did not develop sufficiently how CeC needed to review their objectives – instead, they focused on general business objectives and why they might change.
- (d) Candidates must relate their ideas to the case study. It was more common on this question to find general answers that wrote about methods of improving liquidity and working capital such as selling assets and debt factoring. These answers could have applied to any business. Candidates need to make more solid use of the context in this question especially considering the amount of context that could be taken from the case study. For example, the acid test ratio showed that inventory was an issue, thus improved inventory control could be effective. Some very good responses linked to the importance of cash injections and how this could be achieved by renegotiating credit terms with the suppliers. A few candidates demonstrated evaluation skills by justifying the best solution and how it could work to improve the working capital.

**Teaching Tip**

It is important for candidates to avoid generalised answers. In this question, candidates should have identified what factors were causing the main working capital problems and then developed solutions to address these problems. When ratios are given, candidates must use the ratios in their response. This will enable them to use the context of the case study more effectively and provide a clear route through to analytical comment.

# BUSINESS STUDIES

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Paper 9707/31  
Case Study

## Key Messages

- Calculation questions often lead to full marks but candidates need to be able to explain clearly what their results mean for the business.
- Teachers are advised to give candidates much experience in answering accounting ratio calculation questions and those involving elasticity calculations.
- Time management appeared not to be a major problem on this paper.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions. Effective application of an answer not only gains marks for this skill but also gives the opportunity to gain marks for evaluation.
- Essay answers to **Section B** questions benefited in some cases from good understanding of the recent additions to the syllabus covering strategic management. These questions need to be read carefully, however, as some candidates are prone to not answering the precise question set.

## General Comments

There was a wide spread of marks on this paper with a small proportion of well-prepared candidates being awarded high marks. There was no evidence of the case study material having been misread or misunderstood; this observation applies to the questions in both sections too. There was some evidence that answers to **Section B** questions could have been improved by more careful reading of the questions.

It was evident from many of the answers that a few Centres continue to impress upon their candidates the important principles behind 'case study' based examinations and they prepare these candidates with much past paper practice. The best way to prepare Advanced Level candidates for the academic challenges presented by this paper is to set several 'mock' examinations using past papers and for the scripts to be marked to Cambridge International Examination standards using the mark schemes made available to teachers. This level of exposure to previous 9707/32 examinations helps build the key skills of application and evaluation.

In contrast, candidates from some Centres did not appear to be so well prepared. In some instances answers could have been improved significantly if there had been fewer gaps in candidates' subject knowledge such as specific accounting ratios and the specific content of a marketing plan. In addition, improvements would also have been made if more candidates had understood the real meaning of 'application' on a case study paper, which is not exemplified by copying out several lines of text.

The quality of written communication varied significantly but it must be stressed that the experienced Examiners who assess Cambridge International Examination's Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language. The best scripts read by Examiners were impressive not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used. A significant problem that some candidates had was not being able to develop a fully discursive answer to a question. This tended not to be a 'language' problem but rather a lack of understanding of the level of debate, discussion and judgement required for the higher mark questions on the paper.

## Comments on questions

### Section A

#### Question 1

This proved to be a very accessible question. Nearly all candidates were able to make some observations about the features of a centralised organisation. The clues in the case study were well flagged and many answers explained how increased centralisation could lead to less well motivated regional/functional managers within GMC but with the chance that there could be greater integration between the media divisions. Application and analysis could have been more fully developed in most cases. For example, what examples of centralised decisions would benefit a business such as GMC and why. In terms of motivation theory, why might centralisation lead to less well focused and driven divisional managers.

#### Question 2

- (a) There were many correct calculations for Return on Capital Employed but days sales in trade receivables was less accurately calculated by many candidates.

*Examiner's tip: Always encourage candidates to write out their working in their calculations. It was important, for example, to be able to reward candidates for stating an accurate ratio formula, even if the correct result had not been obtained.*

- (b) Many candidates merely repeated their results from (a) and no marks were awarded. Most candidates were not able to link their results from (a) to the take-over decision. Application marks were awarded for calculating the differences between the results gained in (a) and the equivalent results for GMC, which were in the case study. Candidates were inclined to state that 'the higher the return on capital employed the better' without explaining why. Other data – such as in Appendix 1 – were often quoted without being effectively 'used' or analysed. There were some exceptions to this such as candidates who recognised the higher risk of the PPS gearing ratio and how this would lead to higher gearing than at present for the newly expanded GMC if the takeover went ahead. Some candidates identified that the gross profit margin of PPS was higher than that of GMC but that the high overhead cost total dragged down the overall profitability of PPS. Most candidates did make a final conclusion but relatively few of these were really well supported by contextualised analysis of the evidence.

#### Question 3

- (a) Most of the candidates who correctly stated the formulae for price and advertising elasticity of demand were able to use the data to calculate the correct results. Quite a high proportion of candidates either could not attempt this part of the question or used incorrect formulae – such as by inverting them and, for example, dividing the % change in price by the % change in quantity.

- (b) Some answers demonstrated a very good grasp of the elasticity results obtained in (a). Examiners credited accurate comments and analysis based on inaccurate elasticity calculations. Based on the correct results, many responses suggested that price could be reduced to increase revenue as price elasticity of demand was relatively elastic. The interpretation of the advertising elasticity of demand was often less effective and often focused on the impact on 'profit' and not sales compared to promotion spending. Other data were also considered but relatively few candidates made the important distinction between the contribution and the profit of the Daily Recorder.

*Examiner's tip: Candidates should be encouraged to give a definite answer in support of one option or another in response to those questions that demand a clear judgement or assessment of alternatives. This decision should, of course, be supported by preceding analysis of the key factors influencing it.*

#### **Question 4**

Most candidates were able to identify these quality assurance standards and make some comments about their likely impact. The application to the case was often quite weak and more could have been written about the reasons for the poor quality of customer service in this instance. Some better answers suggested that the quality standards were not specific or measurable enough and that many other factors needed to be addressed – such as the slow Internet speed – before customer service was likely to improve substantially.

#### **Question 5**

This question was designed to allow candidates to bring in appropriate ‘own country’ experience to discuss a suitable marketing plan. Nearly all candidates took advantage of this opportunity but some did so much more effectively than others. The better responses identified key features of their country’s economy and social structure before deciding on the most appropriate segment of the cell phone market to target. The concept of an overall marketing plan is still not understood by many candidates. Many answers just focused on one or two aspects of the marketing mix without suggesting an overall plan that GMC could adopt. The very best answers did do this by suggesting appropriate market analysis, a realistic objective supported by a promotion budget and an integrated marketing mix. The most important parts of this plan, in the context of the candidate’s own country, were then identified and explained. This type of structured answer was very rare, however.

### **Section B**

#### **Question 6**

Many answers listed decision-making techniques – strategic choice techniques – and then explained them. This type of answer may gain marks for knowledge and analysis but if there is no application to the decision being made by the case study business, then no application marks and no evaluation marks can be awarded. The need for such techniques – in the context of a business led by brothers who believed that ‘their entrepreneurial skills have got the company this far’ – was not well developed in most answers. There was also some confusion between strategic choice techniques and methods of strategic analysis.

#### **Question 7**

The changing nature of the industries that GMC operates in seemed to suggest that a continuous process of strategic analysis could be of great benefit to the company. The need to be conscious of strengths and weaknesses and to identify key opportunities was explained and developed by some candidates but not identified by others. The importance of assessing the potential risk of alternative growth strategies could also have been explained and evaluated. Some candidates suggested that the Mendoza brothers would have little time for such analysis and that, in any event, their seemingly successful ‘unscientific approach’ to decision-making did not necessitate detailed strategic analysis. The best answers attempted to give balance to the opposing points of view as well as trying to justify the most important techniques of strategic analysis in this case.

# BUSINESS STUDIES

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**Paper 9707/32**  
**Case Study**

## Key Messages

- Calculation questions often lead to full marks but candidates need to be able to explain clearly what their results mean for the business.
- Teachers are advised to give candidates much experience in answering ratio calculation questions and in producing network (CPA) diagrams.
- Time management appeared not to be a major problem on this paper.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions. Effective application of an answer not only gains marks for this skill but also gives the opportunity to gain marks for evaluation.
- Essay answers to **Section B** questions benefited from, in a good number of cases, good understanding of the recent additions to the syllabus covering strategic management. These questions need to be read carefully, however, as some candidates are prone to not answering the precise question set.

## General Comments

There was a wide spread of marks on this paper with a good proportion of well-prepared candidates being awarded high marks. There was no evidence of the case study material having been misread or misunderstood; this observation applies to the questions both sections. There was some evidence that answers to **Section B** questions could have been improved by more careful reading of the questions.

It was evident from many of the answers that some Centres continue to impress upon their candidates the important principles behind 'case study' based examinations and prepare these candidates with much past paper practice. The best way to prepare Advanced Level candidates for the academic challenges presented by this paper is to set several 'mock' examinations using past papers and for the scripts to be marked to Cambridge International Examination standards using the mark schemes made available to teachers. This level of exposure to previous 9707/32 examinations helps build the key skills of application and evaluation.

In contrast, candidates from some Centres did not appear to be so well prepared. In some instances answers could have been improved significantly if there had been fewer gaps in candidates' subject knowledge. In addition, improvements would also have been made if more candidates had understood the real meaning of 'application' on a case study paper, which is not exemplified by copying out several lines of text.

The quality of written communication varied significantly but it must be stressed that the experienced Examiners who assess CIE's Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language. It is encouraging to report that not only is the international popularity of this Advanced Level subject increasing, but also the quality of some scripts continues to be most impressive. The best scripts read by Examiners were outstanding not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## Comments on questions

### Section A

#### Question 1

This proved to be a very accessible question. Nearly all candidates were able to make some observations about the strengths of the MT business, most of them based around the admirable qualities that Rakesh seemed to possess. Application and analysis, in the best answers, often took the form of explaining why access to bank finance – a result of his ‘communication skills’ - was so important to a newly formed business such as MT. In addition, his own passion for mountain climbing also seemed to contribute to the amount of time and energy he seemed willing to commit to ensuring that his customers had enjoyable holiday experiences.

#### Question 2

- (a) There were many correct calculations for discounted payback period, which was encouraging as this is a recent addition to the syllabus. A minority of candidates did not appear to understand the concept and made no attempt. The most common net present value calculation was not, in fact, the correct answer of \$721 000 but \$225 000. This is the result if the residual value of the aircraft is not included.

*Examiner’s tip: Always encourage candidates to write out their working in their calculations. It was important, for example, to be able to reward candidates for some accurate use of discount factors, even if the correct result had not been obtained.*

- (b) Many candidates merely repeated their results from (a) for which no marks were awarded. Application marks were awarded for calculating the differences between the results gained in (a) and the discounted payback and net present value of the leasing option - which were in the case study. Candidates are also inclined to state that a ‘quicker payback period is better’ without explaining why. This could have been done in terms of reducing risk or reducing the opportunity cost of the funds committed to the project. These points of analysis could then have been applied to the case. For example, if Rakesh does pursue either Strategy A or Strategy B, the availability of internal finance – obtained from a quick payback period on the aircraft project – would be of particular concern to him. The ability to link apparently different parts of the case study is a sign of very good application skills.

#### Question 3

Candidates from some Centres were rather unclear about sales forecasting techniques and their potential advantages and disadvantages. This meant that their answers became rather general when evaluating the usefulness of predicting future sales for the MT business. The best answers outlined some important sales forecasting techniques, considered the benefits to MT and Rakesh of the results that could be obtained from them and then proceeded to evaluate whether the use of them was worthwhile in this case. Some much more limited answers tended to agree with the quote in the case study and simply tried to justify why. These responses lacked balance and genuine evaluation.

#### Question 4

- (a) (i) This question led to the full range of marks being awarded. There were many very well drawn network diagrams and many candidates inserted the ESTs and LFTs into the nodes whilst others used a separate table. Either approach was fully acceptable. This topic might not be being covered in much detail by some Centres as a sizeable minority of candidates were either not able to start constructing the network diagram or drew one which showed no understanding of the logical dependencies between the activities. The most common errors on the ‘almost correct’ networks were to start activities A, B and C from three separate nodes and to end G at a separate node rather than taking this activity through to the end of H.
- (ii) It was difficult for candidates to attempt this without a network diagram to work from. However, even if candidates produced an incorrect diagram, Examiners worked through the candidate’s own ESTs and LFTs and awarded ‘own figure rule’ marks where appropriate.



- (iii) Many candidates gained this mark but the two most common errors were to state the activities on the critical path and not the duration and to add up the durations of all activities, not just those of the critical activities.

### Question 5

Many candidates wrote in detail about the obvious problems that existed with the performance of the telephone marketing employees (there was much copying out of certain sections of the case too, which earns no marks). The question was focused on how to improve this performance and a proportion of candidates would have been well advised to concentrate their efforts on two or three approaches that Rakesh could use. Weaker candidates tended to write all they knew about 'financial and non-financial motivation' but the points made were rarely applied to the telephone marketing employees within MT. The best answers examined at some length how a particular human resources strategy – such as job enrichment or profit sharing – might operate effectively in this case. For example, the rather boring and repetitive nature of the work being undertaken could be relieved by being given tasks in other parts of the business or by being made a 'specialist' in holidays in a certain part of the world. This could involve travel with MT's guides so that the telephone operators could truly engage with and understand the holidays that they were selling. Many candidates tried to support the points made with appropriate motivation theory but it was the relatively rare answer that was able to make a clear link with the case study – as suggested in the previous sentence. Evaluation of potential HR approaches was also being examined and some of the better answers suggested that certain strategies were 'most likely to succeed in this case' and proceeded to explain why.

### Section B

### Question 6

This was by far the more popular of the two essays. Mere repetition of the data in Appendix 3 was not rewarded but clear understanding of it was. So, for example, explaining that the decision tree data of net expected values was obtained by combining probability and expected economic outcomes from a decision, showed good understanding. Adding that the \$6m from strategy B was \$1m higher than for strategy A, despite the risk of 'failure' being greater, was good application. Further explanation of the significance of this result for the final decision would have been awarded analysis marks. Nearly all candidates made an overall judgement but some supported their conclusion much more convincingly than others. In addition, some candidates demonstrated judgement in other ways, such as questioning the validity of the results of one or more of the techniques used, suggesting why additional data would have been useful and prioritising the information given when taking the final decision.

*Examiner's tip: Candidates should be encouraged to give a definite answer in support of one option or another in response to those questions that demand a clear judgement or assessment of alternatives. This decision should, of course, be supported by preceding analysis of the key factors influencing it.*

### Question 7

Of the candidates who attempted this question, a proportion of them did not have a clear understanding of business culture. These answers tended to revolve around 'how to change Park Hotels' which, only by accident, might have touched upon relevant issues. Clear and precise reading of the question might have helped many of these candidates but, on the other hand, they may well have not known what culture is or how it might, with difficulty, be changed. The better answers explained the concept of culture and proceeded to examine the apparent differences between the business cultures of these two organisations. The main ways of changing PH's culture that were suggested – and often well applied – were to change senior management, retrain employees particularly with the aid of a newly prepared ethical code and to prepare mission/vision statements that reflected the new sense of purpose and cultural identity of the business. Evaluation was generally only present in the better answers and it often took the form of explaining why culture change might be difficult in this case and prioritising the steps that Rakesh would have to take to change culture effectively.

# BUSINESS STUDIES

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Paper 9707/33

Case Study

## Key Messages

- Teachers need to teach **all** topics on the syllabus to ensure that their candidates can access all parts of **Section A** and have a choice of questions in **Section B**.
- Candidates are advised to be concise in constructing answers. There is an opportunity cost in writing more than is required, especially on questions with a low mark allocation.
- Candidates need to use and build upon their knowledge and application to enable a more analytical/evaluative approach. It is precisely this ability which allows candidates to progress to the higher level marks.
- Candidates should read the question very carefully. They should identify key words/phrases and the exact focus of the question, before proceeding to write their answer.

## General Comments

Many candidates maintained consistently high standards throughout, making informed judgements based on a solid foundation of knowledge and understanding. Most showed good knowledge in at least some of their answers, but some were unable to sustain this across the whole examination. Weaker scripts were characterised by a lack of knowledge and tended to make vague statements or unsupported assertions.

It is important that Centres develop their candidates' skill in extended writing, especially on the essay questions. Key concepts need to be defined and/or explained. Good answers will go on to include a number of points, each of which needs to be explained rather than listed or simply asserted. Teachers need to ensure that topics are taught in sufficient depth to allow candidates to respond in detail.

A number of candidates found it difficult to apply their knowledge so that it was closely focused on the terms in the questions. A weakness, particularly on **Question 7**, was the failure to identify the key concept that lay at the heart of the question. As a result answers often lacked the focus that such identification would bring. Question interpretation is an important skill which needs to be practised as part of exam preparation.

In the majority of scripts, the standard of answers to **Section A** was higher than the standard of the essay answers. Good candidates were rewarded when they used their knowledge to present balanced arguments that considered a range of issues.

As in previous years, the skills of evaluation were generally less evident in some answers than those of analysis, and generally scripts showed much greater variability in this aspect. Candidates should be encouraged to plan answers as this can provide the dual benefits of greater overall coherence and the ability to gain credit for evaluation – and since evaluation marks constitute 30% of those available, this clearly has a significant impact on overall performance. The benefit of planning perhaps derives largely from the fact that it tends to force candidates to keep the precise wording of the question at the forefront of their mind from the outset.

## Comments on Specific Questions

### Section A

#### Question 1

There was generally a good understanding of the term 'competitive rivalry' and reference was frequently made to Porter's five forces. Case material was effectively used to provide context for analysing the impact of increased competitive rivalry on CC. Most candidates were able to build a chain of argument highlighting the potential impact on sales and profits of the increasing number of competitors in the market. The strongest answers, in discussing the threat of substitutes, recognised the potential impact on pricing of CC's products, but also questioned the extent to which demand would be affected due to the differentiated nature of CC's pies, ready meals, biscuits and desserts.

There was some confusion over the impact on CC of the increased market share of supermarkets with many candidates not realising that supermarkets were customers of CC. In contrast, good answers argued that the increasing market share of supermarkets might influence CC's marketing mix, for example. In relation to increased supplier power (farmers) the best answers developed context by referring to the potential increase in the cost of ingredients for CC's products.

#### Question 2

Project management is an important part of the A Level syllabus and candidates should ensure that they are confident in drawing networks based on information provided in the case study.

- (a) (i) Candidates found difficulty in constructing accurate networks. The most common errors were placing activity letters inside nodes (an arrow represents an activity whereas a node is the transition between activities), having two starting nodes, using multiple arrows to represent a single activity and constructing diagrams that did not reflect the correct sequence of activities.
- (ii) Candidates were still able to gain full marks for **Question 2(a)(ii)**, even if their network diagram was incorrect, through application of the 'own figure rule'.
- (iii) Many candidates misread the question and stated the critical path (A, D, G, H) rather than the duration of the critical path (9 weeks). A relatively common error was to simply add the times of all activities together to arrive at an answer of 15 weeks.
- (b) There were many good evaluative answers to this question. Some excellent answers made effective use of their network from **Question 2(a)** to judge the likelihood of the relocation being completed on time. These candidates often referred to specific activities within the CPA; a common line of reasoning was to question whether the legal contract would be completed within 3 weeks as it had already taken more time than planned – candidates observed that, as this was a critical activity, any delay would lead to the relocation taking longer than 9 weeks. The very best answers included, in their evaluation, consideration of the extent to which resources could be transferred between activities in order to get the relocation back on track should a critical activity be delayed. Other answers noted that although CPA did not guarantee completion of the relocation within 9 weeks, it increased the chances of success because it would help the Operations Director focus on critical activities – a useful evaluative point.

Teachers should encourage candidates to read questions carefully. A significant number of answers focused on the consequences of failing to complete the relocation on time rather than whether or not it would be completed on time.

#### **Teaching tip:**

For this paper evaluation provided 30% of the marks and it is therefore a particularly important skill to master. A useful approach can be to make a judgement in the context of 'it depends on ...'. For example, in this question a candidate might observe that whether the relocation is completed within the time shown by the CPA depends on the quality of the information available to, and the experience of, the Operations Director.

### Question 3

It is a common approach to require candidates to refer to one or more of the appendices in their answer to particular questions. Although there were many good examples of answers that made effective use of the economic data in Appendix 2 in considering CC's future marketing strategy, a modal mark of around 7/8 resulted from weaker candidates demonstrating insufficient understanding of how changes in the economy could be applied to the marketing mix. Some candidates simply worked through the data, year by year, and were only able to show understanding of what the data stated rather than how it related to CC. Better answers not only referred to the data but also developed responses taking account of other changes in the market conditions such as the increasing competitive rivalry faced by CC. Some answers would have benefited from greater time spent thinking about the question and planning an answer.

### Question 4

A large number of candidates did not attempt the calculations whilst many others did not realise that the 'pay-offs' should be multiplied by the relevant probabilities as part of the process of calculating the expected monetary values. There was also evidence that negative figures in brackets were not understood.

- (a) (i) A large number of candidates gained some credit for making a relevant attempt involving some multiplication of pay-offs by probabilities.
- (ii) The most common mistake was that the expected monetary value from node 1 was not multiplied by 0.8.
- (iii) This was a relatively simple calculation. Many candidates gained credit through application of the own figure rule.

#### Teaching tip:

Candidates should practice calculating expected monetary values from multi-stage decision trees such as in the example in this question.

- (b) Low level evaluation was relatively straightforward where a candidate had provided a numerical answer to **Question 4(a)**. However, although the majority of candidates used their answer to **4(a)**, very few understood what the decision tree actually demonstrated. The best answers discussed the figures in the decision tree and explained that expected monetary values represented an average potential outcome rather than an actual outcome. Thus, they identified that if the initial launch was a success then there would be a return of \$2.5m with the possibility of further promotion generating another \$2m return, but that there was a 20% chance of losing \$4m. Good answers also questioned the reliability of the data. As part of their evaluation some candidates did consider the relative probabilities of success and failure; such an approach was well rewarded. Evaluation was further enhanced by using information from elsewhere in the case study such as the potential economic problems faced in country Y.

### Question 5

Candidates demonstrated a good understanding of theory on the role of trade unions. Answers were sometimes let down by limited development of context; typically candidates repeated content from lines 38–52 without identifying the particular relevance of issues to CC. The strongest answers combined information from different parts of the case study, for example, arguing that avoidance of strike activity might be significant to CC because of increased competitive rivalry and noting the comment of Jim Cloud on lines 30–31. Even better answers then evaluated the limitations of a no-strike agreement by recognising that other forms of industrial action that could be damaging to CC.

A few candidates mistakenly argued that a single union would allow Jim Cloud to 'divide and rule'. Candidates must take care when reading the case study.

#### Teaching tip:

Encourage candidates to read the case study several times before writing any answers. There may be some advantage in reading questions first and then annotating the text to highlight information relevant to each question.

## **Section B**

### **Question 6**

The majority of candidates chose this question. There were many answers that demonstrated a clear understanding of the usefulness and limitations of the data in Appendix 4. However, a significant number of answers only demonstrated an understanding of ratios and did not develop an analysis of their usefulness. Weaker responses tended to simply identify that for CC a particular ratio was higher than that of Retail Delights or vice versa. There were frequent misinterpretations of the ratio data and missed opportunities to make relevant calculations; for example, a number of candidates commented that it would be useful to know the profit of each business. Profit could be calculated as both ROCE and capital employed were indicated in Appendix 4. Good answers showed real understanding of the figures and highlighted the limitations of making comparisons, including, for example, reference to the two companies being at different stages of production. As directed in the question the best answers considered both the data and other information from the case study.

### **Question 7**

Management of change, as part of strategic implementation, is a prominent element of unit 6 in the syllabus.

Strong answers addressed the issue of management of change and made good use of the many possible issues in the case study such as the potential takeover of Retail Delights. These answers analysed the need for effective management of change highlighting the potential problems of combining two separate businesses and contrasting the different managerial approaches of CC and Retail Delights. As with most questions requiring judgement, good answers recognised that other factors were also important in determining the future success of CC.