

# BUSINESS STUDIES

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Paper 7115/11  
Short Answer/Structured Response

## Key Messages

- This is a data-based paper. Candidates who use the information provided and make an attempt to interpret that information, will gain credit. The majority of questions on this paper focus upon the impact of a problem or strategy that an organisation may face.
- It is important to remind candidates that they must read the questions carefully to identify who they are writing their response about. Frequently candidates write their comments based upon the employee's point of view when the question specifies that it is the effect on the business or on the employer that should be discussed. It is vital that candidates read the stem of the question and identify who the issues raised will affect.
- Parts **(a)** and **(b)** require definitions and calculations. These questions were done well.
- Parts **(c)** and **(d)** of all questions require the candidate to identify and explain points. To score full marks development of each point in the context of the case study is required. Credit is not given for long lists of unrelated points.
- Part **(e)** questions should include developed arguments resulting in logical conclusions.

## General Comments

Candidates were generally well prepared for the examinations and attempted most questions. Questions requiring definitions and calculations were generally well answered. Candidates should be encouraged to learn precise definitions and calculations.

There was evidence of candidates not understanding parts of the syllabus. Concepts such as the disadvantages of public limited companies, the benefits of market segmentation and management style were not understood by a number of candidates. Candidates continue to confuse public companies with the public sector and market share with shareholding.

Part **(e)** of all questions was the most challenging for candidates. These questions ask for a justified decision. The evaluation marks were often not awarded because the candidate did not make a decision at all, or the decision was not linked to the knowledge and analysis presented.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using their knowledge to develop answers in a better way.

Candidates should be encouraged to:

- Learn precise definitions and calculations.
- Read the stem of the question carefully to identify the focus for their answer.
- Follow the command word in the question.
- Make an effort to interpret any data provided rather than just copy it.
- In parts **(c)**, **(d)** and **(e)** generally focus the explanation on the impact upon the stakeholder identified rather than provide an explanation of the term/point identified.

### Comments on Specific Questions

#### Question 1

- (a) This question differentiated between candidates. The strongest candidates were able to give clear and precise definitions that clearly illustrated the two aspects of the definition. A number of candidates confused payments to shareholders with payments to workers.
- (b) The calculation was well presented by many candidates who gained full marks. A significant number of candidates correctly calculated the mark-up amount but did not add this to the original cost of building, and therefore did not answer the question set.
- (c) The strongest candidates identified a disadvantage of a public limited company and then explained clearly why this was a problem for the business or its owners. Candidates frequently discussed the many legal requirements, the need to publish financial information or the risk of takeover. Weaker candidates focused on the advantages rather than the disadvantages and a number confused public ownership with public limited companies.
- (d) A large number of candidates were able to identify methods that a construction company could use to improve sales. To gain higher marks candidates need to explain how the methods identified could work in the context of this organisation. The points identified must be applied to case study material to gain full marks. Weaker candidates suggested methods that were not appropriate for a building firm.
- (e) Many excellent responses contained detailed explanation of two or three relevant factors which should be considered. In the best answers this analysis was then followed by a clear decision on what would be the most important factor. Weaker candidates provided lists of factors or explained the factor itself - not why it should be considered. A common error made by candidates was to state that an employer would consider family circumstances before making employees redundant.

#### Question 2

- (a) This term was not well understood by candidates. The best candidates used an equation or numerical example to show clearly how this term is calculated. Candidates frequently confused market share with share ownership in a limited company.
- (b) Many candidates showed strong knowledge of the factors that could be used in this type of market. A small number of candidates identified religion as a way of segmenting a market. This type of answer was not rewarded; it is difficult to see how it could be appropriate in the market under discussion - the health and beauty market.
- (c) Candidates understood how markets are segmented but were confused by how this would benefit the organisation. The best answers explained how research could be simplified and the marketing mix tailored better to the specific needs of the identified segment.
- (d) Candidates were aware of the issues of competition and lack of experience. The strongest answers developed the identified points to show why they could cause a problem for the organisation. Weaker candidates identified a problem and explained what the problem was instead of explaining the effect on the organisation.
- (e) The strongest candidates used their knowledge of elasticity and the evidence provided to explain both the positive and negative aspects of this decision. A final decision was then provided which related clearly to the question asked and was supported by the earlier explanations. Some candidates did not take account of the evidence provided and based their answers around their own opinion. Answers such as 'people want cheaper prices so therefore this would not increase profits', did show some knowledge but could not be credited with the higher order analysis and evaluation marks.

### Question 3

- (a) This question clearly differentiated between candidates. The large number of correct responses showed clear and precise understanding of the term. A number of candidates confused product orientated with production methods.
- (b) Candidates understood this part of the syllabus. The best responses used the precise term to identify the possible economy of scale.
- (c) The problem of high stock holding causing extra storage costs was generally well understood. Candidates need to understand that high stock affects cash flow and liquidity. This did not seem to be fully understood.
- (d) The strongest answers identified a method such as 'replace workers with machines', and then explained that this would work 'because machines can work without stopping'. A common error was to confuse productivity with higher output. Candidates need to understand that productivity is output per factor of production. A large number of candidates incorrectly identified increasing the number of staff as a way to increase productivity.
- (e) Candidates clearly understand the factors that should be taken into consideration when choosing the location of a business. Many candidates were able to provide long lists of such factors. The best responses addressed the specific question asked, considered only aspects relevant to improving the competitiveness of a factory and came to a justified conclusion. Weaker answers were characterised by a tendency to generalised comment unrelated to the specific needs of a factory.

### Question 4

- (a) This question discriminated well between candidates. The better candidates were able to explain that our currency rises in comparison to other currencies, often with a supporting numerical example. The strongest candidates used the term exchange rate. Many candidates identified one aspect of the term, such as that appreciation meant a rise, but with no reference to currency or money.
- (b) Common errors on this question included adding a % sign or inversion of the equation.
- (c) Excellent answers to this question identified the effect of taxation on disposable income of customers or on costs for firms. Such answers then explained the impact on demand, profit or prices for the holiday company. A number of candidates struggled to develop their analysis and did not explain the impact on Luxury Destinations.
- (d) Training is clearly an area of the syllabus with which candidates are familiar. Strong answers applied the information given in the question stem to illustrate why training would be particularly important to a hotel company. The strongest answers focused upon the improvement in skills and customer service that would improve word of mouth referrals and ultimately, profit.
- (e) This part is one of the more challenging parts of the question paper. It requires candidates to make a justified evaluation of the data provided based on some analysis. Only the strongest candidates were able to make a fully supported evaluation. Such answers identified a piece of data from the table, explained what the data showed for the organisation and then evaluated whether this was a positive or negative change for the business. A final judgement was then offered to answer the question set. Candidates can improve upon their evaluative skills by trying to build a two-sided argument. The data provided showed some improvements and also some areas for concern. Answers that recognised this and evaluated which aspect is more important for the financial position, scored highly.

### Question 5

- (a) The private sector was well understood by many candidates. An issue for some candidates was the confusion of private sector with private limited companies.
- (b) This was well answered by a large number of candidates. Some candidates did confuse added value with increased profit margin.

- (c) Candidates who recognised that a shorter chain of command would improve communication or decision-making by improving efficiency and reducing the risk of lost messages were highly rewarded. To gain full marks it was vital that the answer showed why this would be of benefit to Amira or her organisation. A common misunderstanding, illustrated by some candidates, was that shorter chains of command result in more control. Such candidates showed no understanding of wider spans of control also being a feature of shorter chains.
- (d) A wide variety of qualities were acceptable in answer to this question. Only the most able candidates could develop their answers to show why the identified quality would be necessary. The most successful candidates used parts of the case study material provided to justify their choice - for example, 'Effective communication skills would be important because the manager would have to manage a team of 12 people'. A significant number of candidates misunderstood the question and discussed the qualifications required for management, not the qualities.
- (e) The most successful answers to this question identified a management style, explained the problems that could be caused with this style and then related the issues to the information provided. Many successful candidates used a two-sided approach, identifying appropriate and inappropriate styles of management for this company. A number of candidates misinterpreted the question and discussed the qualities of a manager, repeating answers that were credited in part (d).

# BUSINESS STUDIES

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Paper 7115/12

Short Answer/Structured Response

## Key Messages

- It is important to read questions carefully to ensure the correct focus.
- Questions requiring simple and straightforward answers were well done, but more precision is needed when using business terminology.
- Candidates must consider the context of questions, to ensure responses are appropriate for each given situation.
- Answers to parts **(c)** and **(d)** require candidates to identify and explain points. To access all marks, each issue needs to be developed.
- Part **(e)** is the most stretching question. To gain full marks, answers need to include more explanation and a logical decision based on points made.

## General Comments

The paper proved accessible for the well prepared candidate. The paper discriminated well between candidates of differing abilities. Weaker candidates were able to show what they knew and could do. Stronger candidates were able to build upon their knowledge to show good understanding by applying their answer to the various contexts and were able to effectively analyse points made. The best candidates made evaluative judgement which was consistent with their analysis.

Many candidates demonstrated good knowledge and understanding of the relevant concepts. It was encouraging to see that virtually all candidates attempted to answer each question. Candidates performed particularly well on concepts such as communication and types of business organisation. There was clear evidence that some parts of the syllabus were not fully understood by candidates, for example concepts such as extension strategies and consumer protection laws.

Candidates were clear about what was required for each question, and most attempted to provide some analysis of points made. However when asked to explain points, candidates must ensure they develop the original point rather than simply repeating the same point or identifying another knowledge point.

Part **(e)** of each question is the most challenging for candidates. These questions require candidates to demonstrate both analysis and evaluative skills. Lists of knowledge points alone can only gain a maximum of two marks. Evaluation marks cannot be awarded if candidates do not make a decision at all or if the decision made is not linked to the knowledge and analysis points made.

Some candidates had the wrong focus to certain questions or did not take account of the relevant business context. All candidates would benefit from being reminded to read each question carefully to ensure they are answering the actual question set.

## Comments on Specific Questions

### Question 1

- (a)** Most candidates had some understanding of the term or were able to identify a relevant feature such as an increase in unemployment. Better responses knew it related to a fall in GDP. The most common mistake was to focus on the actual company rather than the whole economy e.g. to identify issues such as lower sales which could arise for many reasons. Candidates must try to be more precise when giving definitions.

- (b) Many candidates were able to correctly calculate the selling price of each boat. There were two common errors. Some calculated the amount of profit they wished to add, but did not add this to the cost to calculate the selling price. Others did not include the correct units (millions) but in most instances they had included all the relevant calculations so they could still be credited with the method mark.
- (c) Most candidates were able to identify advantages such as limited liability and ability to sell shares on the stock exchange. Better candidates were then able to develop such points to show how they were an advantage to a business. A common mistake was for candidates to simply repeat the same knowledge point for both reasons. A few incorrectly assumed that this type of business is in the public sector and are therefore supported or controlled by Government.
- (d) Most candidates were able to identify relevant benefits. Better responses were able to explain how benefits such as increased pay and better conditions could be achieved by being members of a trade union. There were a few misconceptions about the role of trade unions as some assumed that trade unions could prevent redundancy or will agree to find you another job. Others had the wrong focus as they looked at measures that a trade union might use to influence businesses such as strike and protest rather than discuss the actual benefits to workers.
- (e) This question proved to be a good discriminator, and it was pleasing to see a number of very good answers. Most candidates were able to identify relevant issues both for and against redundancy. Weaker candidates did not always support the knowledge shown with appropriate analysis. Better candidates were able to develop points such as cost, quality of output and impact on motivation and then used this analysis to help support their final conclusion. The best responses considered the fact that a recession might not last indefinitely, and tried to weigh up whether the short term savings made were worth the possible long term implications of losing such skilled workers. Others had the wrong focus as they considered the impact of redundancy on the workers, in terms of lower living standards or for society, rather than the business itself. Evaluation in some responses was simple or not attempted. It should be noted that a simple 'yes' or 'no' does not constitute evaluation on its own, but it is the reasoning behind this that is rewarded.

## Question 2

- (a) This question proved challenging for many candidates. Better candidates were able to provide a precise definition of quality control. Many candidates simply reworded the question to say it was how the business controlled the quality of goods. Others explained why it was done rather than what quality control actually was. Candidates must try to be more precise when providing definitions of key terms.
- (b) Well answered. Virtually all candidates were able to identify two stages of the product life cycle. The most common mistake was to confuse the term with the trade/ business cycle.
- (c) The best candidates were able to identify and explain the ways in which consumer protection laws could benefit B&G's customers through the prevention of misleading advertising and safe products. However a number of candidates assumed that the laws would ensure high quality and low prices, whereas the issues that legal controls deal with concern issues such as fitness for purpose and safety. Others had the wrong focus, as they tried to explain how conforming to such laws might benefit the business in terms of loyalty or additional sales, rather than how laws might help consumers.
- (d) Most candidates were able to identify relevant problems for B&G when developing new products. Better candidates were able to explain how or why these might cause problems for this business. Weaker responses tended to repeat the same generic development of 'this increases cost' or 'time consuming' without explaining the implications of this for the business. Some candidates focused solely on marketing issues such as pricing or promotion, so repeated the same point rather than consider some of the many other issues that a business might face such as labour issues, availability of finance or simply whether the business had the necessary machinery or capacity.
- (e) The best answers identified two extension strategies - targeting new markets and adding new features were popular options. It was pleasing to see that many of these responses made good use of the context to explain their choices. These were then developed to explain how each method could work, and finished with a clear recommendation as to which of these two methods would be better for this particular business. A number of candidates discussed the options, but did

not recommend one of them. Others made a choice, but their justification was too vague, using phrases such as its 'cheaper' or 'easier' to do, without explaining why this might be the case. A significant minority made the mistake of discussing generic marketing tactics such as lower prices or promotion which would be used to increase sales, rather than linking how these might be used as part of an extension strategy.

### Question 3

- (a) Well answered as most candidates knew that it occurred inside a business. Better candidates were able to provide a more precise definition of the term, as they explained who the communication occurred between.
- (b) Well answered as most candidates were able to identify appropriate methods. A common mistake was to ignore the context of the question, so suggested options such as Facebook which would not be appropriate for the message that needed to be conveyed.
- (c) Most candidates could identify a least one method of payment with piece rate being the most common choice. Better candidates were able to explain how the methods would work. Weaker candidates tended to simply reword the knowledge point rather than offer any explanation. For example, it was not sufficient to say that performance related pay is 'payment based on performance.' A common error was to list other examples of time rate. As time rate is clearly stated in the question, methods such as wages were not accepted.
- (d) The majority of candidates were able to identify problems of importing, with tariffs and quotas being typical issues raised. Better candidates were able to develop these points to show how these issues might create problems for an importer. The best responses linked the issues to Emir's business to consider the impact of importing perishable goods. Some candidates identified exchange rates as an issue but failed to make it clear in their answer as to whose currency had depreciated, so it was not clear how or why this might affect Emir's business. Full marks can only be awarded to answers that are clear and accurate.
- (e) Most candidates were able to identify ways in which average costs could be reduced. Better candidates explained how measures such as bulk buying and introducing lean production could help reduce costs. The best responses used the context well to illustrate the points made and then used this as part of their analysis to help support their final choice. In some responses, the explanations simply repeated the point that this would help lower costs without explaining how this might be achieved. In these responses, evaluation was often simple or not attempted. For example, it was common to see phrases such as 'easier' or 'cheaper' without explaining why this was the case.

### Question 4

- (a) The majority of candidates had some understanding of net profits as they knew it had costs deducted from it. Better candidates were able to provide a precise definition of the term.
- (b) Well answered by most candidates. Some candidates were not sure how to present the current ratio, so expressed it as a % which is incorrect. It was pleasing to see that most candidates included the relevant formula, so if they made an error in their final calculation they could still be credited with the method mark.
- (c) This question proved challenging for many candidates. The best answers were able to identify and explain how costs could be reduced and or how increased prices could have an impact on the profit margin. Most had the wrong focus for the question as they identified different ways to increase sales, which was not the question set. Others ignored the fact that this was a book shop, so suggested methods which involved increasing output which was not appropriate. To gain full marks, it is important that candidates do try to consider the specific context of the question.
- (d) Most candidates were aware of possible problems that on-line competitors could cause a traditional retail business. Better responses explained how the advantages such as lower costs and convenience offered could cause problems for Belshire books. A common mistake was to repeat the same point for both issues so often candidates developed the first point rather than discuss a second point. Others identified two problems but simply repeated the knowledge point in their explanation. Either type of response will only be credited once.

- (e) This question proved to be a good discriminator. Most candidates were able to identify at least one issue shown by the financial data. Better candidates calculated relevant ratios and used the results to help them make a supported judgement as to whether the Finance manager should be worried about the business performance. The best responses showed good awareness of what the accounts might show and how this might affect Belshire Books. For example in the face of increasing competition, the increase in current assets might be due to an increase in unsold stock, which might undermine the idea that this is an improvement. Weaker responses tended to list changes shown in the accounts. Some had the wrong focus as they ignored the financial data and focused on the general role of a Finance manager.

#### Question 5

- (a) Most candidates had some understanding that they had a common interest or might take action to achieve their aims. The best responses provided a clear definition of the term. There were two common errors. Some focused on the functions of pressure groups identifying how they might protest. Others simply reworded the term to suggest it was a group of people who pressurised businesses or government, which did not explain the term.
- (b) Generally well answered by most candidates. A common mistake was to give two similar examples of ways a Government might control business. For example identifying two different laws will only be credited once.
- (c) Most candidates were able to identify two reasons, with the idea of a target or motivation being typical responses. Better candidates were able to explain how these points might be important to a business. A common mistake was to state possible objectives that ANZ might have such as profit and growth, which was not the question set this session. It is important that candidates do read the question carefully.
- (d) Most candidates were aware of possible advantages such as job creation and tax revenue. Better candidates developed their answers to show how they created benefits for the country. Weaker responses simply listed advantages and at times repeated the same issue more than once. Instead of developing what they had said, many simply repeated their original knowledge point. Some candidates had the wrong focus, as they incorrectly answered the question from a business perspective.
- (e) A wide range of responses were given to this question. Most candidates were able to identify negative issues such as pollution. Better candidates also discussed the positive steps taken by business to minimise their impact, recognising that some businesses aim to promote sustainable development. The best responses were able to develop such points and used this analysis to help make a reasoned judgement.



# BUSINESS STUDIES

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<p><b>Paper 7115/21</b> <b>Case Study</b></p>
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## Key messages

The format of this paper is to test candidates' ability to understand an unseen case study and to apply their business knowledge and understanding in answering five questions, each of which is separated into two distinct parts. The first part of each question requires shorter, more straightforward answers reflecting good knowledge of business terms and concepts whilst the second part of each question requires more developed answers containing judgement and evaluation.

- To do well in this paper, candidates must make clear references to the case study which is issued at the start of the examination. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to tools and house repairs.
- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference to why the other alternative options were rejected as well as justify the option that was chosen.

## General comments

It was pleasing to see a strong performance from the majority of candidates in this examination. This was broadly in line with previous years. The context of tool shops and building and repairing houses provided an accessible scenario for most candidates. No question appeared to be too challenging for more than a handful of candidates. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the 1 hour 45 minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in the first part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to the second part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

The layout of the examination paper provides side headings to prompt candidates in their responses. As long as candidates take careful note of how many marks are awarded for each question they should be clear about the extent of developed detail that is required for each answer.

Many candidates were well prepared for the examination and showed good knowledge and understanding of the full range of topics that were tested. Candidates can earn significant marks by defining and using business terms confidently. Those who answered in the context of TT's shops boosted their marks further.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or for using incorrect punctuation.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Analysis and evaluation are a key part of the assessment in this subject and candidates should prepare for a question that will ask them to consider some optional courses of action and then choose the best.

*For example, Ted and Mustafa want to increase the sales revenue from TT shops. There are three options listed below. Consider the advantages and disadvantages of each of these options and recommend which option you think Ted and Mustafa should choose. Justify your answer.*

There are three levels of answer to this question and with competent analytical and evaluative skills it should be possible to score highly. There is a clear direction in the question to explain the benefits and drawbacks of each option. Answers which contain simple statements such as ‘renting tools rather than selling them will boost sales’, will earn Level 1 credit.

To earn Level 2 credit the answer should explain that renting tools would attract customers who could not afford to buy them and may not even need to use them that frequently but the drawbacks would be potential damage to the tools or the non-return of the items. Consequently this may prove to be a low profit option. More Level 2 credit would be gained by making a similar balanced, reasoned explanation of the other options.

Then, in the recommendation section, the answer would earn Level 3 credit if all three options were weighed up against each other and the option that would be most likely to gain the most profit for TT, judged. This requires the candidate to reject two of the options with justification for not choosing them as well as give a convincing reason for selecting the remaining option. The final section should offer new reasoning and explanation rather than repeating previous analysis so the candidate would be well advised to hold back some fresh ideas for that very purpose.

- In most questions there is an expectation that answers will be directly linked to the case study or insert material. This means not merely offering generic business answers but offering ones which demonstrate that the candidate can apply their knowledge to a given scenario.

*For example, Governments can pass laws to protect employees. Identify and explain two ways employment laws might benefit employees in TT’s shops.*

Marks will be given for demonstrating knowledge of laws protecting workers from difficult working conditions such as unfair dismissal, health and safety risks, long hours and unjust discrimination. Further development and explanation of how the employees would be protected by the laws would boost the marks even more. However, some credit is reserved for using the information in the insert. TT shops sell tools which could be dangerous if mishandled. For example, saws, hammers and screwdrivers could cause harm if an employee was not careful. The candidate could make a point about a health and safety law, explaining that employees would need to be protected by being properly trained in safety procedures at TT shops and might even be given protective gloves or other clothing when handling dangerous tools and equipment to prevent them from being injured.

Another example of application would be to mention that country A might have a law limiting maximum working hours for TT staff. Since TT shops open ten hours each day on six days each week it might mean that employees would not have to work all sixty hours if the law prevented them from working for such a long time.

### **Comments on specific questions**

#### **Question 1**

- (a) The candidates who had good knowledge of government regulation scored well by explaining the benefits of TT being able to operate with more freedom to make independent business decisions when there are few laws or restrictions on their activities. There were some sensible comments too about the drawbacks for TT of the business operating in a highly competitive market with little, if any, government support. However, many candidates would have benefitted from a greater understanding of market economies whilst others misread the question and discussed the advantages and disadvantages to the customer, rather than TT, of trading in this type of economy.

- (b) It was pleasing to see good application to the context of TT in the answers offered by many candidates. There was relevant mention made of the importance of being located in major cities across the country and the convenience of not having to carry heavy tools too far to the houses which were being built or repaired. It was expected that there would be some balanced consideration of the drawbacks of both methods of operation. There was a tendency to present the advantages of small shops as the disadvantages of large shops, which resulted in quite a lot of mirror image arguments and in the recommendation section there was a tendency to repeat points made in the analysis and so candidates did not gain extra credit.

### Question 2

- (a) This question allowed candidates to explain the benefits of importing stock, such as cheaper prices and better quality tools. Good answers also pointed out that there may be a favourable exchange rate which would make the imported stock even more attractively priced. Weaker candidates tended to discuss the benefits of bulk buying or cheap labour, which did not answer the question.
- (b) In this question, candidates were asked to consider three possible methods of increasing sales revenue that TT could use to boost business. Most candidates appeared to find this question accessible. There were some excellent responses with positive and negative analysis of all three options. The key benefit of renting the tools rather than buying them was that customers might only need to use them occasionally. The main advantage of selling high quality tools was perceived to be the keeping up with the competition in the market. The majority of candidates favoured the option to sell paint and decorating equipment because it would allow TT to diversify and offer an extra range of stock in their shops. Level 3 marks were awarded to candidates who successfully justified the best method of increasing sales.

### Question 3

- (a) This appeared to be a popular question with many answers reflecting sound knowledge of the factors that affect the location of a business. It was important to recognise the context of retailing rather than manufacturing and those candidates who did this mentioned, for example, the need to consider customer parking and delivery access as key points. However, candidates should bear in mind that the explanation following the identification of each factor must contain developed reasoning rather than mere repetition. Some answers could have earned more credit with further explanation.
- (b)(i) There were many pleasing responses to the numeracy question. The calculation of missing values in the cash flow forecast allowed candidates to demonstrate their capability in handling the numbers, including a negative net cash flow value at point x. Answers that did not include the \$000s, which was shown at the top of the forecast, lost some credit.
- (ii) Some confusion exists amongst candidates about the information shown in a cash flow forecast. Liquidity is not the same as profitability. The best answers considered short term solutions to the cash flow problems such as increasing cash sales and obtaining trade credit so that TT's inflows would be increased and outflows would be reduced. Solutions which could not be realised in six months did not earn credit.

### Question 4

- (a) The majority of candidates were well aware that employment laws could protect TT's employees with regard to unfair dismissal, discrimination and health and safety issues. It was pleasing to see well explained points such as sales staff not being dismissed without good reason and that, in the event of wrongful dismissal, TT would face court action from the employee or their union. The answers which mentioned health and safety made good use of the context by referring to dangerous construction tools and the need for TT to protect workers from potential injury.

- (b) This was another question where candidates were asked to consider three possible options, this time the methods of advertising a job vacancy. Most answers reflected clear understanding and offered balanced points regarding the advantages and disadvantages of each method. However, there was a tendency amongst weaker candidates to offer simple statements such as the cheapness of some methods of advertising rather than deeper explanation containing, for example, points about the local nature of posters in TT shops which would attract local applicants rather than national coverage in newspapers which would attract a broader range of applicants. There was evidently misunderstanding amongst some candidates who thought the advertising was concerned with TT products rather than TT jobs.

#### Question 5

- (a) The instruction to refer to Appendix 3 resulted in excellent application to the effects of the bad weather. Many answers mentioned the increased demand for tools which would be needed to repair damaged buildings. Some went so far as to say that TT's shops themselves would be damaged by the bad weather. It was pleasing to see so many candidates thinking carefully about the scenario outlined in the news report. Examples of weaker answers included reference to the recession or lower sales because TT offered poor quality tools.
- (b) Most candidates demonstrated good knowledge of business ownership and confidently explained advantages and disadvantages of sole trader and partnership structures. To earn higher levels of credit it was important to develop the analysis and reach a justified conclusion that offered a decision about whether or not Ted should replace one partner with another or use another business structure altogether. Justification depends on candidates balancing all three options and firmly pointing out why the merit of one business structure is preferable to the other two.

# BUSINESS STUDIES

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Paper 7115/22  
Case Study

## Key messages

The format of this paper is to test candidates' ability to understand an unseen case study and to apply their business knowledge and understanding in answering five questions, each of which is separated into two distinct parts. The first part of each question requires shorter, more straightforward answers reflecting good knowledge of business terms and concepts whilst the second part of each question requires more developed answers containing judgement and evaluation.

- To do well in this paper, candidates must make clear references to the case study which is issued at the start of the examination. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to wood products such as doors and windows.
- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference to why the other alternative options were rejected as well as justify the option that was chosen.

## General comments

It was pleasing to see a strong performance from the majority of candidates in this examination. The context of wood products provided an accessible scenario for most candidates. No question appeared to be too challenging for more than a handful of candidates. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the 1 hour 45 minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

The layout of the examination paper provides side headings to prompt candidates in their responses. As long as candidates take careful note of how many marks are awarded for each question they should be clear about the extent of developed detail that is required for each answer.

Many candidates were well prepared for the examination and showed good knowledge and understanding of the full range of topics that were tested. Candidates can earn significant marks by defining and using business terms confidently. Those who answered in the context of TWP wood products boosted their marks further.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or for using incorrect punctuation.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Analysis and evaluation are a key part of the assessment in this subject and candidates should prepare for a question that will ask them to consider some optional courses of action and then choose the best.

For example, *Consider the advantages and disadvantages of both job production and batch production for TWP. Recommend which production method he should use when producing products to a design provided by the customer. Justify your answer.*

There are three levels of answer to this question and with competent analytical and evaluative skills it should be possible to score highly. There is clear direction in the question to explain the benefits and drawbacks of each option. Answers which contain simple statements such as 'job production will allow the product to be made to the exact measurement given by the customer', will earn Level 1 credit.

To earn Level 2 credit the answer should explain that by using job production and meeting the exact needs of the customer, then demand will increase. The quality of the doors and windows will be high and this means that a higher price can be charged but the workers need to be specialised which will mean paying higher wages. The higher wages will result in higher costs and this will reduce the profit on each door or window sold. More Level 2 credit would be gained by making a similar balanced, reasoned explanation of the other options.

Then, in the recommendation section, the answer could earn Level 3 credit if the two options were weighed up against each other and the option that would be most beneficial to TWP, chosen. This requires the candidate to reject the other option with justification for not choosing it as well as give a convincing reason for selecting the remaining option. The final section should offer new reasoning and explanation rather than repeating previous analysis so the candidate would be well advised to hold back some fresh ideas for that purpose.

- In most questions there is an expectation that answers will be directly linked to the case study or insert material. This means not merely offering generic business answers but offering ones which demonstrate that the candidate can apply their knowledge to a given scenario.

For example, *Identify two stakeholders of TWP and explain why each stakeholder is interested in the business.*

Relatively easy marks will be gained for demonstrating knowledge of stakeholders such as the owner, government, suppliers, customers, banks, local community and employees. Further development and explanation of why these stakeholders are interested in the business would boost the marks even more. However, some credit is reserved for using the information in the insert. TWP manufactures wood products for construction companies and other possible customers are interested in wood from sustainable sources. For example, customers will want to know where the wood is from and if it is from forests that are sustainable. The candidate could make a point about customers only wanting doors or windows made out of wood from sustainable forests.

Another example of application would be to mention that Tibalt is thinking of taking over another wood product manufacturer and may need a bank loan. The bank would want to be sure that Tibalt could pay back the loan. He is a sole trader and if he cannot pay the loan back then his personal possessions are at risk of being taken by the bank to repay any debts.

- Numeracy is a key part of the assessment in this subject and candidates should prepare for a question which will ask them to consider some data.

For example, *Refer to Appendix 1. Do you think Tibalt should be pleased with the profitability of the business? Justify your answer calculating the gross profit margin and the net profit margin for both years.*

There are three levels of answer to this question and with competent numeracy skills it should be possible to score highly. There is a clear direction in the question to undertake calculations. Answers which repeated data from the Appendix did not represent any skill of numeracy. Good answers showed the calculation of the net and gross profit margins for each year. These calculations earned Level 2 credit. This showed that the net profit margin was 12% for 2011 and

16.66% for 2012 and the gross profit margin was 50% for 2011 and 53% for 2012. Some analysis and judgement of these results would then move the mark upwards to Level 3.

### **Comments on specific questions**

#### **Question 1**

- (a) This proved to be a straightforward start to the examination. The candidates who had good knowledge of stakeholders scored well by explaining why these different named stakeholders were interested in TWP. There were some good comments about customers being concerned about the source of the wood and that Tibalt was a sole trader which meant his own money was at risk. However, some candidates incorrectly gave shareholders as a stakeholder and others needed to apply their answers to the business outlined in the insert.
- (b) It was pleasing to see good application to the context of TWP in the answers offered by many candidates. There was relevant mention made of the imported wood being cheaper and there being a wider variety of woods available, but also that any change in the exchange rate could take away the advantage of cheapness. It was expected that there would be some balanced consideration of the drawbacks of both sources of raw materials. There was sometimes a tendency to present the advantages of importing wood as the disadvantages of buying locally produced wood which resulted in quite a lot of mirror image arguments. Also several candidates discussed the quality of wood and assumed imported wood was better quality than local wood without any evidence that this was true, and so they did not gain marks for this point. Some candidates talked about the benefits to country X – GDP, balance of payments – rather than to TWP and others repeated points in the recommendation section that they made in the analysis.

#### **Question 2**

- (a) Some candidates repeated that the business wanted to make profits to expand, which did not answer the question. Good answers pointed out that by expanding the business Tibalt could gain the benefits of economies of scale or could increase market share. These answers were then developed further and in context to gain the highest marks.
- (b) In this question, candidates were asked to consider three possible methods of promoting their products to new customers. Most candidates appeared to find this question accessible. There were some excellent responses with positive and negative analysis of all three options. The most common methods of promotion suggested were advertising in newspapers, magazines, posters, leaflets, radio, the Internet and promotional methods such as discounts or free gifts. The majority of candidates favoured the option of some sort of advertising as the best way to get the message out to the new customers.

Candidates need to be clear about the difference between product and promotion. Services added to the product in order to have a USP are different to promotion, e.g. repair service. Some answers gave the disadvantage that it is expensive. Candidates should be encouraged to not simply repeat this disadvantage in every type of promotion. Level 3 marks were awarded to candidates who successfully justified the most suitable method of promotion as opposed to the other two methods.

#### **Question 3**

- (a) Bank loans and overdrafts should be familiar to candidates. Some confused a bank loan with an overdraft, writing that overdrafts have lower interest rates, for example. The method of repayment or use was not always clear. The difference between the two was also not always made clear with some candidates writing about a bank loan and then writing about an overdraft – they lost marks by not expanding on the differences. However, candidates that clearly identified differences such as interest rates, time period, repayment methods or use for the funding, generally scored high marks.
- (b) The calculations for gross and net profit margins were correctly calculated by many candidates. However, candidates need to make sure they know that a margin needs a percentage sign, not just a number and not a \$ sign in front. Weaker candidates still found it difficult to say much more than Tibalt should be pleased as profits have increased. Better candidates developed their answers to good Level 3 discussion of the meaning of the figures, with many identifying the expenses being high, the difference between the two margins, and the wages being kept constant.

#### Question 4

- (a) The majority of candidates were well aware of different ways to motivate employees with the most common answers being increased wages, bonus, job rotation, job enlargement, fringe benefits, piece-rate and good working conditions. It was pleasing to see well explained points such as 'job rotation would allow the worker to change round jobs which would make the work less boring and so make the worker more interested in their job therefore willing to work harder'. The answers which described the way to motivate workers, but did not go on to explain how the way motivated them, scored fewer marks.
- (b) This was another question where candidates were asked to consider two alternative options, this time whether to use job or batch production methods. Most answers reflected clear understanding of job production but batch production was less well understood. Many offered balanced points regarding the advantages and disadvantages of each method. There was a tendency amongst weaker candidates to offer simple statements such as 'job production will meet the exact requirements of customers' rather than deeper explanation containing, for example, points about job production being slower and needing skilled workers which are more expensive to employ. Some of the more insightful answers actually applied it to the industry and decided that the housing industry was mass and that, by and large, housing materials would be made in quite a large quantity, not as individual items. Clear application and a recommendation justifying which method would be best to use by discounting the alternative, would have led to candidates being awarded the highest marks.

#### Question 5

- (a) Many answers mentioned the government wanting to reduce pollution, reduction of global warming, the health of the population, keeping the environment pleasant to attract tourists or maintaining resources into the future and thus making them sustainable. Some went so far as to say that if the environment was not kept pleasant then tourists would stop coming to the country and income would fall.
- (b) Many candidates demonstrated some knowledge of internal and external growth, although a minority confused takeover with joint venture. Better candidates could confidently explain the advantages and disadvantages of each option. The advantages of taking over another wood product manufacturer ranged from increasing market share by eliminating a competitor, economies of scale, better reputation and less investment in fixed assets. The disadvantages were capital would be needed for taking over, labour will be made redundant and there could be conflict between management styles leading to diseconomies of scale. The advantages of opening a new factory were mainly focused on the owners' freedom of choice of location and management style. Some answers stated that there will be diversification in production between the two factories. Disadvantages were mainly the need for capital and risk taken in the investment.

To earn higher levels of credit it was important to develop the analysis and reach a justified conclusion which offered a decision about whether or not Tibalt should take over another wood product manufacturer or open up a new TWP factory. Justification depends on candidates balancing both options and firmly pointing out why the merit of one option is preferable to the other option. Good Level 3 recommendations were few but there were those who discussed issues such as being a sole trader and taking on too much risk, the objective of profit and taking over another business getting to profit more quickly or the new factory being better because it could help to tackle new markets.