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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# BUSINESS STUDIES

## GCE Ordinary Level

Paper 7115/01

Paper 1

### General comments

The general standard of scripts was marginally down on last year. The paper differentiated well across the full ability range. All questions proved accessible to candidates although some proved to be more demanding. This was true of **Questions 2 and 4**. These questions focused on financial and numerate parts of the syllabus and this remains an area of relative weakness for some candidates. The paper as a whole was slightly more challenging than last year and this resulted in a reduction in the mean mark. Candidates might find the following points helpful in improving their performance:

- Questions that ask for explanation required an answer that develops points in a logical manner.
- In calculation questions it is always advisable to show working. Even if numerical errors occur marks will be awarded for method.
- The command word in a question must be read and followed carefully. This will help an answer to focus more accurately on the specific question set. For example in **3 (c)(iii)** the question asked for the benefits that a business might gain from induction training of their staff. Many answers made little reference to the business but focused solely on benefits to the employee.
- A number of questions require the candidate to identify and explain two factors. Many candidates ignore this instruction and produce an answer that identifies more than two but explains none. This over-emphasis on knowledge and insufficient focus on understanding and analysis results in fewer marks being gained. The key to high marks is to demonstrate a range of skills.

### Comments on specific questions

#### Question 1

- (a)(i) Generally limited liability was a well understood concept. Clearly an answer needed a strong focus on the meaning of the word 'limited'.
- (ii) Understanding of dividend was variable. Many answers failed to link it strongly to the concept of profit.
- (iii) The most common error here was confusion with public and private sectors. However, usually this was well answered.
- (b) Although many candidates were able to identify reasons why share prices might fall, a surprising number felt that the price of a share was determined by the company itself. They suggested that the company made the price lower so that it would be in greater demand.
- (c) Many good answers that identified methods such as A.G.M. and company reports. Unfortunately many candidates were unable to explain how these methods represented communication between management and shareholders. Some answers focused on generic methods of communication such as telephone or fax.
- (d) Candidates often struggled to develop their answers here. Many recognised that the needs of stakeholders such as employees and consumers should be considered but they found it difficult to explain why this should be the case. A few argued that the management's sole responsibility lay with its owners. Such answers were judged on their merits.

**Question 2**

- (a)(i) Answers were 2003 - 8.88% and 2002 - 12.5%, thus a fall of 3.6%. A number of answers identify the reduction in the margin.
- (ii) Any reduction in net profit margin implies that the percentage of sales revenue representing profit has been reduced. This usually would be the result of reduced prices or increased costs. Many candidates found this difficult to explain.
- (iii) Surprisingly poorly answered. Answer - 14.5%.
- (iv) Again a lack of understanding of a key financial measure of performance.
- (v) The major error here was to refer to ratios that could be gained from the information already given. Even when a new ratio was identified it was not well linked to the concept of success. This part of the whole question was not done very well. Clearly the concept of success of a business is an area where many candidates have a superficial understanding.
- (b)(i) Generally most candidates had an appreciation of the concept of working capital.
- (ii) Some good answers here. The main weakness was an inability to link the concepts together. Thus an answer sometimes focused on cash flow problems with no mention of profit or vice versa.

**Question 3**

- (a) Although there was evidence that many candidates had some appreciation of the concept of business communications, there was also evidence of an inability to focus on the specific question. Some answers made reference to external communication issues. Others referred to good communications but not barriers. Better candidates linked their answers successfully to issues like wide spans of control or long chains of command.
- (b) Concepts of employee motivation are well known to most candidates. The question differentiated successfully because it required a consideration of the likely degree of success of a given method. There were many good answers that provided reasons to support the line of argument adopted.
- (c)(i) Although there was much general understanding of job descriptions and their value, often the grasp of the concept was insecure. A number of answers confused it with a job advert. Better candidates made reference to ideas like job tasks and functions.
- (ii) The Examiners were hoping to see a focus of an answer that would recognise that the concept was of value in the recruitment process because job requirements are clarified.
- (iii) High quality answers linked induction training with benefits to the company in terms of employee integration and work performance probably resulting in improved productivity, lower costs and higher profitability. Weaker answers failed to make the link explicit.

**Question 4**

- (a)(i) Well answered.
- (ii) Many general answers here that referred to economies of scale but without any specific reference to the unit labour cost or unit material cost data given in the table. This question was a very effective discriminator.
- (iii) This proved difficult for many candidates. The answer was \$74.66. Many candidates simply took 75% of 300 units and concluded that the answer was 225. Understanding of cost plus pricing is not strong.
- (iv) There was little evidence of any real appreciation of the merits of different pricing methods. Some candidates were able to identify different ways of determining prices. This appears to be an area which is under taught in many Centres.

- (b) Methods of promotion were generally well understood and there were many good responses here. The most usual were advertising and 'get one free'. Some answers included reduced prices which cannot be regarded as a promotion unless there is specific reference to a period like an introductory offer.
- (c) Not well answered. Many responses focused on methods of distribution rather than on factors that determine the best channel of distribution like speed or access to a specific market.

### Question 5

- (a)(i) Well answered. Most candidates recognised that costs were likely to be the main reasons. Usually candidates were able to develop and illustrate such points.
- (ii) Again generally well answered. Weaker answers identified a problem but failed to explain why it would cause a difficulty e.g. some answers stated changes in exchange rates between currencies. A few referred incorrectly to problems for the economy as a whole such as trade deficits.
- (b) Most candidates had some awareness of consumer issues. Some, however just listed laws, others struggled to provide relevant examples. It was generally well answered though.
- (c)(i) Well answered.
- (ii) Good knowledge of trade unions was demonstrated; however there was a tendency to over-state their role. For example some answers stated that they would stop redundancies or that they would guarantee higher wages. Some answers just listed the functions of trade unions rather than focusing on the advantages of an employee joining one.

Paper 7115/02

Paper 2

### General comments

The general standard of scripts was marginally lower this year. The paper proved more difficult with the mean mark also lower. Candidates found **Questions 1, 2 (b)(ii) and 4** particularly challenging. However the paper proved very successful as an assessment discriminator with a higher standard deviation. Candidates might find the following helpful in improving their performance.

- Answers in a case study paper must be in context wherever possible.
- Close reading of the case material is essential if high grades are to be achieved.
- High mark questions require answers that demonstrate analysis and evaluation. Justified opinion is needed which in effect means arriving at a conclusion which is supported with evidence or logical development of a line of argument.

### Comments on specific questions

#### Question 1

Very few candidates were able to score full marks on the question as a whole although the vast majority were able to express the meaning in a simple statement. To gain the full mark the explanation has to be accurate and developed by examples or contextual reference.

- (a) Almost all candidates were able to relate an overdraft with a loan from a bank. The differentiating features were to focus on the fact that it is short term, flexible and used usually to finance working capital needs.
- (b) Well answered in the sense that most candidates were able to state that these costs changed. Better answers linked this more specifically to levels of output and referred to the direct or proportional relationship between them. Examples were often provided although not always successfully.

- (c) This proved the most challenging of the terms. The answer should have focused on the issue of whether there was a consumer requirement for a product. In this case whether there was a market demand for this new more advanced washing machine that would probably have a higher selling price.
- (d) Although most candidates were able to suggest that this was desk research many struggled to say much else. In particular there were few examples in context of what might constitute secondary data such as information relating to market size or market shares of competitors.

### Question 2

- (a) Well answered. The majority of candidates argued that the business was not market orientated. Better answers explained particularly well why this was not the case. Somewhat more simple responses briefly said that they had not done any research.
- (b)(i) Again well answered. Most candidates were able to identify a number of benefits and a few disadvantages of gathering primary data through interviews. However, a number argued points in reverse. They said that it would be an advantage because it would be quick to achieve and then went on to state that a disadvantage would be that it took a long time to collect. Illogical statements of this kind do not gain credit. Nevertheless this question was well answered.
- (ii) Generally a much lower level of response to this part of the question. Weaker candidates failed to focus on how to decide *who* to ask and considered how to ask. Better answers discussed the idea of sampling and the importance of the composition of a sample.

### Question 3

- (a)(i) Answer = \$120.
- (ii) Answer = \$70. Generally an encouraging number of candidates correctly did these calculations. It would be better still to see the presentation of their workings so marks could be awarded if errors occur.
- (b)(i) A significant number of candidates made a positive attempt at this break-even question. Main errors were:
- axis not labelled,
  - chart not drawn to scale,
  - total cost line often labelled as variable cost.
- (ii) Most candidates who drew the chart read off correctly their break even level.

### Question 4

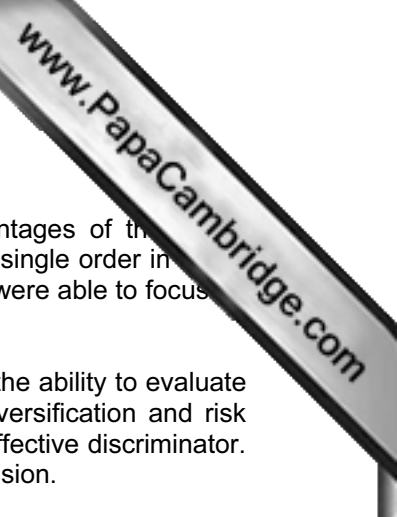
Most candidates had some idea of the concept of a cash flow statement. Weaker ones confused cash flow with profit statements. However a number of candidates found it difficult to show what value the cash forecast would be to the bank manager. The top level answer needed to show the value of the forecast as an aid to the decision making by the bank. In effect too many answers did not really address the real issue raised in the question.

### Question 5

Again candidates showed a good knowledge of sources of finance for a business but a general lack of appreciation of their appropriateness to a given situation. The business needed to find cash to purchase fixed assets. This represented a long term capital need. Thus the source(s) must reflect this. In too many answers this was not the case.

### Question 6

Generally a high level of awareness was demonstrated on the human resource issue of recruitment. Candidates from some Centres showed much knowledge of the selection process from advertising through to interviewing. Weaker candidates produced the wrong focus to their answer talking about issues like motivation of staff or retaining existing staff. The question specifically referred to the need to recruit extra staff over time. Misreading can be a costly mistake.



**Question 7**

- (a) Most candidates were able to put forward some advantages and disadvantages of the strategy. Better ones were able to focus specifically on the implications of this specific single order in terms of guaranteed income, ease of planning production, no marketing. They also were able to focus on the specific risks of such a strategy.
- (b) Although most candidates were able to put forward some ideas many lacked the ability to evaluate their points. Better candidates were able to focus on concepts such as diversification and risk spreading as the basis of their recommendations. The question was a very effective discriminator. High level answers had to sustain a line of thought through to a justified conclusion.