BUSINESS

Paper 9609/12
Short Answer and Essay

Key messages

- Candidates are reminded to take time to read each question carefully. Some answers to **Question 2(b)** incorrectly explained the *advantages* rather than the *disadvantages* of empowerment.

- Many answers to **Questions 1(b)**, **2(b)**, and **4(b)** in ***Section A*** presented little more than statements rather than explanations. The word *explain* requires more than a definitional statement. To explain a business concept requires words that make clear the meaning of that concept, to make it intelligible. The meaning needs illustration and development so that it is clearly understood. **Question 2(b)** requires explanation of the disadvantages to a business of using empowerment to motivate employees. An answer such as 'There may be a reduction in morale among the workforce' is not a developed explanation. A sound explanation (rather than a statement) could be 'There may be a reduction in morale in the workforce as some employees may not want additional responsibility or some may not be offered empowerment opportunities, resulting in some staff being de-motivated.'

General comments

- More answers attempted to make more substantial evaluative comments in the ***Section B*** essay. These comments are often made in the opening sentences of an essay and continue throughout and at the conclusion. This is an excellent response to previous reports reminding candidates of the 6 marks available for the skill of *evaluation.*
- Candidates are reminded that this improved focus on evaluation still requires a strong level of analysis. The analytical discussion needs to fully support and underpin the evaluative judgements made.

Comments on specific questions

Section A

Question 1

(a) A significant number of candidates did not attempt to define marginal cost or wrote about costs in very general terms. Some confused the concept with margin of safety. Those who did understand the concept presented the simple but accurate definition of 'the extra cost of producing one more unit' and some produced an accurate formula.

(b) Some candidates presented a very detailed definition of break-even analysis but were unable to explain the uses of the concept. Many answers focused on the value of using the concept to identify the amount of profit made at certain levels of production. Strong answers related the use to choices and scenario changes. Specific choice decisions were given such as launching a new product, responding to market changes and pricing decisions, and choosing between location options for a new factory.

Question 2

(a) Most candidates were familiar with the term 'commission' and identified it as a method of employee payment for sales made.

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(b) Some candidates did not understand clearly what employee empowerment might involve and consequently were struggling to explain the potential impact on a business. Some candidates mis-read the question and explained two advantages rather than two disadvantages of empowerment. Some answers simply stated two accurate disadvantages of empowerment for a business but did not develop these statements into an explanation. Strong answers explained that problems might arise in a business with empowerment policies due to employees preferring alternative motivators such as increased remuneration, or to employees lacking confidence or training, or to managers lacking the skills or aptitude to effectively implement empowerment.

Question 3

This question was very well answered by most candidates, The main problems identified resulting from a change from sole trader to partnership were loss of complete control of the business, the requirement to share profits, the potential conflict between partners, the possible slowing of decision making and the costs and time involved with the necessary legal paperwork involved. Some candidates drifted into explaining some possible *benefits* arising from the business change. This was not relevant to the question and prevented these candidates spending more time developing relevant concepts and being awarded more marks.

Question 4

(a) The term 'customer(market) orientation' was well understood. Many answers used the term 'outward looking approach' and compared it with 'product approach'. Sound answers referred to the use of market research to ensure customer demand and preferences were identified and acted upon.

(b) Some candidates again did not read the question correctly and explained advantages of market segmentation rather than limitations. Sound responses included limitations such as the costs and time associated with researching the demands of different segments, the inability to secure economies of scale and to enjoy the benefits of supplying a mass market, the potential high production and inventory costs of segmented markets, and the potential impact of sudden customer demand changes in small markets.

Section B

Question 5

(a) Some sound responses to this question showed a good understanding of internal sources of finance together with examples of the benefits to a business of their use. Retained earnings and the sale of unwanted assets were the two internal sources most discussed. The benefits identified and analysed included those relating to the advantage of avoiding external sources involving interest payments, tight repayment deadlines and potential reduction in internal independence. Strong answers linked the use of internal sources to the business growth scenario given in the question. Many answers, however, left little room for analysis by giving a too detailed explanation of the sources and neglected to analyse the benefits of using internal sources of finance. Such answers were generally restricted to a maximum mark of 5.

(b) Weaker answers often moved directly into evaluation and discussed qualitative measures without fully identifying and analysing the contents of published accounts. Some candidates misunderstood the question and discussed the factors important to customers in choosing a hotel. Stronger answers confidently discussed the role of published accounts and the concept of business performance. Most of these answers referenced the specific quantitative indicators contained in published accounts (such as profit/loss, asset growth and liquidity), and balanced these against non-financial performance indicators such as market share, levels of employee morale and motivation, and the quality of relationships with external stakeholders such as suppliers. The very strong answers recognised the exclusive nature of a luxury hotel, possibly operating in a niche market with high costs, limited number of customers but with a high level of profit.

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Question 6

(a) This was a popular question given its focus on the marketing mix. Most candidates used the marketing mix framework to compare the role and use of price with the contribution of product, place, and promotion. Weaker answers often failed to relate comment and analysis either to the context of the retail clothing market or to the context of a loss-making clothing retailer. Some answers referred to clothing manufacturing rather than to a retail clothing business. Strong answers used the marketing mix and the specific question context to consider possible options, opportunities and limitations that a loss-making business might face. A pricing strategy change could be very much affected by the pricing position of competitors as well as the market position of this loss-making business. Some answers recognised that promotion might be more important than price in this scenario, yet could a loss-making business afford to increase promotional activities? This question gave plenty of scope for such evaluative questions.

Question 7

(a) Strong answers prefaced discussion and analysis with a clear definition of business relocation. Many candidates however did not do this and drifted into a discussion of general location issues and consequently failed to identify the specific factors that might determine a business relocation decision. Clearly many of the factors such as availability of skilled labour, cost advantages for resources, and growth opportunities are common to location and relocation decisions .However, strong answers were able to focus on relocation by comparing the current location position with the need for a prospective new location.

(b) Some candidates were challenged by the concept of operational flexibility and therefore had considerable difficulty in producing a relevant answer, Weaker answers interpreted operational flexibility as the different functions of a business and a minority of candidates did not link flexibility to improving sales and only considered the level of production. Strong answers recognised different types of operational flexibility such as the ability to change levels of production, the agility to respond quickly to market demand changes, and the development of an adaptable workforce. Strong answers gave specific examples of operational flexibility such as mass customisation and. robotics. Some candidates recognised an opportunity to earn evaluation marks by pointing out that improved sales of toys might be achieved through methods other than operational flexibility, for example more effective marketing.

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Paper 9609/22
Data Response

Key messages

- The data and businesses are given as a basis for answering the questions. Although generic answers show understanding of the knowledge required, they cannot provide analytical and evaluative answers that gain all of the marks. Where a question states the name of the business or a specific stakeholder, then the answer must be routed in the context of that business or stakeholder. For example, **Question 1(d)** is specifically about Rehana Recycles (RR) and the data in Table 1.1. Therefore, the answer must explicitly use that data in the analysis and evaluation.
- Analysis is about showing the impact, effect or consequence of something. However, good analysis must show the steps that link the initial action to the final effect on the business. For example, in **Question 2(c)** candidates should identify a disadvantage of decreased staff morale and welfare and then show how this could impact the operation of the business. It is not enough to state that it leads to a demotivated workforce, there must be some specific impact on the business. In this case, it would be in terms of productivity, output, sales and potentially profit.
- Mistakes in calculation questions happen. However, if a candidate does not show the stages of their working then they cannot be given any credit for a wrong answer. A well-laid-out answer, showing the formulae involved, the numbers used and the final answer may only lose one mark if the final answer is wrong and the other stages are correct.
- Evaluation is about answering the question. In some cases, like **Question 2(d)** this is clear because the question asks for a recommendation. However, where the command word is 'evaluate' candidates often fail to offer a clear answer, which in most cases still requires a judgement. In **Question 1(d)** the most obvious judgement was for a candidate to discuss whether RR should or should not change to batch production. Candidates who gave a judgement, after they had demonstrated good analysis, were far more likely to gain evaluative marks than those who prevaricated or did not come to a justified judgement.
- Business is about making decisions and the ability to make recommendations is vitally important. Questions, such as **2(d)**, are usually completed well and give candidates an opportunity to analyse contextual data and come to a reasoned judgement. There is often a great deal of data, as is the case for this question, and too much for any response to cover everything. The key is to choose which data is most important in the given context and focus the analytical arguments on this.

General comments

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

Rehana Recycles was a relatively small, eco-friendly business that was expanding. There was some quantitative data included which was relatively poorly used. Although there is a calculation question for each piece of data, candidates should try and use the numbers in other answers where relevant.

BB was a much larger manufacturing business with a producer market (B2B) and the potential of a new consumer market (B2C). This gave a good contrast to RR and allowed a more corporate type of answer from candidates who may have spent time looking at larger businesses during their course.

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Comments on specific questions

Question 1

(a) (i) Most candidates had some knowledge of a mission statement, and this was a well-answered question. To define the term, candidates needed to ensure that they did not repeat the words in the term in the question. For example, there were responses where a mission statement was defined as a statement of the mission for a business. This type of response does not show any understanding and must be avoided.

A good definition covered both aspects of the term, the mission of the business (aims, values, etc.) and the statement aspect (that it may be used to show to internal/external stakeholders, or that it influences a business's decision making).

(ii) Democratic leadership involves participation of workers in the leadership process. Many candidates used the example of voting as a way of showing this participation which was good. However there needed to be some link to a function of leadership, such as, decision-making and coordination so that there was a full answer to the question.

Where a term has more than one word, it is important to explain each aspect. Some candidates simply explained what democratic meant and did not link it to leadership, giving a partial answer.

(b) (i) There was some confusion between the acid test ratio and the current ratio, and a significant number of candidates attempted to use the wrong figures. However, as long as there was clear working, some marks could be awarded based on the stages of the calculation that were correct.

Likewise, some candidates inverted the formula and gave an answer of 4. Whilst obviously incorrect, the working up until the final formula is rewardable and candidates should be reminded to set out each stage of their working so that the examiner can follow it.

(ii) This question is specifically about improving liquidity in the context given, not just theoretically. Many candidates could explain ways of improving liquidity but failed to apply this to Rehana.

There were also responses where candidates gave a correct, but incomplete answer. For example, one way might be for Rehana to sell her machine that recycles bottles. However, simply selling the machine would not improve liquidity. The candidate needs to go to the next step and state that this would increase cash in the business, so improving liquidity.

A common response was for Rehana to sell her inventory. On its own, this is not a full answer to the question. If the inventory is sold for cash then it might improve liquidity (when measured by the acid test), but not by the current ratio.

(c) Unique selling point was a very well understood topic and most candidates knew what the term meant. Good responses did not come up with generic benefits of a USP but looked specifically at the context of RR and found benefits relevant to the business.

Developed analysis requires more than a simple impact. It requires the use of the context of the data and a chain of reasoning that shows, step-by-step, what the likely impacts on the business and/or stakeholders are likely to be.

Some candidates wasted their time attempting evaluation in answer to this question. In most cases this involved a conclusion stating which of the benefits were most beneficial, or in some cases, the potential costs of having a USP. Neither of these were necessary as this was an analysis question. Candidate should always be working towards the assessment objective of the question (in this case AO3).

(d) Candidates were comfortable in analysing changing production processes and there was plenty of context upon which to base a good answer. However, many candidates simply ignored the data and tried to write a generic response about the advantages and disadvantages of batch production. Such an answer is unlikely to gain more than 4 marks out of a possible 12 marks because it is not applied to the business, in this case RR.

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A good response to this question would attempt to make an argument on either side; an argument that RR should change to batch production and why and an argument that RR should not change to batch production and why. Only one argument on either side was required for full marks and some candidates attempted to make three or four arguments on either side, restricting their time available for later questions.

As always with Paper 2 evaluation questions, those candidates who started with the data tended to produce better responses. So, for example, the fact that RR is a small business is likely to mean that it has limited resources and may not be able to afford the change to batch production. The data had many clues as to which arguments are likely to be most effective and good candidates look out for these signposts.

Question 2

(a) (i) When asked to define a term which has an associated formula, full marks can be achieved by stating the formula. In this case the formula for market share is a quick and easy way to gain all of the marks here.

If a candidate chooses not to use the formula, then the definition needs to describe what is in the formula carefully. For example, the proportion of the entire market that uses a particular business.

(ii) Efficiency is a well-used term in everyday life and candidates should be aware that a more precise explanation is required in an examination. In business, efficiency is about the amount of output that can be achieved with the least input. This can also be exemplified in terms of capital or people.

Explanation always requires more than a definition and candidates should try to show good understanding with the use of an example (not copied from the data because this does not prove good understanding) or by showing that the term is understood. For example, in showing good understanding of efficiency a candidate might link it to the objective of the firm, or the need to reduce waste.

(b) (i) This question was generally done well by referring to the data in Table 2.1. The key was recognising that other data was also necessary (the reduction of fixed costs by 10%). This was signposted in the question (refer to Table 2.1 and other information) and therefore obvious if a candidate had thoroughly read the data.

Those candidates who tended to lose marks had often calculated the 10% reduction but included the 10% as opposed to the 90% of fixed costs.

(ii) Asking candidates to explain a limitation to the new machinery increased the difficulty of this question and some candidates seem to be thrown off by this. The most obvious limitation was the cost of the machinery and the opportunity cost of spending this elsewhere in the business. A good contextual answer was rare for this question, but candidates must be aware that if a question refers to the name of the business or a stakeholder, then the answer must be specifically about that business or stakeholder.

(c) Most candidates could identify one or two disadvantages to a business of decreased staff morale and welfare, but relatively few developed this into a chin of analysis that was clearly in the context of BB. This question was not about any business and the effect should have been routed in the candidates understanding of what BB was trying to achieve.

The most common disadvantage was reduced motivation, but candidates found it more difficult to analyse the effect of a fall in motivation. Reduced motivation is not analytical on its own because there is no clear effect on the business. There must be some link between what the business is doing and the importance of people's motivation in that context.

Good responses often referred to the growing markets for BB and the importance of people within the production process if BB is to be able to take advantage of the market growth.

Occasionally a candidate would spend time explaining how BB should improve the staff morale and welfare in BB. This was not what the question asked and could not be rewarded.

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(d) Candidates tend to find it easier to recommend than to simply evaluate and that was the case for this question. However, a recommendation must be justified through the use of good analytical arguments in context. In this case either option would have provided a good answer as long as the arguments backed up the judgement.

Most candidates analysed both options and this provided a thorough analysis and the basis for a good judgement. Occasionally a candidate only looked at one of the options (often the consumer market) and this limited the value and authenticity of the response.

Candidates could either approach this by arguing the advantage(s) of one option and the advantage(s) of the other, or to look at the advantage(s) of one and the disadvantage(s) of the other.

Sadly, some candidate tried to provide too much analysis and did not leave time for a justified conclusion at the end. They had often gained all of the analysis marks relatively early in their response and the subsequent arguments were wasted. As a minimum, candidates require one argument for each option. More than this is unnecessary and may waste precious examination time.

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BUSINESS

Paper 9609/32
Case Study

Key messages

- Focus answers on a small number of issues – two or three is typically sufficient. This allows time to develop better chains of reasoned analysis and offer more considered evaluation.
- Use data actively from Tables and Appendices to answer questions. Do not just repeat the data.
- Evaluation is essential to achieving higher marks in ***Section B***. Focus on the usefulness of techniques in answers.

General comments

Many candidates demonstrated understanding of a wide range of business concepts. Stronger candidates made effective use of the case material and developed extended chains of reasoning that showed cause and effect. The best answers demonstrated an evaluative approach in each paragraph and included well-focused judgement in the final paragraph.

Candidates should be reminded that there are no evaluation marks in **Question 1** and that evaluation marks are conditional on application marks.

Comments on specific questions

Section A

Question 1

The standard of answer to this question was high and it proved to be the most accessible long answer question on the paper. Most candidates provided a good definition of human resource management recognising that it was a strategic approach to the effective management of employees or identified key elements of the role of human resource management such as recruitment and selection. Many candidates identified that the business adopted a soft approach to HRM and liked this to potential beneficial impacts such as higher motivation resulting in better customer service and therefore more satisfied/repeat customers. Case material was effectively used to build applied analysis with reference to the benefits of delegating decision-making or the extensive provision of training. The best application occurred where links were made between different elements of the case material, for example, explaining the benefit of flexible employment contracts to enable the business to reduce labour costs in response to changes in demand such as during the recession.

Some candidates explored more than two benefits with the result that analysis was less well-developed and limiting answers to Level 1. Candidates should always stay focused on the question. Some answers included disadvantages as well as benefits. Analysis of disadvantages of the approach to HRM was not required and received no reward. Evaluation was also evident in some answers. For **Question 1** there is no instruction to assess the benefits so evaluative comment is not required.

Question 2

There was evidence of an improvement in the understanding of the usefulness of critical path analysis (CPA) relative to previous sessions. The quantitative questions were accurately answered by the majority of candidates and effective use was made of the data in assessing how CPA might benefit UBH.

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(a) (i) Most candidates were able to identify the earliest start time (EST) and the latest finish time (LFT). Unfortunately, a few answers mixed up where the EST and LFT should be placed in the node and others gave the same answer for both. 14% of candidates did not attempt this question.

(ii) 66% of candidates understood that the minimum project duration of 43 days could be identified from the numbers in the final node. Few candidates used the network to calculate the time taken for the sequence of activities taking the least time from start to finish.

(iii) Less than 30% of candidates could identify the critical path with many incorrectly including activity B in their answer. This was possibly a result of the inclusion of a 'dummy' activity in the network which added challenge to those candidates with only a basic understanding of networks.

(iv) The majority of candidates understood how to calculate total float and correctly included working in their answer. 10% of candidates did not attempt this question.

(b) Weaker candidates provided only a superficial comment on the usefulness of critical path analysis. These answers typically understood that CPA was a planning tool but were unable to develop any chains of reasoning as to the benefits of effective planning. Stronger answers analysed how CPA might help USB plan the use of resources, including labour, and that cash flow could be improved by planning when different resources would be needed during the project. Application was shown through specific reference to the tasks that needed to be completed for the project, for example commenting on the critical activities or the total float of an activity. Simple evaluation was given through reference to the limitations of CPA, for example, the likely accuracy of the estimates.

Good answers typically referred to the delay in the delivery of office furniture as an example of how there were external factors that could impact the completion of the project and that such delays could not be anticipated. Higher level evaluation was shown through considering the relative usefulness of CPA in ensuring that the project was completed on time, for example by commenting on UBH's extensive experience in managing the opening of new facilities. A few candidates noted that in the case of delay to a critical activity it may not be possible to redirect resources from a non-critical activity for example labour from activity G employee recruitment, could not be redirected to activity D, building work and inspection.

Question 3

This proved to be a challenging question. Weaker answers did not effectively link an understanding of the government response to the recession to the impact on UBH. Candidates knew that reducing interest rates affected the cost of borrowing, but weaker answers could not explain the effect on business. Stronger answers did well to limit their responses to just two of the economic policies and developed in-depth chains of reasoning making effective links to the circumstances of UBH. For example, commenting that as UBH's expansion had been financed by debt finance the reduction in the cost of borrowing could potentially result in lower interest payments and therefore reduce the strain on UBH's working capital during a period in which revenues were falling. Candidates needed to be selective in choosing which policies to comment on. For example, most answers that referred to the reduction in income tax were unable to make an effective link to UBH as there was no recognition of UBH's customers were businesses rather than households. However, there were a few answers that correctly developed appropriate analysis linking a reduction in income tax to increased consumer spending and therefore an increase in business activity which would then increase the demand for UBH's services to business.

Answers struggled to develop any meaningful evaluation with only a few candidates making supported judgment as to the most significant policy that benefited UBH. Many answers just repeated the assertion from the text that Amit, the founder of UBH, believed that without the changes to economic policies UBH would have failed.

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Question 4

The numerical parts of this question were answered accurately by the majority of candidates. **Part (b)** was more challenging but there were examples of answers which developed complex argument as to whether UBH should change into a public limited company.

(a) (i) Candidates are increasingly familiar with calculating gearing and most stated the appropriate equation and set out their method including the calculation of capital employed as a stage in the overall calculation. Weaker candidates were unsure of the correct equation for calculating capital employed and often left out retained earnings.

(ii) Most candidates knew the equation for the current ratio although some did not understand how to calculate current assets. This was one of the most accessible questions in the exam.

(iii) This was also accurately answered by the majority of candidates.

(b) Being able to define concepts is essential to provide a foundation for later analysis. Unfortunately, some candidates still believe that a public limited company is owned or run by the government. Others argued that a plc would be more likely to receive financial support from the government. Candidates should give more focus in their preparation to understanding essential business concepts. Weaker answers did not fully understand the implications of becoming a public limited company beyond recognising that shares could be sold publicly. Some answers understood what a plc was but were not able to explain advantages that were distinct from being a private limited company. For example, some answers focused on limited liability for shareholders which is a feature of all incorporated business.

Stronger answers focused on the benefits of using share capital to fund UBH's planned expansion and contrasted it as a source of finance with bank loans. This enabled use of the gearing ratio calculation which indicated that UBH was highly geared and better candidates also observed that interest rates were expected to increase in the future. Some candidates developed evaluation by weighting the importance of different factors. The best answers provided a balance of arguments and reached a supported judgment highlighting for example the impact on the current three shareholders of any decision to go public.

Question 5

This proved to be the most difficult extended answer question in ***Section A***. This continues a trend of candidates struggling to develop coherent responses that require a change to the marketing strategy of a business. Although most answers defined the marketing mix as relating to the '4Ps' very few developed analysis of two changes to the marketing strategy as required by the question. Weaker answers took a 'scattergun' approach making many suggestions such as increasing promotion and reducing price without considering the context or developing any chains of reasoning. Better answers used the information on the relative price charged by UBH for its service compared to competitors to explore the benefit of cutting price. Where the downside of lower pricing was considered, candidates were able to introduce balance and this sometimes resulted in a supported judgment. Some candidates ignored the issue of capacity utilisation and thus suggested opening more premises targeted at multinational corporations without considering the impact on capacity and its utilisation.

Section B

Question 6

Section B should provide a familiar format with one question that focuses on a particular technique and the other question with a broader focus on an area of strategic management. It is evident that candidates are becoming more aware of the distinction between strategic choice and strategic analysis and there is greater accuracy in placing particular techniques such as Porter's Five Forces in the correct part of strategic management.

Weaker answers defined and sometimes explained the five forces considered by Porter but were not able to explain how this strategic analysis technique could act as a framework for developing business strategy. Limited answers tended to simply repeat the information in Appendix 1. Stronger answers used the data to analyse factors that increased competitive rivalry in the market therefore making option 2 more or less desirable. For example, some answers commented on the relative power of UBH in negotiating with

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corporate clients and concluded that UBH would have limited ability to set price thus making option 2 less desirable. However, this was not a strategic choice question so it was not necessary for candidates to make a judgment of which option to choose. Some good answers considered other strategic analysis techniques that could be used to understand UBH's internal and external environment. Supported judgment often observed that Porter on its own was insufficient to develop strategy and some answers focused on the dynamic environment within which UBH competed which therefore required the findings any technique to be regularly updated.

Question 7

This was the more popular choice in ***Section B*** and answers were of a slightly higher standard. It is a question that has been seen frequently on **Paper 3** and this familiarity may have helped candidates develop more focused answers. When considering the usefulness of strategic choice techniques candidates are increasingly aware that there is no need to make a choice between options. It is encouraging that candidates are giving greater focus as to why different techniques are useful or what limitations each has. Good answers often referred to the quantitative or qualitative nature of different techniques. The issue of a dynamic environment was referenced by some candidates.

Weaker candidates just went through the data in Table 4 item by item. These answers rarely commented on the techniques and their usefulness to UBH in making strategic decisions.

Evaluation was lacking from most answers and given the weighting of skill marks in ***Section B*** towards evaluation this was the most significant weakness in answers. Candidates who developed comment on the weaknesses of each technique were appropriately rewarded and there were some very high marks given to the best answers. The best answers did not necessarily consider all techniques but focused on two or three thus offering more depth to the analysis and evaluation. For example, some candidates contrasted the use of decision trees and force field analysis. When considering the decision tree data good candidates noted that the dynamic nature of the business environment could compromise the quantitative nature of the estimated outcomes. This was contrasted with the more qualitative aspects of force field analysis whilst recognising the potential for subjectivity in assigning values to the driving and restraining forces.

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