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# BUSINESS

**Paper 9609/12**
**Short Answer and Essay**

## Key messages

- Candidates generally write essays which evidence sound understanding, application, and analysis of relevant business concepts, however, only a minority add appropriate evaluative comment.
- Comments on the validity of presented theory and analysis that lead to appropriate opinions or judgements will be rewarded.

## General comments

- Most of the syllabus areas examined by this paper were answered confidently. The only exception was in ***Section A*** where the response to **Question 4** on Operations Management was much weaker.
- Candidates are reminded once again that explanation in ***Section A*** requires more than an undeveloped statement. Knowledge and understanding of relevant business concepts must be clearly demonstrated.

## Comments on specific questions

### *Section A*

### Question 1

**(a)** Most candidates presented a correct definition of the concept of *opportunity cost,* e.g. the value of the next best option that was given up (forgone) when a choice was made. Many answers gave an example to clarify the definition. Partial answers focused on the need for business choices to be made but were unable to accurately state the opportunity cost implications of such decisions.

**(b)** This was also well answered. Most candidates were familiar with the role of an entrepreneur and able to confidently *explain* two qualities that entrepreneurs are likely to need for success. Qualities included: innovation, motivation, risk taking, and multi-skilling. Candidates awarded less than three marks tended to give a very limited explanation or simply give a list.

### Question 2

**(a)** Many answers presented a concise and correct definition of *demand* such as, the quantity of a product that customers are willing and able to purchase. Weaker definitions discussed a need or desire to consume a good or service but did not indicate the ability to purchase such items.

**(b)** Many answers correctly explained relevant factors that could influence the *supply* of a product or service. Factors included: the market price, the market demand, the costs of production, the impact of government taxes or subsidies, the availability of resources, and the effect of seasons/holidays and other natural factors such as pandemics. Weaker answers often presented very limited economic answers rather than business answers or misinterpreted the question and focused on demand rather than supply factors.

### Question 3

Most candidates were able to give a correct definition of working capital as an introduction to an explanation of the potential effects on a business of having a *high level of working capital.* Strong answers identified some potential advantages, such as the ability to offer prompt payment to suppliers, to extend credit facilities to customers, and to reduce the need for overdraft facilities and other short-term borrowing. Such answers

also noted that a high level of working capital might well indicate poor cash management with high levels of inventory, idle cash, and significant opportunity cost considerations. Weaker answers failed to build on a correct definition of working capital. These answers simply explained the effects of *low* working capital and had very little understanding of the business implications of a *high* level of working capital.

**Question 4**

**(a)** There were many weak responses to both parts of this question.
The term *transformation process* relates to operations management and is simply defined as the conversion of inputs (factors of production) into outputs and, during the process, adding value. Many answers incorrectly referred to businesses changing their legal status.

**(b)** There was a similar lack of understanding of the concept of *intellectual capital.* Many responses incorrectly referred to motivation and efficiency, rather than to the value of the intangible assets of a business. Strong answers defined intellectual capital in terms of the skills and expertise of employees, good relationships with suppliers and customers, sophisticated production and data/information systems, and the number of patents and trademarks. Effective answers then presented ways of strengthening these intangible assets, such as investing in more research and development and/or investing in more employee training and development.

***Section B***

**Question 5**

**(a)** Most of the candidates who answered this question confidently set out the potential benefits to a business of recruiting employees from outside the business. Popular benefits included: access to new ideas and practices, opportunity to undertake change and innovation, and the potential to recruit from an enlarged pool of well qualified applicants. Having identified such possibilities many answers however failed to fully analyse *how* these benefits might be realised in the business. The analysis was often limited, and few answers were awarded all four analysis marks.

**(b)** Some of the answers to this question did not present a clear understanding and explanation of Herzberg's two factor theory of motivation. Such answers presented other motivation theories or produced a very general discussion of employee motivation. Stronger answers explained the theory of hygiene and motivation factors with relevant examples of specific factors such as pay and working conditions (hygiene) and achievement and recognition (motivators). These strong answers also applied the relevant theory to the employees in a school. There was often a recognition that there were employees in a school who were not teachers, and who might have different reactions to motivating factors. Sound analysis of these issues often led these answers to produce some strong evaluative comment on the sufficiency and relevance of the Herzberg theory to different employee aspirations.

**Question 6**

This was not a popular question. Those candidates that selected this question generally gave a sound explanation of CAD and CAM and the production process and analysed how these approaches might make a manufacturer more competitive. The impact of CAD on product designs and computer animation, and CAM on automated production featured as examples of the potential for competitive gain for any business. However few answers were able to apply CAD and CAM to the context of a furniture manufacturer. Also, only a small minority of answers were able to advance any meaningful evaluation. Reference to the initial and ongoing costs of CAD and CAM, the appropriateness of the techniques for certain types of furniture production (for example, handmade furniture), and the size of the furniture manufacturer could have been useful evaluative areas for discussion.

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**Question 7**

**(a)** This was the more popular optional question. The analysis of why a business might invest in market research was generally well answered. Strong answers identified and analysed how a business might achieve a sound understanding of its market, reduce risks associated with new product launches, gain awareness of customer preferences, and understand the strengths and weaknesses of competitors. Weaker answers presented descriptive comments on different methods of market research activity rather than an analysis of the investment potential (benefit to a business) of such activity.

**(b)** Strong answers developed a sound discussion of how an airline business might increase profits through more effective market segmentation. Reference was made to the possibility of targeting marketing and sales campaigns to identified market subgroups. Some candidates focused on some traditional segments such as economy and business class divisions, while others speculated on subgroups based on location factors. Some weaker responses were unsure about market segmentation and had perhaps chosen this question on the attractiveness of **part (a)** rather than on an ability to respond to the business concepts examined in **part (b)**.

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# BUSINESS

**Paper 9609/22**
**Data Response**

**Key messages**

- Candidates must read the question carefully. Often a simple mistake can be avoided by careful reading of the question.
- The key to gaining marks on 8- and 11-mark questions is developing and showing the skill of analysis and developing chains of analytical argument. This skill is essential in the higher mark questions and a lack of developed analysis is often the limiting factor in responses.
- The focus of a question is essential to spot before a candidate starts to answer. For example, on **Question 1(d)** the focus was the bank (ABC) not Flora's Fitness (FF). Any analysis of the effects on FF is not answering the question.
- There are four assessment objectives being assessed in this examination. The **most common error to avoid** in each of these skill areas are:
  - **Knowledge** – not knowing something is an obvious barrier to gaining marks. However, there were many examples of candidates who obviously did know the terms but did not demonstrate this knowledge. For example, on **Question 1(a)(ii)** there were many responses where the candidate used the wording of the term instead of explaining it. An explanation or definition cannot include the words from the term, repetition of the words in the question will not receive any marks.
  - **Application** – the data given is relatively short, but there is always enough context to make sure every point needed to answer a question is based on the data. Too often candidates ignore the data and simply write everything they know without placing it in context. A really good example is **Question 2(d)** where many candidates did not use the context to analyse the most suitable sources of finance. It is much better to use the obvious, contextual sources rather than the first ones that come to mind.
  - **Analysis** – developing chains of analysis is the most fundamental skill in writing a longer answer in this subject. Too many candidates give an effect, reaction or impact of something without taking it any further. A lack of developed analysis or argument is the biggest reason why a candidate fails to achieve high marks on this paper.
  - **Evaluation** – usually requires a judgement. There are three stages to a good evaluation: making the judgement, developing it, often in terms of different perspectives or what the judgement 'depends upon', and then justifying why it is the right judgement. Too often candidates try to gain evaluation marks by repeating what they have just argued in their analysis. This is not evaluation and will not be rewarded.

**General comments**

The two pieces of data provided fairly contrasting evidence for candidates which allowed them to develop their application within context.

Flora's Fitness (FF) proved to be slightly more difficult for candidates to use, mainly because it included another business, ABC bank. Candidates need to make sure they know which business or stakeholder they are basing their response upon.

Free Burgers was well understood, and the context of meat-free, hand-made burgers gave plenty of context for candidates to use in their responses.

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**Comments on specific questions**

**Question 1**

**(a) (i)** Most candidates had some knowledge of Corporate Social Responsibility (CSR) but found it difficult to define the term without using the word 'social'. Candidates will not be rewarded for answers which use the wording of the question in the answer.

CSR appears in the AS syllabus as a business objective, and this was a good route into answering this question. Many candidates also used elements of the 'triple bottom line' (people, planet and profit). Although it did not stop a candidate gaining full marks, it was a shame that many candidates thought a CSR objective prevented a business from making profit. A business focusing on CSR can, and often does, have a profit objective and candidates should be aware of this.

**(ii)** Once again, it is important to instruct candidates that they will not be credited for repeating the words from the question in their answer. In this question, the term they were asked to explain was 'start-up capital', so an answer which states that it is the 'capital used to start the business' does not show any understanding or gain any reward. The best responses identified that it was about money that had been invested into a business that was being set-up. A good example (not repeated from the data) is always a sensible way to gain the last mark.

**(b) (i)** Most candidates could calculate the maximum weekly revenue using pricing strategy 1 and Table 1.1, but some failed to use the rest of the data to calculate this income over the five days mentioned on line 15. The question clearly directs candidates to use the table as well as other relevant information. This wording directs candidates to the fact that there may be data other than the table that should be used.

It was pleasing to see that most candidates set out their working, which allows the examiner to reward stages of the calculation even if the final answer is wrong. However, some candidates did not show their working and this meant that, in the case of a wrong answer, no marks can be given.

Those candidates who did not gain full marks often made simple mistakes.

**(ii)** This question clearly asked for an advantage, not merely an explanation of this pricing strategy. Too many candidates spent time explaining how this pricing strategy works or how it is different from pricing strategy 1. When an advantage is asked for, candidates should focus on explaining the advantage, not the term.

The easiest way to show application skills in this question, was to calculate how the income for pricing strategy 2 would be gained. Although it is less than pricing strategy 1 (at the maximum level), it is guaranteed, no matter how many people turn up for the fitness session. This was the most common advantage that candidates used.

**(c)** Strong responses did not waste time explaining the difference between primary and secondary market research because this was not what the question asked for.

A few candidates mixed up their understanding of primary methods of market research and secondary sources. This showed a misunderstanding of the term.

Some sources of secondary information could also be primary methods and candidates did not always make the distinction clear. For example, using the internet can be a good source of secondary information, but candidates sometimes suggested that the internet could be used to make a survey, which is obviously a primary method.

**(d)** The focus of this question is ABC (the bank) and too many candidates evaluated the benefits to other stakeholders. The most common mistake was that candidates attempted to evaluate the benefits to the employees without showing how this might benefit the bank who employed them. It is essential that candidates look closely at the question and identify who or what is the focus of the question.

To effectively evaluate, candidates must use the context given in the data. In this scenario, ABC is a national bank that focuses on CSR as an objective. This should have given the basis for the

analysis and evaluation. Without context an answer becomes generic and will not achieve high marks.

Good analysis cannot lead to a good argument without building a chain of analysis. This means that candidates need to show the impact, affect or reaction, in this case to the bank, in a clear sequence that builds up to show the benefit to the business.

The question asks for benefits (plural), so there must be at least two benefits to gain full marks. However, two is enough and a few candidates sacrificed time, which might have been better spent on later questions, doing as many benefits as they could think of. This also sometimes reduces the depth of the analysis because each benefit is only superficially analysed, as opposed to building a good chain of analysis in context for just two benefits.

The command word 'evaluate' requires a judgement. In this case the easiest judgement to make is which benefit is likely to be the most beneficial to ABC.

**Question 2**

**(a) (i)** This question was generally well-answered. When defining a legal structure, such as a private limited company, the key is to make sure it could not be confused with any other legal structure. Most candidates identified that a private limited company has shareholders, but to make sure it is not confused with a public limited company many candidates also identified that those shares cannot be sold on the stock exchange. This was the most common answer.

A few candidates thought that this question was asking about private sector businesses (as opposed to a public sector business). Candidates must read the question carefully and use the correct knowledge.

**(ii)** There was some confusion between shareholders and stakeholders and some candidates mixed up the terms. Again, this is most likely due to not taking enough time to fully read and understand the question.

Most candidates who identified the right term, were able to show good understanding so were well rewarded.

**(b) (i)** The most common mistake on this question, was for candidates to invert the formula. If the candidate showed the stages of their working, this could still gain some marks. Generally this question was done well.

**(ii)** This question was asking specifically about a reason why the gross profit *margin* for FB might have changed. Far too many candidates gave a reason why the gross profit itself may have changed, for example an increase in revenue or a decrease in costs. However, for the margin to have changed there must be an idea of both revenue and costs. Only a few candidates made this clear by suggesting that the revenue may have increased (because demand for meat-free burgers has increased) whilst the costs have remained the same. This would affect the margin, and not just the gross profit.

**(c)** This question asked for an advantage and a disadvantage and most candidates made this very clear in their answer. However, many candidates wasted time at the start of their answer explaining batch and flow production. This basic knowledge is better shown through analysis of the advantage and disadvantage and candidates should avoid wasting time by writing sometimes long definitions at the start of their answer.

As with all analysis questions, candidates need to give a good, contextual chain of analysis to gain all the marks.

Some candidates tried to evaluate their answers, and this is unnecessary in an analysis question. Whilst this will not affect the mark awarded, it might mean that the candidate has less time to use in subsequent responses.

**(d)** Candidates tend to respond well to questions with the command word 'recommend'. It seems more obvious to them that a judgement (recommendation) is required, and candidates often build up to

this recommendation at the end of their answer. This is a good response structure if the arguments are in context and show good chains of analysis.

Although it is possible to analyse one source of finance and then evaluate its use and gain full marks, a simpler solution is for candidates to analyse two sources of finance and then make a judgement over which is best for the business. This allows comparison and is a good route into evaluation.

A few candidates tried to analyse many sources of finance, with some attempting to use all of those from the syllabus. This ends up being a descriptive list, as opposed to an analytical and evaluative argument and should be avoided. In the best responses, the candidate used the context to choose the most suitable sources that FB could use and then made their recommendation by comparing the sources chosen.

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**Paper 9609/32**
**Case Study**

## Key messages

- Use the case material to enhance the application in answers as this is a necessary part of accessing evaluation marks.
- Consider developing structured answers around contextual analysis of a relevant point followed by a counter point and evaluation in each paragraph.
- Candidates frequently focus on the wrong issues or on too many issues. This results in ineffective analysis. Good analysis links together cause and effect.
- Define key terms within analysis.

## General comments

Most questions on this paper were accessible to candidates of differing abilities. There was a wide range of marks awarded with marks over 80 not uncommon. However, there was a long tail of candidates scoring fewer than 20 marks.

On average candidates scored well on the numerical questions. However, there were around 10% who did not attempt one or more of the calculations. There was no evidence of timing problems for candidates. There were some good examples of well-focused responses where candidates had read the question carefully and knew how to meet the demands of the question. The strongest candidates demonstrated a good understanding of the broad range of topics that were tested.

Good responses were produced by candidates who targeted their answers directly at the questions. The best of those combined evidence from the case to support and develop chains of analysis and reasoning. There were some sophisticated responses that were effectively structured with a clear focus on the question. Such answers made judgements throughout the response and provided a conclusion based on, but not repeating, analysis previously developed.

For questions of 12 marks or more, concise answers which provided balanced argument and supported judgement were highly rewarded. Focusing on a limited number of key points frequently achieved higher marks than responses that tried to cover all conceivable issues. Such an approach resulted in limited development of analysis.

Many candidates could have improved their answers by making use of the case material to support their argument rather than providing a generic response.

Candidates should read the case carefully and then spend time planning answers to ensure a greater degree of focus in their responses. With careful planning candidates will be clearer of the demands of each question.

Increasingly, candidates are making more effective use of the case material than in past series but there are still a minority of candidates who do not give relevant context and offer only generic responses. This was particularly evident where there was a lack of clear understanding of the business concepts they were being asked about.

Most candidates find it difficult to develop evaluative points as their answer progresses. This is an important skill to practice through using past papers. Candidates might aim to give a point and counter point followed by a judgement. Often candidates do not give an overall judgement or recommendation. This continues to be a particular problem in ***Section B***.

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**Comments on specific questions**

***Section A***

**Question 1**

Some candidates begin their response by copying or paraphrasing parts of the case; frequently providing a brief history of the business. Such introductions lack focus on the question and rarely add value to answers.

A more focused approach, particularly for weaker candidates, is to give a clear definition of centralisation or characteristics such as minimal delegation to managers. This can make it more likely that the remainder of their answer focuses on the specific question. Stronger candidates will show their knowledge and understanding within their analysis.

Most 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, such as scale economies resulting from centralised buying or development of a more consistent brand message.

Strong responses used information from the case to support their points. For example, centralised decision making could ensure consistency in tactics to support BFB's strategic goals was linked to protecting BFB's premium brand. In a few cases, candidates' answers were theoretical and did not refer to the context or did not apply their points to the relevant information in the case. In relation to analysis, candidates were able to access L1 marks relatively easily, but candidates need greater depth to achieve L2 marks. Candidates were able to explain simple links between centralised purchasing, scale economies, unit costs and profitability. However, most candidates provided only simple chains of reasoning, with limited cause and effect.

Candidates should always stay focused on the question. Some answers included disadvantages as well as benefits. Analysis of disadvantages of centralisation was not required so received no credit.

**Question 2**

The numerical elements to **Question 2** were answered effectively. Understanding of financial ratios was frequently demonstrated and applied to the data. Candidates generally recognised the importance of showing method in their calculations and stated relevant formulae.

**(a) (i)** Although the formula for gearing was well known, around 1 in 10 candidates did not attempt this question. Learning ratios is critical to success on this paper and candidates should understand how to express their results – for gearing answers should be a percentage. Candidates need to practice calculating ratios from a range of data to get used to the different elements of capital employed. Many answers did not include reserves as part of capital employed resulting in an incorrect answer.

**(ii)** Statistically this was the easiest question on the paper.

**(iii)** Although candidates frequently stated the acid test ratio formula correctly, only stronger answers could identify the value of liquid assets. The figure for liquid assets was given in Appendix 1. However, many candidates subtracted this from current assets and thus calculated the value of inventory.

**(b)** There was some well-balanced discussion for this question which made use of answers to **Question 2(a)** and included a range of other factors to consider in making the decision. The strongest answers focused on the factors that would be most important to the founders and owners of the business. In contrast, weaker responses did not distinguish between the interests of the business and the interests of the owners and this resulted in less effective analysis and evaluation. There was misunderstanding of who would receive the $7m offered by TT, with many candidates incorrectly assuming that this would go to the business rather than the shareholders. Some very astute candidates used the financial information to calculate the valuation placed by TT on BFB and compared that to the value of the net assets of the business to give an impression of the premium that was being offered to the owners.

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**Question 3**

In general, candidates demonstrated an understanding of the external environment and used relevant facts and data from the case to develop answers. A difficulty faced by some candidates was how to move beyond simply repeating all the data in Table 2 without offering any interpretation or development. This is not rewarded.

In stronger answers, candidates defined key external influences and developed analysis of how changes from Table 2 might affect BFB. Good context made links between the Table 2 data and other information from the case. For example, how depreciation of the exchange rate would impact costs of the many imported components.

Less developed answers tended to miss links in chains of reasoning. For example, candidates frequently recognised that a rise in real GDP could result in higher sales but did not explain why or extend the argument to consider the impact on profit. The best answers provided in-depth analysis of the consequences of economic growth, making links to household incomes and the premium pricing of BFB's bicycles.

There was some confusion regarding the impact of exchange rate changes, with many candidates arguing incorrectly that the depreciation of the exchange rate would reduce BFB's exports. Some candidates misinterpreted the exchange rate index data commenting that the currency had appreciated.

**Question 4**

**(a)** Calculation of inventory turnover appears to be less well understood than other ratios. Statistics show this was the most difficult of the numerical questions in this examination.

**(b)** Many candidates answered this without reference to the result from **Question 2(a)**. The link between inventory turnover and lean production was explained by some candidates through developing analysis of the benefits of introducing JIT manufacturing, which would reduce inventory holding and therefore increase inventory turnover, enabling BFB to reduce costs and increase efficiency. Other aspects of lean production, such as TQM, could have been linked to the significance of the premium nature of BFB's bicycles. Stronger candidates also analysed disadvantages, such as the inability to cope with sudden increases in demand for bicycles. Candidates also considered the likelihood (or not) of increased profits, but evaluation was generally limited to statements about the cost of introducing lean production or the inexperience of the operations manager. Some effective evaluation was made by stronger candidates of the difficulty of managing complex supply chains to ensure that there would be no stock outs, observing that it was necessary to have a strong relationship with suppliers.

**Question 5**

This proved to be a challenging question. Marketing planning questions often lack focus on what has been asked. Weaker candidates continue to simply suggest a range of marketing tactics for launching new products. Some responses unnecessarily provided a detailed marketing plan with extended analysis of different elements of the marketing mix. These answers typically gained full marks for knowledge and application but gained only limited analysis and evaluation marks because there was limited focus on the actual question. In contrast, stronger candidates focused on the importance of marketing planning to the success of BFB's new products as asked by the question. Good answers not only identified the elements of a marketing plan but also provided balanced analysis of its likely effectiveness with reference to factors such as the marketing strategies of competitors and the need for effective market research.

***Section B***

**Question 6**

Strategic analysis was popular as two thirds of candidates attempted this question. However, it proved the more challenging of the two ***Section B*** questions. Some candidates did not distinguish between strategic analysis and strategic choice techniques. This led to a few answers being awarded no marks as there was only a discussion of strategic choice techniques such as Force Field Analysis and Decision Trees. This approach did not answer the question. Many other candidates took a descriptive approach and considered a variety of strategic analysis techniques, often in detail, with minimal analysis and undeveloped application. It was also common for answers to attempt a SWOT analysis of each strategy rather than analysing how the technique provides a basis for identifying potential strategies to which strategic choice techniques can then

be applied to make a final decision. The limitations of strategic analysis were well-known, especially when the analysis occurs in a dynamic environment or there is only a focus on one technique.

The strongest answers remained focused on the question and explained that strategic analysis is part of strategic management and *precedes* strategic choice. Answers then considered the role of different analysis techniques in guiding decision-making.

A few candidates incorrectly thought that the question required a judgement as to which strategy BFB should choose. This was not asked for and frequently led to misplaced analysis of the role of strategic choice techniques as a focus of the answer.

**Question 7**

This was the less popular option for candidates and there is evidence that it was picked by those that, on average, had performed better in ***Section A***. The focus of candidate answers was better than in **Question 6** and this resulted in a higher average mark. However, some candidates focused on which option BFB should choose, which was not asked for, rather than focusing on the usefulness of Force Field Analysis in comparison to other techniques.

Most candidates demonstrated understanding of Force Field Analysis as a strategic choice technique. Many weak answers described at length what a Force Field Analysis shows and repeated the data from the appendix without any interpretation/analysis of the data. Stronger answers commented on how Force Field Analysis encourages managers to consider different aspects of a decision and helps focus attention on the most important forces affecting a decision. This was supported by reference to forces within the appendix. Strong answers also considered other techniques that should be used alongside Force Field Analysis. Evaluation was then linked to the subjective nature of the techniques and the need for both quantitative and qualitative information when making decisions.