

# BUSINESS STUDIES

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Paper 7115/11

Short Answer/Structured Response

## Key messages

- Parts **(a)** and **(b)** of each question required precise definitions, calculations and identification of knowledge.
- Parts **(c)** and **(d)** of each question required candidates to identify, explain and apply points of knowledge to the situations described each question stem. Full marks were given to answers which developed each point in the context of the case study. Credit was not given to long lists of unrelated points.
- Part **(e)** questions should include developed arguments which lead to logical conclusions.

## General comments

Candidates were generally well-prepared for the examinations, and attempted most questions. Questions which required definitions and calculations, such as parts **(a)** and **(b)** of each question, were well-answered. Candidates may wish to learn precise definitions and are encouraged to show their workings for calculations.

There were areas of the syllabus which were less well-understood, including the concepts related to the organisation chart such as span of control and chains of command. Candidates were sometimes unable to differentiate between Trade Unions with Pressure groups. This particularly related to the answers to **Question 3(c), 4(b)** and **5(c)**.

Question parts **(c)** and **(e)** generally appeared to be more challenging. These subsections require an application of knowledge to the specific organisation identified in the question. Application marks were less likely to be awarded for answers which did not incorporate the information into their response, and therefore provided an analysis that was not relevant to the business. For part **(e)**, some answers lost evaluation marks because there was no final decision, or the decision was not linked to the knowledge and analysis presented.

The following considerations may help candidates achieve higher marks by more accurately applying their knowledge to the answers:

- Use more precise definitions
- Read the stem of the question carefully to identify the type of organisation discussed in the question
- Follow the command word in the question
- Try to interpret the data, and avoid copying it directly.

## Comments on specific questions

### Question 1

- (a)** Many candidates were aware that this budget involved a sum of money allocated for marketing purposes. The strongest candidates gave clear and precise definitions that clearly illustrated the concept of a budget as a 'financial plan'.
- (b)** This question was generally well-answered by most candidates.
- (c)** The strongest answers identified an advantage of hiring equipment and then explained clearly why this was an advantage for this small jewellery business, thus gaining the application marks. Answers which did not sufficiently apply the information to Anouk's business could gain a maximum of two knowledge marks. Several answers were less relevant, and focused on the benefits to

Anouk of using equipment in the production process e.g. increased output, better quality, less labour needed, rather than on the 'hiring' of equipment.

- (d) Many candidates identified two disadvantages, and better answers included an analysis. Application marks were less likely to be awarded to answers which included generic disadvantages that were unrelated to Anouk's business.
- (e) Many excellent responses contained a detailed analysis of both methods of advertising. Better answers were applied to Anouk's business. Answers then decided on the most useful method. Lower-scoring answers provided descriptions of the methods of advertising, with less reference to why they would/would not be suitable for the business identified.

### Question 2

- (a) The tertiary sector was generally well-understood, and a range of relevant examples were included. Lower-scoring answers often included two examples of one type of activity, usually two retailers.
- (b) Many candidates demonstrated their understanding of reasons why customer service is important to a business.
- (c) Candidates generally understood the concept of employment contracts. The focus of the question was occasionally not fully addressed, and these answers often instead considered the benefits to the employee. Such answers could not be rewarded.
- (d) The correct stages of recruitment and selection were usually identified, and better answers often provided some analysis. A few answers attempted to apply the information to the context i.e. the recruitment of a manager for a manufacturing business.
- (e) The strongest answers recognised the difficulties Rachel might experience if she were to expand her small business. Such candidates used their knowledge and the evidence provided to evaluate this decision and reach a final decision. Weaker answers discussed production economies of scale, and thus did not use the case study material, which related to a service company. Such answers often suggested that expansion will always be a success, but provided little evidence to support this viewpoint.

### Question 3

- (a) This question differentiated between candidates. Many correct responses showed a clear and precise understanding of the term. Some candidates misinterpreted the data and instead used wages and packaging as their examples.
- (b) Candidates generally understood this part of the syllabus. Answers which did not identify that the month 2 net cash flow was a negative number lost a mark.
- (c) This question was not always well-understood. Many candidates were unsure of the uses of cash flow, with many identifying that it is used as a means of forecasting profit/loss. Candidates who successfully identified uses did not always provide answers that attracted application marks.
- (d) The topic of packaging was generally well-understood. Application to the case study material was often strongest in the answers to this question. The strongest answers identified a reason such as, "to protect food", and then explained why this was important for this business "because bad food will cause people to become ill and they may sue the firm".
- (e) This question differentiated well between candidates. The majority of candidates understood the concept of Health and Safety; many concentrated their answers on the safety of the product of frozen food. Some candidates continued or repeated their discussion of packaging from part (d) and were thus unable to access application or analysis marks. The best responses identified specific benefit or costs to this business of increased health and safety laws, such as the cost of new equipment or improved motivation of workers. Such candidates then explained how this would impact upon the operation of the business by adding to the cash flow problems identified in Table 1 or increasing output. A justified conclusion was then provided.

#### Question 4

- (a) This question was generally well-answered. Some candidates could have gained higher marks by including more detailed answers e.g. “rising unemployment” rather than “unemployment”.
- (b) This question appeared to be more challenging. Many answers were not sufficiently relevant to receive higher marks. For example, some responses discussed the macroeconomic effects e.g. effects on exchange rates, aggregate demand.
- (c) Candidates often identified relevant actions taken by pressure groups, but only a few explained how these might influence JWR’s decision. Higher-scoring answers were more tailored to the requirements of the question. Some answers suggested actions that were more suited to Trade Union activity e.g. picket the gates of the power station, persuade workers to go on strike etc.
- (d) External benefits of business growth appears to be an area of the syllabus with which candidates are familiar. Strong answers applied the information given in the question stem to illustrate how the country could benefit from such businesses. The strongest answers focused upon the potential improvements in GDP and employment at a time of recession.
- (e) There was some overlap in this question with the proceeding question part (d). This question required candidates to make a justified evaluation of the decision based on some analysis. The strongest answers presented a fully supported evaluation, identified an impact of the operation of Multinational business, explained the effect on the country within which it operates and then evaluated whether this was a positive or negative effect for the country. Many answers only explained the negative impacts of multinationals, despite the external benefits identified in part (d). Candidates can improve upon their evaluative skills by building a two-sided argument.

#### Question 5

- (a) Fewer candidates accessed the higher marks for this question. Answers would have gained more marks by taking into consideration the guidance provided in the question, which identified that the stakeholders should be “other than employees”.
- (b) This area of the syllabus was generally less well-understood. Answers could have been more precise and relevant to the job role.
- (c) Candidates found this question more challenging. Knowledge of organisational structures was often provided, but it was occasionally too imprecise to gain credit, for example ‘span of control’, ‘chain of command’. Better answers used Fig 1 to produce answers, which applied to the context given e.g. ‘long chain of command’. Answers which did not fully develop their response with specific information were less likely to gain application marks e.g. 7 levels within the hierarchy.
- (d) This area of the syllabus was typically well-understood by candidates, who often identified a variety of different methods to improve motivation. The better answers explained how such methods would operate within a retail store. Many candidates would have gained more application and analysis marks by presenting more detailed answers. For example, statements such as the methods would “motivate them to work harder” received less marks than statements that explained how the method would lead to this extra work. Some answers often identified methods that were unsuitable for that business, such as piece rate.
- (e) There were some good answers to this section, and many candidates displayed a clear understanding of the advantages/disadvantages of off-the-job training. More successful answers explained the impact of offering such training to all staff within this retail business. A significant number of responses sometimes discussed why on-the-job training would be better, which suggests that their understanding of this method of training could be improved.

# BUSINESS STUDIES

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Paper 7115/12

Short Answer/Structured Response

## Key messages

- Question parts (a) and (b) required recall or application of knowledge to a given context, and were generally well-answered. Answers would benefit from a more precise use of business terminology.
- Question parts (c) and (d) required candidates to identify and explain. Full marks were awarded to answers which developed each point in context.
- Question part (e) required candidates to include more developed explanations and a logical decision based on their points. Candidates are encouraged to develop a two-sided argument where possible, rather than present a list-like answer.

## General comments

Candidates' responses occasionally suggest that they would benefit from a greater knowledge of certain areas of the syllabus, including concepts such as cash flow forecast, and the relationship between profit and market share. Some candidates are still unsure of the difference between production methods and lean production, extension strategies and general marketing methods, and private sector and private limited companies.

Occasionally, answers missed out on application and analysis marks, as the point was repeated rather than explained and developed.

Question part (e) is still one of the more challenging sections for candidates, as it assesses their evaluative skills. Better answers successfully justified their decisions. Weaker answers often provided a list of knowledge points. It is typically better to develop two or three points, as this approach will help candidates access the marks for application, analysis and evaluation.

## Comments on specific questions

### Question 1

- (a) Most candidates understood that the term referred to the number of people who worked for someone. Better responses provided a more precise definition. Some candidates were less able to differentiate between 'span of control' and 'chain of command'.
- (b) Many candidates demonstrated a good knowledge of the relevant factors, and typically mentioned lower prices and advertising. Some answers incorrectly related points to a manufacturing business, when the question stated that LEK is a retailer.
- (c) This question was generally more challenging. Most candidates identified at least one benefit, and a few candidates developed their argument to show how points such as 'clear chain of command' helped the business. Some candidates identified points which were too similar to be credited more than once. The question required candidates to answer from the viewpoint of the business, thus answers written from the viewpoint of the employees could not be awarded marks.
- (d) This question produced a range of answers. Most candidates identified at least one suitable method. The best responses developed the knowledge points to show how it would help LEK communicate with its customers. Many candidates identified categories such as written, or verbal, but did not identify a method. Other answers discussed advertising rather than communication,

which was the focus of the question. Some answers did not relate their responses to a retailer, and thus missed out on application marks.

- (e) This question proved to be a good discriminator. There were some excellent answers which developed points both for and against the takeover. These answers used the information from the question stem to discuss whether having 40 more shops in the same region would generate enough additional sales to cover the costs involved. Most candidates focused on the increase in market share and the potential economies and diseconomies of scale. Despite a lack of evidence, many candidates incorrectly assumed that this would be a monopoly. Weaker responses included a list of points, instead of developing one or two issues in detail. Evaluative points were often simple or were not attempted.

### Question 2

- (a) This question was generally well-attempted. Most candidates correctly stated that it was used for reinvestment or that it was the money left after the payment of tax or dividends. Some answers often defined net profit rather than retained profit.
- (b) This question was generally well-answered. Most candidates identified at least one advantage, most typically 'limited liability' and 'issue of shares'.
- (c) Candidates were generally aware of the advantages of batch production. Stronger answers developed the identified points to show why it might be helpful to this luxury coat making business. Some answers confused batch production with other production methods, and so identified issues such as 'more machines', 'cheaper' or 'more output', which could apply to many other methods.
- (d) This question differentiated between candidates. Some understood the idea that this company made luxury coats, and explained how they might use price, promotion, place and product to help increase sales. Most candidates identified two elements of the marketing mix.
- (e) Candidates generally understood the difference between on-the-job and off-the-job training, which lead to the demonstration of good knowledge in most responses. The best responses considered the advantages and/or disadvantages of each approach, and took into consideration that this was a luxury product, so quality was an important consideration. Some answers were too focused on defining each term rather than discussing why each method may or may not be suitable. Some candidates' answers were less relevant, and concentrated on the benefits of training rather than the merits of each approach. Evaluative points were occasionally simple or were not attempted.

### Question 3

- (a) This question was generally well-answered, and included many precise definitions.
- (b) Most candidates identified at least one factor, most typically 'technology' and 'substitute products'. Common errors included general reasons why products did not sell, such as 'low demand, poor marketing' or that the products 'broke easily'.
- (c) This question provided a mixture of responses. Most candidates identified at least one advantage. Better answers developed points to explain how this might benefit this business. Some answers offered generic reasons such as 'more efficient' and 'less cost', but did not explain how these points linked to lean production. Others confused the term with other methods of production.
- (d) Many candidates demonstrated a good knowledge of extension strategies. The best responses developed their points to show how they might be used by SENG to extend the life of its cameras, such as the addition of new features such as zoom lens. Application in many responses was not attempted. Some candidates outlined general marketing strategies such as lower prices, which did not answer the question set.
- (e) This question differentiated between candidates. Most candidates understood that sales were likely to rise as market share increased. Better answers considered both the benefits of a higher market share and reasons why profits might not have increased at the same rate. The best answers made excellent use of the information about the nature of market to support the points made. Stronger answers successfully presented a supported evaluation. Weaker answers were less able to develop points such as 'lower prices' or 'higher costs'. Some answers were less

relevant, as they discussed the benefits of higher profits or ways to increase market share. Some candidates confused market share with share prices.

#### Question 4

- (a) Private sector was generally well-understood. Most candidates knew that it was 'not owned by Government'. Better responses gave a more precise definition. Some candidates listed examples of private sector organisations, which did not answer the question.
- (b) This question was well-answered by most candidates.
- (c) This question was generally more challenging. Most candidates identified at least one benefit. Stronger answers explained how point such as being 'able to pay out more dividends' could be important to this particular business. Weaker responses stated points such as 'expansion' without explaining the role of profit in providing the finance for this. A common misconception was to assume that profit is used to pay 'day to day' expenses.
- (d) There were some excellent answers here, as many candidates clearly understood the benefits of a website to a business. The best answers developed the identified points to show how RU Air might gain from having a website. A common error was to focus on the advantages to customers, without linking it to how this might help RU Air.
- (e) This question differentiated well between candidates. Most candidates identified advantages and disadvantages of a new airport. Better answers developed the points to explain how the local community might be affected. There were a number of excellent answers which considered both the short term and long term consequences for the local people. Typically weaker answers focused on issues for RU Air or the economy in general which did not answer the question set. Evaluative points were often simple or not attempted.

#### Question 5

- (a) Many responses would have gained more marks for a more precise definition of this term. A common error was to state it was a loan.
- (b) This question was answered well by most candidates. A common mistake was the omission of the brackets or minus sign to indicate that the opening balance for September was a negative number.
- (c) Most candidates identified at least one advantage of flow production. Stronger candidates explained how points such as 'economies of scale' and 'consistent output' might create advantages for Anyshade. Application points were limited or sometimes not attempted. Some candidates offered generic points which could equally apply to other methods of production.
- (d) This was one of the more challenging questions. Some candidates identified issues such as falling sales, or high fixed costs. Better answers developed their points to show how it might lead to cash flow problems. Weaker answers stated it would lead to problems without stating how this would happen or related its impact to profit rather than cash flow. Some answers identified reasons which could not be interpreted from the data presented. A number of candidates offered solutions to solve the cash flow problem, which did not answer the question set.
- (e) This question proved to be a good discriminator. The best responses addressed the specific question asked, and considered whether reducing price was the best way for Anyshade to increase sales revenue. Better answers focused on price elasticity and the fact that this was a manufacturer of quality paint to help them make a justified decision. A large number of candidates had the wrong focus as they discussed the impact on profit which did not address the question set. Evaluative points were sometimes too simple or were not attempted.

# BUSINESS STUDIES

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Paper 7115/21  
Case Study

## Key messages

- To perform well, candidates must make clear references, or application, to the case study issued at the start of the examination. Specific application marks are allocated throughout the mark scheme in both parts **(a)** and **(b)**. In this particular case study, candidates were expected to refer to 'Fabian Flowers' flower shop. This might include mention of bouquets, flower arranging skills, fresh flowers and wedding flowers, for example.
- Analytical skills are also assessed throughout the case study examination. Candidates should aim to provide a complete explanation of the positive and negative consequences of a business decision. This requires developed reasoning rather than a simple description; listed points generally only gain Level 1, whereas an explanation of a point could gain Level 2.
- Several questions in this style of paper require 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 as to why the other alternative options were rejected as well as justifying the option which was chosen.

## General comments

Candidates were well prepared for this examination, and the strong performance of many individuals is to be commended. The context of a florist operating a shop in country Z 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. Candidates were rarely unable to complete their answers in the allotted time.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in part **(a)** of each question. They were then required to offer points of analysis and reasoning in their answers to part **(b)** of each question. This style of questioning has become standard practice on this particular paper, and it is clear 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, which seemed to work well. As long as candidates take careful note of how many marks are awarded for each question they should be quite clear about the extent of developed detail that is required for each answer.

Many candidates demonstrated a good level of knowledge and understanding of the full range of topics which were tested. Candidates can earn significant marks by defining and using business terms confidently. Those who answered in the context of Fabian's Flowers boosted their marks further.

The standard of written English was excellent. Candidates made themselves fully understood and should 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 the use of incorrect punctuation.

The following points may help candidates achieve higher marks by using their knowledge more effectively:

- Financial knowledge and understanding is part of the assessment in this subject, and candidates should prepare for a question which will ask them about this topic.

For example, **Explain to Fabian why each of the following documents will be important to managing his new business. Choose which is likely to be the most useful. Justify your choice.**

There are three levels of response to this answer, in which candidates are expected to explain and analyse the significance of the profit and loss account, cash flow forecast and break-even chart. This is an O Level in Business and it is therefore not necessary for candidates to demonstrate an in-depth knowledge of Accounts. There is a clear direction in the question to consider how useful the documents would be. Answers which simply offered a definition of each document would only be rewarded with Level 1 credit. Better answers which demonstrated an understanding of how each piece of financial information would help Fabian in the early stage of his new business, earned Level 2 credit. A cash flow forecast would enable Fabian to anticipate months when there might be a negative cash flow and this would allow him to plan expenditure reductions or to seek an overdraft from the bank. In the final part of the answer, candidates are expected to evaluate the usefulness of the three financial documents and to judge which would be most helpful. This tests the candidates' ability to synthesise information, and requires a clear justification as to why two of the documents might not be so helpful and why one of them is the key to managing his business successfully.

- For part (a) of each question, candidates should carefully consider the context of the business in the case study, and should ensure they do not repeat themselves in the explanation section.

For example, **Identify and explain two advantages and two disadvantages to Fabian of working for himself rather than being an employee of another business.**

Relatively easy marks were given for demonstrating knowledge of four positive or negative points which would affect Fabian as a business owner. If the explanation restated the advantage or disadvantage in a few more words, then no extra marks were awarded. One suitable advantage to mention might be that Fabian would be his own boss. A good explanation would make clear that Fabian would be able to make his own decisions, rather than having to follow instructions from the manager when he worked for another business.

### Comments on specific questions

#### Question 1

- (a) The majority of candidates made a good start by correctly identifying advantages for Fabian of being his own boss, keeping all the profits and having less worry about being made redundant. Good responses then went on to identify clear disadvantages of working for oneself such as having more responsibility which might lead to stress, not being able to take time off and the risk of business failure or even losing personal possessions if the business was unsuccessful. Full marks were gained by a significant number of candidates who made four clear points and then developed each one with sound explanation.
- (b) Balanced arguments were outlined by most candidates, and considered each potential partner for Fabian. The best Level 2 responses were most often the ones explaining the benefits and draw backs of the key skills and experience of each of the three potential partners. Some better answers explained the difficulty of employing a partner such as Gowri, who has no experience of flower arranging, when Fabian himself has no knowledge either. Weaker responses tended to overly rely on direct copying of the details of the profile of each potential partner rather than interpreting and developing the facts that were given.

#### Question 2

- (a) This question was quite well answered by candidates who appreciated that this was a new business operating one shop on a small scale. It allowed candidates to identify and explain setting an objective to survive in the first instance and then an objective to grow or expand at the next stage of development. Some candidates suggested that the first objective should be to become a multinational business, which would be unrealistic for Fabian, as he was only just starting up.
- (b) This question required candidates to consider two options of targeting a group of particular customers in the business or retail sector. Most candidates discussed the relevant merits of option A and option B. However, this was not always supported by calculations of financial data, as directed in the question. There was an opportunity here for candidates to use numeracy skills to calculate profitability ratios. Answers which included gross profit margin and net profit margin calculations for each option often then made meaningful judgements about the best option, which thus allowed candidates to gain Level 3 credit.



### Question 3

- (a) This question required candidates to focus on the factors which might influence the decision about sources of finance. This was a more challenging question, and a number of responses did not sufficiently address the question. A common mistake was to see the word “factor” and offer four factors of production. Strong answers mentioned interest rates, pay-back period and the purpose of the capital as being key factors in choosing an appropriate source of finance.
- (b) The answers to this question tended to be more limited. Most candidates offered a definition of each financial document, and thus gained Level 1 marks. A few responses then explained how these documents would help Fabian. For example, using the break-even chart would allow him to set a target of how many bouquets of flowers Fabian should prepare and sell to survive in the first year. This type of response earned Level 2 credit, and would have also been rewarded with an application mark. In making a recommendation, candidates were expected to identify which document would be most useful, and only a few answers considered this effectively.

### Question 4

- (a) Most candidates demonstrated a good knowledge of job production, and identified the benefits of high-quality flower arrangements, which would lead to high levels of customer satisfaction and repeat business. Other responses referred to the high levels of skill required to create flower arrangements, which resulted in motivation for the florist and high levels of job satisfaction when the arrangement was finished and looked beautiful. Generic answers which described the product instead of specifically referring to flower arrangements could not access the two application marks.
- (b) There were some strong responses to this question, and many candidates confidently displayed good knowledge about different strategies of pricing. Simple statements which gave a definition of each pricing strategy scored Level 1 credit, but many answers gained Level 2 marks by offering a balanced argument. For example, with regards to the advantages of using cost-plus pricing, there would be a benefit of ensuring that the business did not make a loss on each sale but the drawback of possibly pricing the flowers much higher than their competitors and therefore losing customers. In recommending the most suitable strategy, some answers were given Level 3 credit when they discussed the strong demand for flowers, which would make penetration pricing and competitive pricing less important because customers would be so keen to buy Fabian’s flowers anyway.

### Question 5

- (a) Most candidates found this question reasonably accessible. The main benefit of a website for the shop would be to increase awareness and provide customers with information about shop opening hours and the range of flowers they offer. Additionally, some answers then discussed the potential for online ordering. The commonly listed disadvantage of having a website included the added costs of website design and frequent updates of the business information that would be needed.
- (b) Most candidates made good use of the information in Appendix 3 to answer this question. Some of the explanations tended to consist of relatively simple points which almost copied the words from the table. This could earn more than Level 1 credit, because it did not demonstrate business knowledge and understanding. Better responses considered the ways in which a new, small business such as Fabian Flowers would be best served by each of the three supplier options. To earn higher levels of credit it was important to develop the analysis and reach a justified conclusion which offered a decision about which of the factors would have the most positive benefit for Fabian Flowers.

# BUSINESS STUDIES

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Paper 7115/22  
Case Study

## Key messages

- To perform well, 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 a fruit and vegetable shop. For example, this might include mention of fruit and vegetables, cash flow problems, methods of delivering stock to the shop, new delivery service to customers, and how a small shop competes with large supermarkets.
- 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 justifying the option which was chosen.

## General comments

There was a strong performance from the majority of candidates in this examination. This was broadly in line with previous years. The context of a fruit and vegetable shop provided an accessible scenario for most candidates. No question appeared to be too challenging for more than a few of the candidates. Time management did not appear to be a problem. Candidates rarely failed to complete their answers in the allotted time.

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 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 using incorrect punctuation.

Here are some points that might be helpful to enable candidates to achieve higher marks by using their knowledge more effectively:

- Analysis and evaluation are a key part of this assessment, and candidates are required to prepare for questions which ask them to consider some optional courses of action and then choose the best.

For example, **consider the advantages and disadvantages of three methods of communication he could use to place orders with his supplier. Recommend the best method for him to use. 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 method of communication. Answers which contain simple statements such as 'email can be used as it is quick and cheap' will earn Level 1 credit.

To earn Level 2 credit, the answer may explain that 'by using email, the order can contain detailed information about the required fruit and vegetables and this means mistakes are less likely in the delivery. However, there is no guarantee that the email has been opened and read as it does not necessarily require instant feedback. If particular fruit and vegetables are not in stock it may take time to reply to the email as the wholesaler might be busy and this could delay the order.' More Level 2 credit would be gained by making a similar balanced, reasoned explanation of the other options.

In the recommendation section, the answer could earn Level 3 credit if the three methods of communication are weighed up against each other and the method which would be most suitable to place and order should be chosen. This requires the candidate to reject the other methods, with a justification for not choosing them as well as a convincing reason for selecting the remaining method. 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.

- For most questions, there is an expectation that answers will be directly linked to the case study or insert material. Answers should demonstrate the candidate can apply their knowledge to a given scenario.

For example, **Having well motivated employees is very important to Manuel. Identify and explain two ways Manuel could use to motivate his shop employees.**

Relatively easy marks will be gained for demonstrating knowledge of ways of motivating employees such as increase the wages, job rotation, providing fringe benefits, bonus, commission, giving discount on shop products, providing good working conditions, including employees in decision making. Further development and explanation of why these ways will lead to increased motivation would boost the marks even more. However, some credit is reserved for using the information in the insert. Manuel has a shop which sells fruit and vegetables and he only employs 5 people part-time. For example, employees could be given discount on fruit and vegetables which is similar to giving them a pay rise or the jobs in the shop could be changed round so that a worker stacks shelves one day and unpacks fruit the next day and this would make the job less boring and motivate the worker to be more enthusiastic about their job. Workers could be paid commission according to how much fruit and vegetables they sell and this will encourage them to try to sell more fruit and vegetables so they gain higher pay.

### Comments on specific questions

#### Question 1

- (a) Most candidates demonstrated a good knowledge of sole trader as a type of business organisation, and scored well by explaining two disadvantages. There was good explanation of unlimited liability and also a lack of capital, no-one to help make decisions and long working hours. Some candidates confused limited and unlimited liability, and many candidates did not fully apply their answers to the business. Common application marks included fruit and vegetables, the length of time the business has been operating and that the business is a shop. Higher-scoring answers demonstrated a clear understanding of the key terms, and how they would affect the owner.
- (b) Most candidates identified methods which improved the cash flow of a business, including reducing debt period, obtaining credit from supplier, reducing costs and increasing sales being the most common suggestions. Better answers explained how these methods would improve the cash flow of a business. A few candidates considered that cash is the same as profit. Answers often included vague statements, which prevented them from gaining higher marks for this question. The application marks were often not gained, for example - 'reduce time period for debtors', yet the answer could have made the link to the 1 month time period given in the case material. Many candidates did not focus on the short-term nature of cash flow, and instead suggested a method such as selling assets or taking a partner.

#### Question 2

- (a) Most scored highly, by selecting evidence from the case study itself, such as opening time, location, personal service, freshness of the products. Weaker answers often did not gain the second mark due to repetition of the reason in the explanation with little or no development of the

point. For example, customers would come to Manuel instead of the supermarket because 'the shop is more convenient' earns one mark. But then the explanation might say 'the shop is more convenient so more customers want to go there' and this is a repetition of the reason. Also, some candidates thought that products would be cheaper at Manuel's than at the supermarket, but there is no evidence to suggest that this would be the case.

- (b) Many candidates related their answers to the case study. Several candidates could have extended their explanation about why it was cheaper to have their deliveries made to a supplier rather than renting a truck. Most candidates scored high application marks, and made good use of the case material provided. Marks were not often achieved in the recommendation, with few answers awarded Level 3 due to a lack of comparison of the alternatives. Also, many recommendations were repetitions of earlier points, with only minor developments. Often the explanations were lacking in terms of saying that buying a truck would mean they would not have to pay the suppliers, rather than fully understanding the benefits of owning the truck itself. In a number of cases, the candidate had offered a basic flip of the previous answer (for a truck a disadvantage would be high cost and maintenance and the advantage of supplier delivering would be lower cost and no maintenance) rather than properly considering the merits of each situation separately.

### Question 3

- (a) Many candidates identified that the government helped small businesses to reduce unemployment, increase growth, gain increased tax revenue and increase competition therefore reducing the power of monopolies. Many candidates also gave some detailed explanation of the reasons that they identified. However, a large number of candidates were less able to extend past these responses. A minority of candidates focused on 'how' rather than 'why' governments help small businesses, and therefore answered on a tangent talking about grants and subsidies.
- (b) A considerable number of candidates gave a good balanced argument or a good discussion of the advantages/disadvantages of each method of communication. A minority of candidates discussed visual and verbal, but then made no mention of telephone, email, etc. However, there was a lack of application marks awarded for this question. A large number of candidates who achieved Level 2 answers did not maximise on application marks. Also, some candidates believed that email was free, and did not take into consideration possible on-going costs.

### Question 4

- (a) Most 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. A large number of candidates included 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 be willing to work harder. The answers which only described the way to motivate workers but did not go onto explain how the way motivated them scored fewer marks. Many candidates did not look at why the methods chosen would be good for a sole trader and wrote points like - fringe benefits could include 'gym membership', 'free holidays' and other expensive ways of motivating staff but there was no mention of whether these ways would be an appropriate choice for a sole trader who had a cash flow problem!
- (b) Most candidates were able to achieve good scores by giving a balanced argument or a good discussion of the advantages and/or disadvantages of advertising by using local radio, leaflets or posters/billboards. Some candidates generalised their answers, rather than explaining in the context of Manuel's shop and therefore many candidates did not maximise full application marks. A higher number of Level 3 answers were awarded for this question as a result of there being more candidates who were able to use their evaluating skills to a higher standard. A minority of candidates gave contradictions in answers, for example, 'advertising on local radio would be good 'because many people will hear it', but a disadvantage would be 'not many people listen to the radio'. There was little or no reference to how the cost of each would affect his cash flow and so were more or less suitable methods and many ignored the need to reach his target market of 'regular customers'.

### Question 5

- (a) Most candidates answered this question to a good standard, and related their answers to Manuel's business. A few candidates repeated the points that they had identified in the explanation, and therefore did not achieve the second mark for each factor. Those who gave more theoretical answers found it more difficult to provide 4 clear reasons with differing explanations. Some candidates who both failed to read or understand the question and gave the 4 factors of production or the 4 P's. Weaker candidates did not always remember what the question was asking and would wander off the subject, for example, a factor like 'demand from customers' could not be explained by saying 'if there was more demand from customers, then there would be more sales'. This was an example of where the question had been forgotten. Also a factor like the price of the product is not a factor that affects how much stock is stored....perhaps a high price would lead to less demand and therefore Manuel would not want to stock as much but in itself, price is not a factor unless it was explained well.
- (b) Many candidates identified and explained the advantages and disadvantages of opening more shops and setting up a franchise. They were also able to use their business knowledge, which they applied to Manuel's business. Some candidates misread the question and answered as though Manuel was to become the franchisee, not the franchisor, or some stated a definition of a franchise. When answering the own shop section, there were some vague answers which related to gaining market share, opening more shops around the city, bigger profit, becoming more popular – all of which could have been applied to both situations, and without an explanation to fix it in context it was hard to credit more than Level 1. The main application marks were gained for recognising that the expense of opening more of his own shops may have been hard for a sole trader to finance and related risks with unlimited liability. In the recommendation, most candidates did not go into detail about why they believed that one method of growth was better than the other method, and thus only a minority of candidates were awarded Level 3 marks.