CAMBRIDGE INTERNATIONAL AS AND A LEVEL BUSINESS

Paper 9609/12
Short Answer and Essay

General comments

- The questions in ***Section A*** of the paper proved to be accessible to most candidates who demonstrated a working knowledge of the relevant syllabus sections and concepts.
- Many of the answers presented acceptable descriptive information but did not develop or analyse it.
- There was a pleasing ability to consider and interpret the significance of context in answers to both sections of this paper resulting in an appropriate award of marks available for application.
- In ***Section B*** of the paper a considerable majority of candidates answered **Question 5**. In **part (b)** of these answers there was often a lack of confidence in the precise features of batch production and there were few effective attempts to make evaluative comments which resulted in very few evaluation marks being given.

Comments on specific questions

Section A

Question 1

(a) JIT was understood by most candidates although some only obtained one mark for simply stating that it is an inventory management or production system without defining the primary features of such systems such as ordering just as a product is needed. Some answers added information more relevant to **part (b)** of this question such as benefits and limitations of JIT This information was not required given a sound definition of JIT as an inventory management/control system.

(b) This was answered very well with sound explanation from many candidates meaning that marks of 2 and 3 were the norm. The most frequent benefits cited were saving on storage costs and wastage together with resulting opportunity cost possibilities.

Question 2

(a) A significant number of answers gave only a partial definition of demand. A sound definition of demand needs to relate the willingness/ability of a consumer to purchase a product or service with the either the price of that product or service or over a specific time period.

(b) This was generally very well answered with good explanation of factors that might influence the demand for digital cameras. Most frequently mentioned factors were price and income (PED from some), trends and season (wedding/holiday season), features and quality of the cameras, and the strength of substitutes, complements and competitor products. Some candidates developed the idea that the rise in social media meant that young people are now wanting to take digital photos in order to upload them.

© 2019

Question 3

This question was generally accessible to all in some form although a minority only earned one mark for understanding of stakeholders. A mark of 3 or above was common with some good application to mining, whether it be coal or gold. Most focussed on the pollution/CSR issue and chose shareholders, managers and local community as likely opportunities for stakeholder conflict. Some used the government, pressure groups and workers as conflict situations. A minority of answers failed to use the mining context and misread the question and focussed on competing companies rather than stakeholders having conflicting objectives.

Question 4

(a) A statement of financial position was familiar to most candidates (with some referring to it being the balance sheet). Generally, assets, liabilities and equity/capital were quoted with some referring more generally to the worth of a business. A minority of candidates confused statements of financial position with income statements and therefore earned no marks.

(b) This question proved to be challenging for many candidates. Many simply stated that a statement of financial position helps an investor to know whether to invest/or disinvest without saying why or how this might be so. Sound answers suggested that the information in a statement of financial position relating to assets and liabilities, liquidity, and debt would allow an investor to make realistic assessments of the financial health of a business and so make investment decisions.

Section B

Question 5

(a) This was by far the most popular question in ***Section B***. Most candidates effectively defined capital intensive production and generally did so in comparison to labour intensive production. A minority of candidates however confused it with investing more capital into a business. Most answers identified capital intensive processes with an investment in machinery and went on to discuss the advantages of using machinery/automation. Most candidates applied their answer to the car manufacturing industry. Analysis was generally good with many candidates achieving a Level 4 mark However, there were still candidates who gave just descriptive answers with little or no analysis.

(b) A precise definition of batch production seemed to be very difficult for some candidates although as they developed their answer they generally showed a measure of understanding. Application to jewellery manufacturing was not achieved by some candidates leading to the mark being capped at Level 2. The majority however used types of jewellery such as rings, bracelets or types of material such as gold, diamonds.to establish clearly an understanding of the context of this question. Many answers effectively compared batch to job and flow production. A number of very sound answers were specifically linked to a small business context and based their analysis and evaluation around this, and referred to financial constraints for such businesses in deciding between batch, job, and flow production. These answers also often demonstrated a sound understanding of the likely demands of different customers for different kinds of jewellery with implications for different production methods. Some weaker answers answered entirely in terms of job and flow production with only a passing reference to batch production, sometimes without showing that they understood the term at all.

Question 6

Very few candidates attempted this question and even those that did gained few marks because the responses did little more than describe, often in great detail, aspects of Mintzberg's roles. Sound answers selectively analysed the contribution of a specific Mintzberg role to effective management and then questioned the assumption in the question that all Mintzberg's roles could be carried out by one manager. Such incisive answers also suggested that effective managers might well be influenced by other factors such as the nature of the organisation challenges faced and the level of responsibility held.

© 2019

www.dynamicpapers.com

Question 7

(a) For the limited number of candidates who answered this questions cash flow was generally understood although analysis often tended to be weak. Sound answers referred to a number of important benefits of cash flow forecasts such as forward planning in relation to future negative cash flows, payment control, arranging finance, making decisions, securing bank loans and adjusting credit terms.

(b) There were many weak answers to this question with discussion of liquidity, cash flow and trade credit rather than profit margins. Those candidates who did understand profit and profitability ratios went on to suggest how revenue, sales, and price increases, and reduced cost of sales and overheads might improve the profitability ratios of a business. Application to a food retailer was often weak, with many answering with reference to a manufacturer rather than to a retailer.

Evaluation proved to be very challenging in this question. The question asked for a discussion of 'how a large food retailer might **best** improve its profitability ratios'. An analysis of the possible ways of increasing profits and/or reducing costs would have provided a platform to then suggest which of these might be most effective in given situations. This approach would have provided a strong evaluative conclusion.

© 2019

CAMBRIDGE INTERNATIONAL AS AND A LEVEL BUSINESS

Paper 9609/22
Data Response

Key messages

- Although most candidates completed the examination, there was still a lot of wasted time spent repeating the question or pieces of data from the data. Candidates do not need to repeat the question and they should aim to *use* the data provided not just repeat it.
- In **Questions 1(c)**, **1(d)**, **2(c)** and **2(d)**, candidates must show good analysis. This requires not only the use of context, but also the ability to link together impacts, effects and consequences to the business or stakeholder.
- Candidates must target their analysis on the right focal point. In particular, in **Question 2(c)**, where candidates needed to analyse the impacts to a stakeholder, many analysed the impacts to the business, which is not a stakeholder. Clearer reading of the question is needed so that candidates can focus their answer as the question requires.

General comments

Both pieces of data and the businesses outlined within them were accessible to candidates. Jim's Farm allowed candidates to apply their business knowledge to a scenario involving both primary and secondary sectors of business and most candidates could relate to the 'healthy' snack and food markets.

Sadiq's social restaurant was a very different business in the tertiary sector. However, candidates generally remembered the social objectives of the business and used this in their analysis and evaluation. Whilst a business with social objectives will have a profit motive, the other motivations from the owner are also important and should have featured in the evaluation of any recommendations for Sadiq.

Comments on specific questions

Question 1

(a) (i) Break-even was a well understood term with most candidates gaining marks. With a definition question the key is always to provide a clear and concise sentence or two that demonstrates good understanding. In this case there were many ways to demonstrate this understanding, such as the point where costs equal revenue, or where neither profit nor loss is made.

Where candidates occasionally made a mistake, it was often in spending too long explaining the term when the marks had already been gained in the first sentence. This would never disadvantage a candidate in terms of the marks awarded, but the time that is wasted could have been better spent on a more difficult question.

(ii) Most candidates understood the term 'value added' and could explain the increase in worth created by a firm. For the second mark it was necessary to link this to the selling price and many candidates did this by explaining that adding value allowed a firm to price their products for more than the cost of producing them. The third mark was for showing good understanding of the term and one of the most effective ways of doing this is to use an example. This question does not require context from the given data, so an example from any business would show good understanding.

© 2019

(b) (i) Most candidates recognised what gross profit was and could calculate this figure. However relatively few could calculate the gross profit margin. As long as candidates clearly showed their working, marks could be awarded for the calculation of gross profit as a step in the process.

(ii) This was a question requiring the use of context, specifically why JF might aim for a high gross profit margin. Most candidates could easily identify a reason why a business needs high profits, but relatively few could apply this to JF or specifically why a gross profit margin was desirable.

Centres should make sure that candidates have a good understanding of the differences between profits, profitability and profit margins. In many cases this understanding can be the key to answering a question fully.

(c) Candidates tend to like 'recommend' questions and produce answers which are in context and usually come to a judgement. This question was no exception and there was a good use of the context surrounding both options for JF and most candidates gave a judgement.

However the most common reason why candidates did not achieve more than six marks was that there was only limited analysis. To gain higher marks there must be at least two chains of good analysis in context. Good analysis for this question required candidates to show the full effect on the business of each option in a methodical, step-by-step way. This must also be in context. For example a response that simply states that healthy snacks could be sold for a lower price than cooking oil which may lead to more sales, is only limited analysis. However if the candidate were to continue to state that this may lead to increased sales revenue and this may eventually lead to more profits for JF then this could be rewarded good analysis.

Some candidates only focussed on the option that they were recommending. In a scenario where there are two possible options, candidates must analyse both options to have a balanced argument and make their judgement valid.

(d) Questions asking for analysis of sources of finance tend to be completed well. Most candidates could identify and explain two suitable sources of finance and there was often analysis of these sources. However, the main reason for a candidate gaining half marks or less was often a lack of context. This question specifically asks for sources of finance suitable for JF and therefore a candidate must explain why it is particularly suitable for JF and not expect an examiner to guess this. This context could have come from the option chosen in **Question 1(c)** or more generally about the circumstances in which JF finds itself.

Question 2

(a) (i) There was often confusion over the term 'induction'. Those candidates who linked it with training tended to gain both marks as they knew it was general training for new employees. Although an example is not needed for a definition question, in some cases it made it clear that this was induction training as opposed to job-specific training.

(ii) 'Social enterprise' was a reasonably well understood term and most candidates could make some attempt at an explanation. Examples were very useful in this question, to show good understanding of what a social enterprise does. However it is never enough to state that Sadiq's restaurant is an example of social enterprise, because this is stated in the data. Repetition of the data is not rewardable in any question. The data must be used not repeated.

Many candidate recognised that a social enterprise will often have a 'triple bottom line'. This was particularly useful because it showed good understanding of the term and often led candidates to explain the features of a social enterprise well.

(b) (i) There was much confusion over the use of costing data in this question and candidates often got confused over the price they were calculating. In some cases candidates would give a figure which was inconceivably large or small (answers ranged from $0.06 up to $600 000). This shows a lack of checking that the figure given is logical in the scenario. It is not unreasonable to expect a candidate to spend 3–4 minutes on a calculation question such as this. Therefore there is time to check that an answer would be realistic given the circumstances.

© 2019

Centres should make sure that candidates can recognise the difference between fixed and variable costs, even when they are not labelled exactly in this way. For example it should be clear that ingredients are a variable cost of preparing a meal, if nothing else because the figure is per meal.

(ii) Despite some confusion over the previous calculation, most candidates could recognise an advantage of cost-based pricing, even if it was just the simplicity of the method. Often, however, the answer lacked the context required to gain full marks. This questions is not about an advantage to any business, it is specifically about an advantage to SSR of cost-based pricing. One of the simplest ways of making it specific could have been to use the figure calculated in part **2(b)(i)**. However, relatively few candidates did this.

Centres need to inform candidates that they should try and use the calculated figures within questions that require context. Even if the calculation is wrong, the use of that calculated figure is rewardable in another question. For example, if a candidate has calculated the average price of a meal to be $6000 then the calculation is obviously wrong for **Question 2(b)(i)**, but the use of the $6000 figure in **Question 2(b)(ii)** is fully rewardable as context.

(c) Most candidates could recognise stakeholders of SSR and potential impacts on those stakeholders of the restaurant. The element of success was often overlooked and this led to some weak analysis of the impacts.

As with all stakeholder questions, it is easier to analyse the impacts on some stakeholders in context more than others. Sadly candidates often went straight to the first two stakeholders that came to mind, as opposed to the ones they could analyse best, or the ones that might be most affected by the success of the second restaurant.

(d) A second recommendation question allowed candidates to use a great deal of context in their answer. However it was quite common to for candidates to simply go through the data in Table 2.2 with little or no analysis of the factors. In this type of question candidates should aim to analyse and present arguments for both locations and then come to a justified judgement over which is best. Only two arguments are needed. This could be an argument for the city centre location and an argument for the edge of the city, or it could be one for the city centre and one against the edge of the city. However both options must be covered and included in the arguments.

© 2019

CAMBRIDGE INTERNATIONAL AS AND A LEVEL BUSINESS

Paper 9609/32
Case Study

Key messages

- Evaluation is enhanced by using the context provided in the case
- Quantitative techniques such as Time Series Analysis and Critical Path Analysis should be practised by candidates to build their understanding of the concepts and their application
- Keep a clear focus on the question set.
- In numerical questions, the units are important (e.g. $m)

General comments

A wide range of marks were awarded to candidates. Some candidates demonstrated a comprehensive understanding of the syllabus material but others had an inadequate grasp of business concepts and were unable to accurately define key terms such as corporate social responsibility. Many answers lacked focus on relevant issues; sometimes due to a lack of knowledge but often due to insufficient consideration of the wording of the question. This was particularly apparent in answers to the role of sales forecasting to marketing decisions.

There were notable examples of candidates that provided concise and clearly focused answers making excellent use of the case material. These candidates demonstrated that it is not the length of answer that is significant but the quality of what is written.

Some good candidate scripts were let down by answers to **Section B**. **Question 7** produced few effective responses whilst **Question 6** answers frequently used information from the case with limited consideration of its relevance to the question.

Centres should prepare and practise the use of unseen case studies before the examination. Candidates may benefit from spending time familiarising themselves with the case material, reading the questions and then re-reading the case before starting to write their answers. This process is likely to take at least 10 minutes of the examination but has the potential to produce responses that are more focussed and better utilise the context.

Comments on specific questions

Section A

Question 1

Many candidates took the approach of defining the term at the beginning of their answer and generally demonstrated knowledge of centralised organisational structure. The majority of candidates were able to make valid points about centralised organisational structure and identify relevant benefits. Many candidates who scored well for this question identified at least two benefits, with the majority often writing about three benefits. Thus, most candidates were awarded three knowledge marks for their answer.

Candidates were able to use information from the case to support their points. Many candidates referred to the central purchasing department and the consistent café style in all retail outlets to support their points. In a minority of cases, candidates' answers were theoretical and did not refer to the context in their answers, or

© 2019

did not apply their points well to the relevant information in the case study. However, the majority of candidates were able to score two marks for application.

In relation to analysis, candidates were able to access L1 marks relatively easily, but the majority of candidates' responses did not offer the depth of analysis for L2. Typically, candidates were able to confidently explain the simple link between the points they made and how PY would benefit from having a centralised organisational structure. For example, by noting that the central purchasing department would enable PY to benefit from purchasing economies, and then linking the reduced unit costs to profitability.

Others identified the ability to make quick decisions by keeping decision making to the senior levels in the hierarchy and limiting delegation. However, only a few candidates wrote answers that enabled them to access L2 for analysis. Most candidates provided only simple chains of reasoning, with limited cause and effect.

Some candidates wrote about the drawbacks of a centralised organisational structure, this was not required and therefore not credited.

Question 2

Candidates showed improvement in answering this CPA question compared to last March. However, marks awarded suggest that interpreting networks remains a challenging task for candidates.

(a) (i) Many candidates accurately identified the EST and LFT for both nodes. However, it is essential that candidates practise constructing a wide range of network diagrams to develop their understanding how activities are linked and ESTs and LFTs are calculated. With this particular network many candidates were unfamiliar with the use of dummy activities and therefore made errors in calculating the EST and LFT for node 4. Dummy activities show a logical dependency between activities but consume neither time nor resources; therefore the EST shown in node 3 was the same as the EST shown in node 2.

(ii) A significant majority of candidates included activities that were not on the critical path. Consequently, this was one of the lowest scoring questions on the paper.

(iii) Most candidates correctly identified the minimum time to complete the project.

(iv) Candidates that were able to state the equation for calculating free float were awarded 1 mark. However, not all of those candidates selected the correct information from the network to input into the formula. A number of candidates calculated total float rather than free float. 12 per cent of candidates did not give an answer.

(b) Candidates found this to be a difficult question frequently providing only superficial comment on whether the café would be open on schedule. Although candidates identified that the minimum time was within the timeframe required weaker answers did not consider factors that might delay the project. Better answers provided good context by referring to specific critical activities noting that some could be disrupted by external factors such as delivery from abroad. Simple evaluation was developed through reference to the limitations of CPA, for example, the likely accuracy of the estimates made by the Operations Director. Greater depth of evaluation was rarely evident with only a few candidates reaching a Level 2 standard. The best answers provided balance and typically observed that there was only one week of float across the whole project but that PY substantial experience of opening new cafés.

Question 3

This question was accessible, as there was plenty of information in the case to help with framing an answer.

Simple application was frequently provided through using the data in Table 1 to calculate that the three cafés made a combined loss of $0.4m. This was used as evidence that the cafés should be closed. Many candidates linked this loss to the economic conditions in this part of the country which resulted in consumers not being able to afford this 'luxury' product. This demonstrated both application and analysis. However, many candidates did not develop any balancing argument. Only a few good answers recognised the significance of contribution to this decision noting that as the cafés made appositive contribution of $0.4m it might be worth keeping the cafés open in the short term. This was further developed with reference to the

© 2019

need to continue paying lease contracts until 2021 as a reason for giving the cafés more time to establish themselves.

Beyond this, the use of 'other information' was varied. Many candidates suggested alternatives to closure, such as changing the marketing mix to fit in more with local conditions, but few commented that this would go against the 'central purchasing' policy. Many candidates also suggested that costs could be lowered by making HR changes, in view of the opportunity to pay low wages due to high unemployment. There were also a number of comments about using the 'money saved' by closing the cafés to fund alternative projects, but these were often too vague to be credited and in any case, this ignored that the cafés were making a positive contribution.

Evaluation marks were often gained by 'short term, long term' approach, or speculation on PY management's approach to trying to turn the cafés round.

Question 4

This proved to be a difficult question. A significant number of candidates did not answer all parts of the question. Candidates should practise constructing TSA graphs and work through calculation of the different elements of three period and four period moving averages.

(a) (i) Most candidates were able to calculate the seasonal variation accurately. However, many candidates continue to provide no units for their answer.

(ii) Nearly a quarter of all candidates did not attempt this question. Candidates should note the importance of the sign for their answer and the units.

(b) Many candidates did not know how to forecast sales from the time series data and did not attempt the question. It was common for candidates to simply state the sales for **Question 3** from the line of best fit shown on the graph without making an adjustment for average seasonal variation.

(c) This was the most difficult extended answer question in **Section A** and differentiated well between candidates. Most candidates provided a definition of sales forecasting and identified the scope of marketing decisions. However, only better answers linked forecasting effectively to marketing decisions. Weaker answers typically lacked focus on marketing decisions and having defined sales forecasting went through the functional areas commenting on how forecasts might inform decision making. Often candidates showed good understanding of the link between forecasting and operations management or human resources but made no comment on marketing at all. Candidates should take time to consider the focus of each question to ensure that answers are relevant.

Those candidates who commented on marketing decisions analysed how forecasts might influence pricing and promotion. A common line of reasoning was that the seasonal variation in forecast sales might prompt PY to increase promotion. Contextual analysis was developed by a few candidates observing that TSA might be misleading as it was based on past data and there was evidence in the case of changes occurring in the market such as the growth of competitors and that PY faced negative publicity. These points were then used to evaluate the usefulness of sales forecasting to PY.

Question 5

This question was accessible to the majority of the candidates but the mark range was somewhat narrow because responses tended to lack structure and there was only limited development of analysis and evaluation. Most candidates demonstrated good knowledge and understanding of CSR often linking this with ethics and considerations of external stakeholders in decision making. Most candidates identified relevant issues from the case material such as PY's marketing of frozen yoghurts. However, weaker responses tended to just describe what had been read rather than taking the information and building analysis through considering the consequences for PY's profitability.

Some responses tended to drift into purely focusing on the health issues associated with the high sugar content without linking this to future profitability. In addition, many candidates over-emphasised the likelihood of PY receiving favourable government subsidies as a result of adopting a CSR policy. The bad publicity issue also tended to side-track candidates into exploring contingency planning rather than focusing on how the publicity might negatively impact upon the success of a CSR strategy and future profitability.

© 2019

Many candidates developed analysis by linking CSR to sales growth and long term profitability through providing PY with a USP and brand recognition. Some good answers linked these points to the market saturation and growing competitive pressure faced by PY.

Some candidates structured their answers to discuss CSR in relation to stakeholder groups and this tended to open up discussion with regard to the information in the case study. After consumers and government, the impact on current and prospective employees was regularly explored. The positive impact on retention and recruitment was linked with productivity and HR costs.

Sophisticated evaluation was lacking in the majority of answers. Some candidates did not evaluate at all and some others took the approach of making statements such as 'CSR is very important for PY' without providing any supporting arguments, or more often, lacking conviction, evidence or detail. Some candidates linked CSR with PY's plans to enter the US market but often failed to acknowledge that this depended on the new market's attitude to CSR. Higher performing candidate were able to provide reasoning for their judgement of the extent to which CSR was the most important factor for success. Many candidates did recognise that the short-term investment in CSR might be outweighed by longer-term profitability. A smaller number of candidates discussed how shareholders might react to the CSR policy and how it depended upon whether shareholders were focused on short-term or long-term returns on investment.

Section B

Question 6

As in previous sessions candidates continue to be attracted to questions about strategic analysis and with some justification; candidates performed relatively better in comparison to **Question 7**. Over 80 per cent of candidates chose this question and candidates were clearly familiar with SWOT analysis. Most answers gained at least two of the application marks by drawing on case information from Appendix 3. Weaker answers tended to describe strengths, weaknesses, opportunities and threats based on the Appendix 3 but did not develop analysis linking these points to PY's expansion to North America.

Candidates should aim to use information selectively as many candidates did not consider the extent to which information was relevant. For example, candidates frequently referred to PY's high brand recognition in the 16–34 age group in country S without considering how this might relate to expansion into North America. Similarly the growth in market share of PY's main competitor was not effectively linked to the North American market.

In contrast, stronger answers identified the most relevant information from Appendix 3 and gave a clear analysis of how useful it was to PY. For example, PY's retained profit of $3m in 2017 was contrasted with the need for $20m for overseas expansion. This was further developed by some candidates with reference to the high gearing of PY.

Candidates were less sure how to use the Porter's Five Forces and there were many candidates who just repeated the information from Appendix 4 without further interpretation. The best answers used the information to comment on the extent to which it might be difficult to establish a successful presence in North America. As there was conflicting evidence evaluation was developed by some by considering the most important factors in the decision.

Question 7

This question was less popular than **Question 6**. Evidence suggests that it was chosen by weaker candidates, and this was reflected in the lower mean mark for the question. Most candidates did demonstrate knowledge of the main elements of business planning and often described how it could give focus for the business and its employees. Some candidates recognised that business plans might be used as a means of control and review and that this could encourage an effective use of resources. Weaker answers tended to make these points in a generic way and did not develop application to PY. Better candidates linked planning to the need to raise finance for expansion to North America or considered how contingency planning could have enabled PY to deal more effectively with problems arising from the negative publicity. Information from the SWOT analysis could also have been used to contextualise the value of planning to PY.

Few candidates developed any meaningful evaluation of the role of planning to PY's future success. Most evaluation was undeveloped. For example, it was common for candidates to state that plans should be adjusted to take account of an ever changing business environment or that planning does not guarantee success. Candidates must provide supporting argument to move through the levels of evaluation marks

© 2019

available. A few candidates did provide effective evaluation by using the failure of the three cafés in the North East to support the view that planning does not guarantee success. Others highlighted the role of planning for the North American suggesting that it would be essential for success as PY needed to ensure that it understood the market before entering it.

© 2019