

# BUSINESS STUDIES

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Paper 9707/11  
Short Answer/Essay

## Key messages:

- It is important in **Section A** to ensure that 'explanation' and 'brief explanation' contains more than very limited descriptive material. Explanation implies some more detailed information than that provided in a definition. Explanatory information could well include contextual examples and analytical comment as to why the information is important. Explanation is designed to clarify and to assist understanding of a business concept or activity.
- Candidates should continue to ensure that, where a question has a specific business context, the discussion and analysis should be specifically directed to that context wherever possible.
- Where there is no specific business context given, candidates should ensure that the answer is rooted in a clear business setting. Giving examples of where a business activity might be especially relevant will be rewarded.

## General comments

While many candidates demonstrated a good knowledge of the syllabus content assessed in this Paper, many answers in **Section A** contained insufficient information, examples and comment.

It is good to see more candidates drawing together points made in an essay to produce a definitive conclusion. It is at this point that more candidates should refer back to the question as stated and consider how that summary conclusion could be strengthened with some evaluative comments.

## Comments on specific questions

### **SECTION A**

#### **Question 1**

- (a) This question was not well answered by many candidates. There is a body of business leadership conceptual theory and practice that is quite distinct from that relating to the role and function of 'management'. Certainly leadership is concerned with achieving objectives and motivating employees. But theory and practice suggest that leaders perform additional distinctive tasks such as giving strategic direction, defining organisational vision, and inspiring all who work in an organisation to realise that vision.
- (b) The response to this question was much stronger. The strongest answers were those that selected a style of business leadership and provided contextual examples in support. Often contrasts were made with alternative leadership styles.. Some answers were quite short and did not effectively place a leadership role in a firm business setting.

#### **Question 2**

- (a) Most candidates were able to accurately define and describe business relocation.
- (b) This was also well answered with the causes leading to business relocation including the need to expand, to reduce costs, and to connect with a more significant market. There were many examples of very limited explanation of relevant reasons/factors leading to a relocation decision. There was a real opportunity to describe and comment on business reasons and contexts for relocation. Many answers failed to grasp such opportunities.

### Question 3

This question had a focus on the sources of finance that an expanding business might use. Many candidates did not interpret this question as a sources of investment question and therefore did not present relevant business information or explanation. Strong responses created a context scenario for the extent of finance required to support the expansion plans of a manufacturing company. Given that theorising/speculation, such answers then assessed the extent to which the expansion might be financed through internal and external financial sources. Strong explanatory answers had a focus on the appropriateness of various sources of finance for this expanding business.

### Question 4

- (a) There was a significant number of answers that did not give an accurate definition of this popular form of business activity. Some responses gave a relevant organisational activity such as Mcdonalds, but did not state the particular organisational arrangements for the operation of a business franchise.
- (b) Good answers included explanation of such benefits as the reduced risk of business failure, dealing with an established brand, and support from the franchisor in areas such as marketing and advertising.

## SECTION B

### Question 5

- (a) It is pleasing to note that more candidates understand the difference between cash and profit and recognise that certainly in the short term businesses need to ensure that there is sufficient liquidity to pay bills and survive. A number of answers defined cash flow and profit but did not put any focus on a new business – an essential part of the question. It is important that answers respond explicitly to any context stimulus in a question, as it is important to give such application/context examples where the question contains none.
- (b) The strongest answers to this question were those that used a cash flow problem as a pretext for considering the use of a overdraft as a possible solution. The discussion then went on to identify and analyse the various reasons for and against using an overdraft facility to address cash flow problems.

### Question 6

This was not a popular question. Effective human resource management in any organisation is likely to lead to certain benefits such as high levels of productivity, more contented employees, and higher levels of motivation. Arguably these organisational benefits could/should feed through into a relatively high level of quality service to customers.

A retail business is one where it might be expected that customers would directly experience the impact of effective human resource management. If retail staff are effectively recruited, trained and then valued as a result of effective HRM then the customer experience should be richer and more positive.

Good answers discussed the likely features of effective HRM and then analysed the likely impact and results of such activity in the context of a retail business. These results such as high productivity, a more skilled and caring workforce become the factors that evidence effective HRM.

### Question 7

This was a very popular question.

- (a) Most candidates were able to distinguish between niche markets and mass markets and clearly explain the characteristics of both. Many answers focused only on the difference between these different markets. Stronger answers really addressed the question by analysing the different *marketing* approaches that are normally adopted for each type of market.

- (b) Strong answers to this question analysed and evaluated this provocative statement in the context of a reasoned discussion of what marketing is said to be about. Sound definitions of marketing were advanced together with examples of marketing objectives and activities. Such answers made effective use of marketing frameworks such as the 4 Ps and 4 Cs. Weaker answers simply agreed with the assertion that marketing is all about the advertising and selling of products.

# BUSINESS STUDIES

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Paper 9707/12  
Short Answer/Essay

## Key messages

- While it is important to define terms accurately at the beginning of an answer, candidates should avoid spending too much time writing long definitional introductions to answers. Too long introductions can significantly reduce the time for explanation, application, analysis and evaluation later in the answer.
- Candidates should continue to ensure that, where a question has a specific business context, the discussion and analysis should be specifically directed to that context wherever possible.
- Where there is no specific business context given, candidates should ensure that the answer is rooted in a clear business setting. Giving examples of where a business activity might be especially relevant will be rewarded.

## General comments

While many candidates demonstrated a good knowledge of the syllabus content assessed in this Paper, there was some evidence of weak understanding of some more recent additions to the syllabus. This lack of understanding was evident in the responses to **Questions 1 and 2**.

It is good to see more candidates drawing together points made in an essay to produce a definitive conclusion. It is at this point that more candidates should refer back to the question as stated and consider how that summary conclusion could be strengthened with some evaluative comments.

## Comments on specific questions

### **SECTION A**

#### **Question 1**

- (a) This question was answered accurately by many candidates. Most of the answers defined a social enterprise as primarily having social objectives but quite a few candidates did not make it clear that profits would be reinvested in the business. The triple bottom line concept appeared in many answers. A number of answers incorrectly confused social enterprises with public sector organisations such as Government departments or public corporations.
- (b) Some answers simply repeated the definition given in **part (a)** and were unable to identify or explain objectives that a social enterprise might have that are similar to the objectives of other businesses. Objectives such as profit making, survival, growth, and expansion were common objectives discussed in good answers.

#### **Question 2**

- (a) Strong answers recognised that definitions of emotional intelligence focus on both the individual manager/leader and on the potential impact on business performance. Some answers gave very general comments on motivation methods indicating that candidates were unfamiliar with this precise concept.
- (b) Candidates who had a good understanding of Goleman's work on emotional intelligence were able to give examples of his categories of emotional intelligence competencies such as social/self awareness, social skills and self management. A number of answers revealed that candidates had little understanding of this topic area on the syllabus.

### Question 3

This question was well answered by many candidates. Most answers correctly defined cash flow and structured an answer around how cash inflows might be boosted and cash outflows reduced. Strong answers were able to describe several methods that might improve cash flow and recognised that measures taken could have negative consequences. For example a measure to delay payment to creditors could result in a refusal/reluctance to supply goods in the future. A few candidates were not clear about the differences between cash and profit and incorrectly automatically equated increased profits with improving cash flows.

### Question 4

- (a) The majority of candidates were able to correctly define diseconomies of scale in terms of an increase in unit costs of production as a result of increased scale of production. There are still many candidates that do not have an accurate understanding of this concept. They see diseconomies as the absence of economies of scale suffered by a small business. This is not a new error and candidates should focus on gaining a clear and accurate understanding of diseconomies of scale.
- (b) Good answers made an explicit connection with increased scale of production and the real possibility for a business of experiencing some managerial diseconomies. The common examples given of business situations leading to potential diseconomies were: coordination, communication, and motivation problems resulting from increased scale of production.

## SECTION B

### Question 5

This question was attempted by only a minority of candidates.

- (a) Almost all candidates who chose this question knew what an income statement was and were able to give good detail on its content. Some answers stopped at this point and did not proceed to explain usefulness. Those that did address usefulness mostly focused on the interest of investors with net profit/dividends. Strong answers discussed how such information needs to be compared over time and with other businesses.
- (b) Many answers gave too much information on various accounting ratios but were unable to say much about their usefulness. Better answers analysed the usefulness of ratios by comparing liquidity and profitability ratios with the industrial average and with business performance in previous years. They also discussed the limitations of accounting ratios as quantitative measures of business performance and gave examples of how qualitative measures might be very important in measuring the performance of a business.

### Question 6

This question required candidates to consider the relative importance of product differentiation as an activity/objective of a specific marketing department.

There were few responses to this question. Some answers confidently explained and discussed product differentiation and introduced concepts such as a USPs and special product features, but few were able to make links with other parts of the marketing mix. The most successful answers were those that were able to relate issues of price, promotion, and place, to product issues including differentiation and to make some sort of assessment, in context, of relative importance and significance.

### Question 7

This was a very popular question.

- (a) Almost all answers demonstrated a sound understanding of recruitment and selection and accurately described the HR processes involved. Strong answers considered what sort of employees result from effective recruitment and selection and what would happen in a business where this was not the case. There was often good analysis of the benefits of effective recruitment and selection such as improved productivity, cost reductions and corporate image.

- (b) There was plenty of good discussion of the relative merits of internal and external recruitment but some answers did not relate the discussion to the context of recruiting a new head teacher in a school. Strong answers effectively used a theme of leadership or organisational change to facilitate contextual analysis and evaluation.

# BUSINESS STUDIES

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Paper 9707/13  
Short Answer/Essay

## Key messages

- Candidates should ensure that they answer the precise question set rather than introduce divergent materials that they are perhaps more comfortable with.
- Where there is a specific context given in a question this should be used as a central issue throughout the answer. Knowledge and analysis should be focused and applied to that context.

## General comments

The majority of candidates demonstrated knowledge of the range of syllabus content being assessed in this paper.

When required, definitions were often given in a precise and accurate manner. However, definitions were occasionally over-used when answering essay questions. Defining the terms used in an essay question can demonstrate knowledge of a concept but the majority of marks are awarded for analysis and evaluation; therefore candidates should not spend too much time on the definition element of an essay answer.

## Comments on specific questions

### *Section A*

#### Question 1

- (a) The majority of candidates were able to define a stakeholder as a person or group that has an interest in and/or are affected by business activity. Many candidates also gave valid examples. A small number of candidates defined 'shareholder' which was not the required response.
- (b) The responses to this question were not always focused on the 'accountable to' element and often outlined characteristics of a public limited company and how shares can be sold to shareholders. However, several candidates did identify accountabilities such as the requirement to provide shareholders with the annual financial statements and the right to attend an Annual General Meeting where shareholders can have some input to future business policy.

#### Question 2

- (a) Many candidates correctly defined process innovation as being a new or improved method of production or service delivery methods. However, a disappointing number of candidates defined 'product innovation' and referred to developing new materials or new features on products.
- (b) Many candidates explained how the use of more advanced machinery could increase the speed of production and also possibly reduce the number of errors therefore saving on materials and time. Another relevant method was to change from batch to flow production which again could increase the number of items produced per time period. The use of robots was frequently suggested with the explanation correctly identifying that they would not need rest or holidays and were also likely to be more accurate than manual labour. Weaker responses tended to identify the use of better equipment such as CAD or CAM but then did not explain just how their use would contribute to increased efficiency and effectiveness.

### Question 3

A small number of candidates answered this question in the context of 'data' rather than 'cost data' and such responses tended to refer to the use of IT systems to keep information about absences, sick days and other employment information. The response required was to relate how information on, for example, materials costs and labour costs could allow a business to check whether it was becoming more or less efficient in its use of those resources. A business could compare current cost data with that of previous years and could determine whether business performance was improving or not. Decisions could be taken, perhaps to change suppliers if it was found that the cost of raw materials has increased significantly.

### Question 4

- (a) Many candidates were able to correctly define management as being the process of organising and co-ordinating resources including people and that these are then moved towards a business goal or objective. Weaker answers often referred to management as running or managing a business, which did not convey an accurate meaning of management.
- (b) Several candidates were able to identify Mintzberg's roles of management with sufficient explanation to achieve full marks, while others were able to identify the roles but not able to offer any explanation of them. Some strong candidates identified two of the three main roles and also added the sub-status e.g. figurehead, leader and liaison under 'interpersonal roles' as well as explaining that this involved motivating people within the organisation towards achieving the business objectives. Some candidates wrongly referred to leadership styles such as autocratic and democratic leadership which could not be rewarded.

### Section B

### Question 5

- (a) The majority of candidates could explain the difference between above-the-line and below-the-line promotion and also gave valid examples such as television and magazine advertisements being used for above-the-line and, most commonly, for below-the-line the use of coupons and 'buy one get one free' offers. A small number of candidates confused the two methods and, although there was relevant knowledge, they assigned the description and examples for above-the-line promotion to below-the-line. High reward could not be given for such transposed content.
- (b) Good knowledge of branding was demonstrated in most answers to this question. Unfortunately the majority of answers were too descriptive and, despite showing a good knowledge of the advantages of branding, they did not always relate this to its importance for effective product promotion. This question required candidates to reflect on whether or not branding alone was sufficient or to what extent successful branding contributed to effective product promotion. Focused answers often referred to how it cannot be branding alone that creates effective product promotion and that the product itself must remain of good quality and must meet consumer needs. Some candidates also referred to the expense of creating and maintaining a strong brand image. Good evaluation tended to reflect on these points.

### Question 6

Unfortunately many candidates who chose to answer this question ignored the fact that the question required them to discuss factors affecting how the expansion might be financed. Most candidates discussed factors affecting the location such as the availability of labour and the coffee beans. Some of these responses did touch on the cost of marketing needed which was coincidentally a factor that could affect the amount of finance needed.

The question required candidates to consider such factors as the size of the business and the amount of internal finance that was available. Other relevant factors were the actual cost of the investment and the legal structure of the business. For example, if the business was a public limited company then it might choose to offer shares for sale; however, this needed to be balanced with the possible dilution of ownership and control. The level of existing borrowing was also a factor to be considered because if the business already had a high level of borrowing then it would be unlikely that they would be able to borrow any more finance for this expansion and therefore might be forced to offer more shares for sale either to new shareholders or through a rights issue. This was a good example of why candidates need to read questions with great care.

### Question 7

- (a) Good knowledge of the topic was evident in most of the answers to this question. The most common and valid causes of a high level of labour turnover were low pay, poor working conditions, low levels of job satisfaction and the leadership style employed in a business. These factors were usually well-explained although analysis was lacking in many responses.
- (b) A good knowledge of customer service issues and possible solutions was demonstrated by the majority of candidates; however, the context of a cruise ship was only evident in a small number of responses.

Solutions offered included more training for staff and more care taken when recruiting people to work on the ship. A small number of candidates had the foresight to recognise that the best way to solve the problem was to find out, from the customers, exactly what the problem was and so a questionnaire should be issued to customers. The actions taken could then depend on the problem(s) identified by the research. Where there was relevant context this was in the form of referring to the cleaning of customer rooms or the service of meals or the length of time at sea; all of which put the rest of the answer clearly in the context of a cruise ship.

### Overall comment

Candidates should be reminded of the need to read all questions carefully and to take note of any context in the question. Answers that do not answer the question precisely as set are not able to obtain high marks and in some cases perhaps cannot be awarded any marks at all.

Careful reading of the essay questions, in particular, can prevent candidates writing at some length on one question before realising that they can answer a different question better. There was evidence of this in the form of crossed out answers. This wastes precious time. Time spent reading questions carefully will be repaid by time not being wasted.

# BUSINESS STUDIES

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Paper 9707/21  
Data Response

## Key messages

- Candidates must spend more time reading and understanding the specific context of the scenario and be prepared to use this in their analysis. The context is the key to good analysis and evaluation on this paper and provides the most appropriate answers to the question. Candidates need to be selective in their use of knowledge, what they analyse and what they conclude. It is not unreasonable for a candidate to spend 5–10 minutes of the examination reading and understanding the given data, rather than jumping straight in to writing their answers.
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will produce an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain high marks. For example on **Question 1(c)**, candidates were asked to consider the factors, not to make a recommendation over George or Beryl.
- Candidates too often make a point and do not take it far enough. For example on **Question 2(d)** where many candidates correctly identified ways in which TT could manage their inventory but did not analyse the impact on TT of using that method. If a candidate states that JIT may be a good method for the tablets for schools then this is good knowledge, but what is the potential impact on TT? It leaves the reader asking 'so what?' Candidates need to take it further and analyse the likely impact on costs to the business, productivity of the business, customer service levels and, in the end, profits for TT.
- At the heart of evaluation is actually answering the question. Too many candidates provided analysed points to **Questions 1(d)** and **2(d)** but never actually answered the question. In many cases candidates kept on producing analysis, often moving further away from the central arguments, and then just repeated their analysis in a conclusion. The ten-mark questions of this paper require some form of judgement to be made.
- Centres must prepare candidates to respond at the right level for each question.

On this specific paper:

- **Question 1(a)** and **Question 2(a)** both required an explanation without using the business scenario. Each of these parts has three marks and candidates should aim for a detailed definition and an example, which must not be copied from the text as this would show no understanding.
- **Question 1(b)** and **Question 2(b)** both required calculation and then use of that calculation in context. When a candidate is told to use or refer to their answer they must do this.
- **Question 1(c)** and **Question 2(c)** both required analysis in context. Candidates should aim for two well analysed points and a good answer does not require a conclusion or any evaluation for part (c).
- **Question 1(d)** and **Question 2(d)** both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

## General comments

Paper 2 is a reasonably time pressured examination where candidates must have a good sense of timing to complete all the questions within the given 1 hour 30 minutes.

The contexts of both Best Books and Tangerine Tablets gave most candidates accessible businesses upon which to demonstrate their knowledge, understanding, analysis and evaluation. Most candidates made good use of the data and the best responses answered in the specific context of each business. Understanding of the market beyond the business given in the scenario (for example from candidates own experience of such facilities) was not required and did not unfairly advantage any candidates.

Whilst it is understood that this is a time pressured examination, there is still a need to spend a reasonable amount of time reading and understanding the data. Without context, candidates are limited to just over half marks for the paper and this is unlikely to gain a high grade.

Centres should prepare and practise the use of unseen data before the examination. A good technique can be to read the scenario/data, read the questions and then to go back to the data again. This process is likely to take 5–10 minutes of the examination for both questions, but it will produce responses that are more likely to attain high analysis and evaluation marks.

### **Comments on specific questions**

#### **Question 1**

- (a) (i) Many candidates showed some understanding by commenting on how a business might expand by means of opening new branches, factories or using internal funds. The term organic growth was also used to good effect.

Some candidates gave a tautological response to this question, identifying internal growth as 'growing internally'. Using the terms from the question within an answer like this will not gain any marks as it does not show any understanding.

- (ii) Most candidates could explain the term recruitment, but not all could adequately explain 'internal' recruitment. Some candidates merely stated that it was the opposite of external recruitment which shows little knowledge. The best candidates managed to give a good explanation of internal recruitment and then exemplified this.

- (b) (i) Most candidates could identify the correct figures from the data, but not all knew how to calculate the current ratio. Many tried to use one of the current asset figures instead of adding all three together.

Some candidates continue to give answers and show no working. If the answer is correct this will gain full marks, but if there is any mistake the answer gains zero marks because the Examiner cannot see where the candidate made the mistake (even if it is a common mistake). Candidates should not take the risk and should show all of their working.

- (ii) This question required a level of understanding about the nature of liquidity. Some candidates merely mentioned that the liquidity 'went down' with ebooks. This may be true but does not show any understanding. Many candidates correctly used the figures in the Table to explain why liquidity decreased (for example because of the reduced inventory needed with an ebook). This not only showed good understanding of liquidity but also good contextual knowledge.

- (c) The focus for this question was the factors that Ling should consider when choosing between Beryl and George. Therefore candidates were being asked to start with these factors and to analyse which were the most important in the decision between Beryl and George.

However, many candidates thought the question was asking them to make the decision between George and Beryl and as such they started with their attributes and spent the majority of the answer analysing these and then evaluating which person would be best. This was a wrong approach and whilst the candidate may have scored some marks, they lost a great deal of time trying to evaluate when no evaluation was necessary. This had a knock-on effect with later questions and often candidates simply did not have enough time to finish the paper.

The best candidates picked two or three of the most important factors and then analysed why they were important when choosing between George and Beryl. Although there were plenty of factors that could be chosen, the skill of analysis includes prioritising which are most important in the context of the data given.

- (d) This proved to be an accessible question to most candidates and as such many were able to access good analysis marks. Relatively few, however, actually made a recommendation for a complete marketing mix based upon this analysis. A marketing mix must include some reference to all of the Ps (or Cs) and how they blend together to form a marketing strategy. Candidates who attempted this based on good analysis were rewarded well.

Most candidates gained some application marks as the context was difficult to ignore in this question. Few gave a basic theoretical answer, although some candidates still spent too long

explaining pure theory instead of using it in their answer. There is no need to define terms in a question such as this because if a candidate actually uses the terms correctly and in context then they will gain all the marks for knowledge and application.

## Question 2

- (a) (i) Most candidates were able to identify the term and seemed to have good knowledge of its use. The most common mistake was to confuse market share with the share value on a stock market. Terms such as these must be fully understood and candidates must take a little time to read the case and think about how the term has been used in the case study. This should minimise this type of confusion.
- (ii) Most candidates made a good attempt at answering this question and had a reasonable understanding of the nature of efficiency. The best responses often compared efficiency with effectiveness to show a good understanding of the term.
- (b) (i) There were many ways to calculate the new closing balance. The simplest method was to work out that the new production line took away \$500m and added \$600m, meaning that the closing balance changed by +\$100m. Some candidates chose to draw out the complete cashflow table and make the required changes. This often led to the correct answer but used an inordinate amount of time. Centres must not only teach candidates to calculate the right answer, but that there are many ways to do so and they need to choose the most appropriate in a given situation.
- (ii) Most candidates could identify one or two uses of cashflow forecasting. However, relatively few applied these to TT as the question required. Without application to the data given, candidates will not be able to access higher marks on this type of question.
- (c) As with **Question 1(c)**, there was a misinterpretation of this question. The focus of the analysis was on the benefits of setting objectives, not on analysing the objectives of TT. Too many candidates went through TT's objectives and argued the appropriateness of each.

There are many benefits to setting objectives. Candidates who recognised that these benefits change as a business looks further into the future (i.e. short, medium and long term) were able to give excellent answers. The application for this question should have come from applying these benefits to TT but as many candidates started with TT's own objectives this type of answer was rare.

- (d) Inventory control was a well understood topic and as such most candidates gained some marks for knowledge. By using Table 4, candidates were easily able to gain application marks.

Analysis was gained by looking at the benefits and costs of the suggested improvements. The best responses did this within the context of TT, suggesting what the impact on the business might be.

To gain evaluation marks, candidates needed to come up with a more integrated approach than merely one recommendation for one product. The best responses looked at how inventory could be improved for two or three of the given products and showed how these approaches could be combined to allow the business as a whole to move forward and reduce their costs.

Answers which merely went through each product and explained a method of improving the inventory for that product with little or no analysis or evaluation of the methods were unlikely to gain more than five/six marks.

# BUSINESS STUDIES

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Paper 9707/22  
Data Response

## Key Messages

- Some candidates spent too long on definition and explanation questions which often added little extra to the answer, but restricted the time to spend on higher mark questions later in the paper.
- The case does not need to be repeated in an answer. Candidates need to use the context, not write out large sections of it word for word. For example on **Question 1(c)** many candidates spent too long describing Table 1 and not nearly enough time analysing how the data might affect ET's planning.
- In the longer questions **(c)** and **(d)**, the majority of the candidates showed good knowledge, and most of them explained their answers in context. However, many candidates did not develop deeper levels of analysis based on their application. Candidates seemed to prefer to list as many points as they could, thus limiting their analysis. Centres need to remind candidates that they can reach application and analysis with a few well developed points and bullet points should be avoided unless they are running out of time.
- Centres must prepare candidates to respond at the right level for each question:
  - **Question 1(a)** and **Question 2(a)** both required an explanation without using the case study. Each part has three marks and candidates should aim for a detailed definition and an example, not related to the case as this will often show no understanding, especially if it is copied from the text.
  - **Question 1(b)** and **Question 2(b)** both required calculation and then use of that calculation in context. When a candidate is told to use or refer to their answer they must do this.
  - **Question 1(c)** and **Question 2(c)** both required analysis in context. Candidates should aim for two well analysed points and a good answer to part **(c)** does not require a conclusion or any evaluation.
  - **Question 1(d)** and **Question 2(d)** both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.
- Most candidates do not know how to evaluate. Evaluation is about answering the question, often by means of coming to a judgement. Those candidates who did manage to do this often came to their judgement in a conclusion, but too many candidates thought a conclusion should be a repetition of their analysis, wasting time and effort. The very best evaluative answers make judgements throughout their answer based on their contextual analysis and then play these judgements off against each other in a conclusion, often evaluating from different perspectives.

## General Comments

Paper 2 is a reasonably time pressured examination where candidates must have a good sense of timing to complete all the questions within the given 1 hour 30 minutes.

The contexts of both Easy TV and Affordable Builders were reasonably well understood, although some candidates struggled with being given two service sector businesses. Most candidates made good use of the data and the best responses answered in the specific context of each business. Understanding of the market beyond the case study (for example from candidates' own experience of such businesses) was not required.

Whilst it is understood that this is a time pressured examination, there is still a need to spend a reasonable amount of time reading and understanding the data. Without context, candidates are limited to just over half marks for the paper and this is unlikely to gain a high grade. This is particularly true where data is given in tables or other forms presentation. Application is not repetition of the data, but rather use of the data to understand, analyse and evaluate.

Centres should prepare and practise the use of unseen data response material before the examination. A good technique can be to read the data/scenario, read the questions and then to go back to the data again. This process is likely to take 5–10 minutes of the examination for both questions, but it will produce responses that are more likely to attain high analysis and evaluation marks.

## Comments on Specific Questions

### Question 1

- (a) (i) Many candidates showed some understanding by commenting on the costs relating to production. Some were able to give examples of raw materials or material cost. Some candidates gave very well developed responses showing good knowledge in relation to the fact that direct costs can be linked back to a specific product or service. The best responses linked this to specific cost centres in a business.

However too many candidates gave circular, tautological responses using the term 'directly related to ET'. A few candidates explained variable costs without clearly showing the difference to direct costs. There were also some candidates who could not distinguish between fixed costs and direct costs.

- (a) (ii) Equity has a number of different meanings and all were rewarded if candidates showed understanding in their explanation. Most candidates used a shareholder definition, although many did not have a good understanding beyond shareholder funds. The best answers also showed understanding of equity from an accounting perspective.
- (b) (i) Most candidates made a good attempt at calculating the break-even point. The most common mistake was to ignore the need to calculate contribution and give an answer of 10. For those candidates who did make a mistake, marks can only be awarded if the Examiner can see where the mistake has been made. Therefore it is essential that candidates show all their working including the formula.
- (b) (ii) This was a relatively straightforward question and as such was answered well. The need to answer in context sometimes prevented candidates from gaining full marks and too many candidates wrote far too much, having gained their marks in the first few lines.
- (c) This question has two aspects. First the need to be able to interpret the data in Table 1 and understand the portfolio offered by ETV. This was done relatively well and candidates often spent too much time copying out the table or putting the data in a prose format.
- The second aspect was to analyse how this data could be used to plan future programmes. This was done much less well and candidates did not do enough with the data.
- There was no requirement to go beyond the AS syllabus requirements and candidates did not need to use any product portfolio analysis tools. Some candidates used the product life cycle to analyse the data, but again this was rarely used to inform future planning.
- Centres need to prepare students for questions like this where there are two distinct aspects, both of which must be addressed in a good response.
- (d) Most candidates showed good understanding of stakeholders and could recognise the response of different stakeholders of ETV. Sometimes this led to a response which simply repeated parts of the given data, which was often a waste of time.

A limited analysis of the stakeholder response was common with candidates often recognising that shareholders might invest more/less and consumers might choose not to watch the programmes for example. However good analysis requires candidates to take this further and show a chain of analysis that builds into an argument about the effect on the stakeholders and/or ETV.

A ten-mark question always requires evaluation and the most common way for candidates to demonstrate this skill was to argue how some stakeholders might have a positive response and some might have a negative response and then come to a reasoned and justified judgement about the nature of stakeholders responses. Some candidates manage to formulate their evaluation as they develop their arguments, but for many a good conclusion can bring both sides together and all candidates should aim to conclude their responses to these part (d) questions in some way.

## Question 2

- (a) (i) Far too many candidates tried to explain the term 'external finance' as finance from external sources, using exactly the same terms to explain. This tautological answer does not demonstrate any understanding and must be avoided. Candidates who gave an often simple definition of finance as money and external as being outside the business were awarded with two marks and a good example could gain the third mark. Candidates who gave a long explanation comparing external with internal finance but never showed any understanding of either word gained little or no marks.
- (ii) A well answered question. Most candidates recognised that inventory was another term for stock (although other definitions were less common but rewarded) and often gave examples of types of inventory and ways of controlling inventory to show good understanding.
- (b) (i) Most candidates who attempted this question could identify the correct figures and therefore gained a mark. Most also used the figures to come to an answer and the most common answer was the correct one. However, there were some responses where candidates did not round correctly and others where candidates did not calculate a percentage. These are easily avoided mistakes and Centres should prepare candidates for the calculation questions that are likely to be asked on this paper.
- (ii) The question specifically calls for the use of the answer to **Question 2(b)(i)** and yet many candidates did not use their answer, or any context, to answer the question. To gain three or four marks on this question some application to the context of AB was required. Most candidates could recognise the disadvantages of high labour turnover.
- (c) Candidates commonly demonstrated contextual understanding. Those candidates who achieved high marks started with a solid solution and then linked it to the data. Commonly wage rises, better planning and democratic leadership were the most utilised solutions although there were plenty of alternative options for candidates to apply. Some of the most disappointing responses included four or more potential solutions and little or no analysis of these. In contrast, some of the best responses focussed on two solutions and analysed the potential impact of these on AB.

Too many candidates focused on the cause of the problem and not enough on the focus of the question. It was rare to find good analysis but there were plenty of examples of limited analysis from a basic impact on motivation/reduction in turnover.

- (d) Corporate responsibility is a term applied to any of the objectives of the firm where the (internal or external) stakeholder needs are taken into account; in other words, the business acknowledging their responsibilities.

Most candidates could apply their knowledge of corporate responsibility to AB, using aspects of the data to exemplify their answer. However, good analysis of the importance of this to AB was rare and evaluation even rarer. This question focused on the word 'importance'; this required candidates to understand the impact corporate responsibility could have on the business. The most obvious route into this was to show how corporate responsibility might help AB gain the Government contract and the impact that this could have on the firm.

As with all ten-mark questions on this paper, there was a need for a judgement. In this case that judgement should have been about the importance of corporate responsibility for AB in this specific context. A good tip for Centres is to teach candidates to make their conclusion refer back to the question so that they actually provide an answer to the question set.

# BUSINESS STUDIES

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Paper 9707/23  
Data Response

## Key Messages

- Encourage candidates to use the context to support their responses.
- Identify what analysis and/or evaluation is appropriate to a question – and practise these skills.
- Candidates can reach application and analysis with a few well developed points especially in parts **(c)** and **(d)** of both questions.
- Remind candidates to be aware of the marks available for each question so that they do not spend too long on shorter questions but devote adequate time to analytical and evaluative (eight and ten mark) questions.
- Advise candidates that copying data from the case study is not necessary. In **Question 1(c)** data was simply copied or described without linking to financial problems.
- Ensure full understanding of the command words.
- Practise three-mark 'explain' questions and get students to produce their own list of words/definitions/ explanations with examples.

## General Comments

The case material for both questions seemed well understood. There seemed little difficulty with understanding the questions set although some candidates tried to answer **Question 2(c)** with reference to internal recruitment rather than a comparison of partnership with employing a manager.

*Teaching tip: Answer the question that is set!*

As in previous sessions, candidates are missing opportunities to:

- Use the context – this is, after all, a data response paper
- Identify opportunities to analyse – it is always possible to develop the data further
- Identify opportunities to evaluate – **1(d)** required a justified recommendation of a strategy using the 4Cs; **2(c)** required a balanced view on the suitability or otherwise of either employing a manager or taking on a partner.

There was no apparent evidence of time being an issue with most candidates having a good grasp of business terminology and able to express themselves effectively.

## Comments on Specific Questions

### Question 1

- (a) (i)** Many candidates demonstrated an understanding of 'economies of scale' and included examples of the source of economies. Weak answers referred to increasing output/production rather than an increase in the scale of production.
- (ii)** Inventory control was adequately defined by most candidates and linked this to a brief method but few students progressed with an example or other understanding such as the elements which comprise the stock/inventory. Some candidates used circular definitions such as 'inventory control is the control of inventory' – this must be avoided because it will not be rewarded.

There is no need for context in answering part **(a)**.

- (b)(i) Most candidates calculated the price elasticity of demand correctly as  $(-)$ 0.25. Some candidates calculated the ratio upside-down or calculated the absolute change in demand rather than the percentage.
- (ii) Most candidates commented on the 'usefulness' to EE of price elasticity of demand. Better answers related the usefulness to the price inelastic demand calculated in (b)(i) for the context mark.
- (c) This question required candidates to use the information in the case. Most candidates analysed the financial problems of EE for full marks, however some candidates merely identified the financial problems but did not go into depth of analysis by identifying the implications for EE. Other candidates simply copied the data for the two years. Candidates were expected to analyse issues related to profitability, cash flow, liabilities/assets, revenue, inventory holding and credit. Stronger candidates, for example, grouped liabilities together for the purposes of analysis; whilst weaker candidates' analyses tended to be rather repetitive.
- (d) Many candidates saw this question as an opportunity to write everything they could about the 4Cs or even the 4Ps. Given the question, much of such discussion could only be rewarded if it was used to evaluate the importance to EE of applying the concept of the 4Cs to customer relations. The answers were often non-contextual. Key issues to address included: the survey showed that EE (compared to competitor Meteor) have a better product range; customers more likely to return to EE; after-sales service at EE much better than competitor; poor communication EE have with customers; EE's weak brand image. Stronger candidates acknowledged those parts of the relationship that were working well and concentrated on the Cs which needed improvement for their analyses. As with most similar questions, there could be a variety of valid conclusions that candidates could make. What is important is that the analysis (in context) supports the recommendation.

## Question 2

- (a)(i) Many candidates described one item or one product and the cost to produce or make the one item and some candidates provided the correct formula. Good answers gave examples or indicated that it is useful for pricing, monitoring or decision making.
- (ii) Most candidates identified that labour is the use of more workers as opposed to capital. Some candidates though merely mentioned the use of many workers. Weak answers did not explain 'labour' or did not give examples of labour intensive processes.
- (b)(i) Many candidates calculated break even correctly as 17 visits. Some candidates were not sufficiently precise in their thinking and gave the answer as 16 (rounding down 16.67 rather than rounding up). A few candidates failed to include the Government subsidy in the price.
- (ii) Many candidates tended to concentrate on the usefulness of BEP only in relation to making profit, with the planning of pricing and production and monitoring of costs largely ignored. Strong candidates used their answer in (b)(i) in relation to FF for the third mark.
- (c) Some candidates were confused by the recruitment situation in 2(c), e.g. by not classing a manager as an employee, or by assuming that recruitment of a manager constituted internal recruitment, whilst Frank would only have to look externally for a business partner. A number of candidates suggested that Frank's children could transfer from farming to manage the education centre without considering the implications for the farming side of the business. There were quite a number of one-sided evaluations. Questions which give two options should always be answered by analysing and evaluating both options. Weak answers contained no context so that the points made could apply to any sole trader. The case study mentioned that the bank advised a partner but many candidates ignored this when recommending a course of action. Stronger candidates noted the financial implications of the two options. With ten-mark questions candidates will always be expected to demonstrate evaluation skills. Candidates should be given practice in developing such skills through making recommendations, balancing arguments, justifying conclusions, prioritising ideas.
- (d) A significant number of candidates simply listed factors which might influence the success of the education centre. Some candidates ignored the instruction in the question to consider factors other than finding the right manager or partner and proceeded to repeat some of their answer to 2(c). A

few candidates commented on the fact that a relatively small number of visits were needed for the education centre to break even. Stronger candidates analysed financial factors rather than simply taking a 'student-centred' focus. Few candidates contextualised their answers.

# BUSINESS STUDIES

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Paper 9707/31  
Case Study

## Key Messages

- Knowledge of syllabus content is the foundation for success. However, candidates must develop the ability to apply that knowledge and develop analysis if they are to gain high marks on Paper 3.
- Candidates should read the case study carefully and select only information that is appropriate to answering the questions set.
- Candidates should limit the content of their answers to relevant theory and issues.

## General Comments

As in previous years there were a wide range of marks awarded to candidates who varied from those with a comprehensive understanding of the syllabus material to a significant minority of candidates that showed an inadequate grasp of business concepts and an inability to accurately define key terms such as shareholder value and workforce planning. Many answers lacked focus on relevant issues; sometimes as a result of a lack of knowledge but often due to insufficient consideration of the wording of the question. This was particularly apparent in the answers to the question on corporate social responsibility; frequently candidates described corporate social responsibility without linking its impact on shareholder value. There were a few 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.

Paper 3 always gives a significant number of marks for calculations and candidates are encouraged to set out their working when answering these, including stating any formula used. If candidates do not set out their working and have the wrong answer they are likely to score no marks for the question.

Some very good candidate scripts were let down by answers to **Section B. Question 6** produced many responses that simply repeated the information in Appendices 2 and 3 without demonstrating an understanding of the relevance of SWOT and PEST analysis to the strategic decision. **Question 7** was a less popular question and candidate answers generally lacked a focus on the effectiveness of techniques of strategic implementation. These questions deal with strategic issues and answers should focus on the role that strategic management plays, particularly assessing the factors that a business may take into account when dealing with the issue(s) in the question.

The quality of written communication varied. Examiners are conscious that many candidates are not writing in their first language and go to great lengths to make sure that they credit understanding of Business Studies in the answers.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

Candidates gave good answers to this question. Most answers provided an accurate definition of product portfolio which provided a sound focus for their response. There was good use of the case study to explain answers and most candidates were able to develop some analysis of the benefits and limitations of an extensive product portfolio. Good answers developed the comments made in the text that referred to appealing to many 'different market segments' by defining the term and demonstrating how there was a need for a business to have products at different stages of the product life cycle so that new products were entering the growth phase as others entered the decline phase thus ensuring that the product portfolio was

balanced and able to generate consistent cash flows and profit for CCF. Limitations were effectively developed by considering the limited funds of CCF to finance marketing for a wide range of products, it was also observed that it would become increasingly difficult to maintain a consistent brand image particularly as outsourcing of production becomes more important.

A significant minority of candidates also attempted to provide detailed evaluation although this was not asked for or rewarded.

## Question 2

The calculations were completed accurately by a large proportion of candidates. In a few cases marks were lost because working was not shown and therefore the 'own figure rule' could not be applied. Candidates could have made more effective use of their results in answering **Question 2(b)**.

- (a) (i) Many candidates were awarded three marks for the calculation of gearing. Most candidates stated the formula and showed relevant working in arriving at their answer. However, a minority of candidates were confused as to how to calculate gearing. A number of different definitions were accepted but it is worth noting that the preferred measure of capital employed is the sum of non-current liabilities and shareholders' funds. Gearing is normally expressed as a percentage; however, candidates were awarded full marks for expressing it as a ratio.
- (ii) This was a more complex calculation and has been less frequently tested. Thus, it was encouraging that many candidates were familiar with the formula and able to calculate the dividend yield ratio accurately. On this particular paper there were eight direct marks for calculations. Such objective tests of knowledge and understanding provide an opportunity to accumulate many marks quickly if candidates are well practised in the relevant methods.
- (b) The questions that follow a calculation question normally call on the candidate to use their answer to the calculation. Candidate knowledge of sources of finance is strong but effectiveness of application is often absent from answers. The gearing ratio was 47.9% and thus CCF could be considered to be lowly geared. Many answers used this information to suggest that CCF should take out a loan to finance the new meat processing factory arguing that banks would consider CCF in a favourable light due to its low gearing. Other candidates mistakenly argued that CCF was highly geared and concluded that long term loans were therefore inadvisable. Both approaches have merit but are simplistic; better answers recognised that gearing was just one aspect to consider and that other factors would influence the decision on further borrowing such as the current rate of interest. A few answers also took time to calculate gearing on the assumption that the factory was entirely financed by borrowing; this is an example of good application. A few strong answers balanced the need to maintain dividends for shareholders against the cost of borrowing.

## Question 3

This question was answered well by the majority of candidates. Table 1 provided a wealth of data to consider in making the decision between the two locations thus it was relatively easy to secure application and knowledge marks. However, it is worth reminding candidates that simply repeating the data is not, in itself, application. Application arises from, for example, identifying that Location Q has net site and construction costs of \$24m after accounting for the government grants that are available. Although many candidates commented on the relative difference between the figures for the two sites very few applied core business concepts to their commentary. For example, it was possible to calculate the break-even level of output for both locations – only a handful of candidates made this calculation. A more frequent calculation made was to identify the payback period for both locations. These calculations tended to be made by stronger candidates and significantly contributed to better evaluation of the choice facing CCF. Candidates should avoid considering all the data as this tends to lead to little demonstration of understanding of the issues facing the business.

## Question 4

Many candidates started well with a definition or explanation of corporate social responsibility and went on to give examples of this. Occasionally a contrast was made between the stakeholder concept and the shareholder view of business. However, many responses simply quoted passages from the case study without adding to them. These answers tended to just describe the problems that CCF faced from its approach of cutting costs. Many answers wrongly conflated CSR with observing legal or regulatory constraints. Most answers contained a general assumption that CCF should consider CSR without giving

supporting reasons making effective links to profit, increasing dividends and the value of shares. Only the better answers gave detailed reasons why CSR should be considered. Very few candidates looked at the concept of shareholder value – an integral part of what the question required. The better responses gave commercial reasons for considering CSR and made links between some of the problems faced by CCF and the consequent potential impact on shareholder value. Good evaluation often contrasted the short term cost of CSR with the long term benefits.

### **Question 5**

This proved to be a challenging question as a result of a lack of understanding of workforce planning. The majority of candidates assumed that workforce planning included all aspects of human resource management. These answers typically considered that a workforce plan would include, for example, a detailed consideration of strategies to motivate staff. As a result they were unable to access higher level analysis and evaluation marks because they tended to conclude that a workforce plan would solve all of CCF's human resource problems. Better answers recognised that workforce planning was just one small, though important part, of the wider management of human resources. Thus, these answers understood that poor workforce planning had in the past contributed to a number of problems for CCF but that much more was required from human resource management for CCF to achieve its primary objective.

### **Section B**

### **Question 6**

Candidates appear to feel confident with SWOT and PEST questions and the majority chose this over strategic implementation. Many candidates provided effective application and evaluation in their answers, although examples of really good analysis were less common. Candidates should be advised of the importance of setting out the stages in an argument in order to pick up analysis marks. The best answers defined the terms in their introduction before explaining the importance of undertaking internal and external analysis before major strategic developments. Candidates should develop the information rather than just repeating it; for example by linking together the reference to low interest rates, rising incomes and the demand for meat products as evidence for the need to increase capacity. Evaluation was typically shown through questioning who had commissioned the SWOT and PEST or explaining how in a dynamic business environment such analysis was only ever a snapshot and needs to be constantly updated in order to remain relevant.

### **Question 7**

Only a small minority of candidates attempted this question. Most candidates scored only knowledge marks and occasionally a few analysis and application marks. Too much time was given to long explanations of strategic analysis and choice and too little to strategic implementation. Very few responses looked at the management of change. Many other answers described the role that effective management plays and failed to address the question of change and this made it difficult for analysis marks to be awarded. Few candidates provided an overview of the change process and made little or no reference to the role of corporate planning. Better responses on change management considered various models or techniques for managing change such as Kotter's eight steps, project champions or involving the employees in various ways. These were used in context by considering some of the issues faced by CCF such as the proposed takeover.

# BUSINESS STUDIES

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Paper 9707/32  
Case Study

## Key Messages

- Candidates should develop a secure understanding of the syllabus content.
- Answers should be clearly focused on the question.
- Candidates should read the case study carefully and select only information that is appropriate to answering the questions set.
- Candidates should limit the content of their answers to relevant theory and issues.

## General Comments

As in previous years there were a wide range of marks awarded to candidates who varied from those with a comprehensive understanding of the syllabus material to a significant minority of candidates that showed an inadequate grasp of business concepts and an inability to accurately define key terms such as 'delegation'. Many answers lacked focus on relevant issues; sometimes as a result of a lack of knowledge but often due to insufficient consideration of the wording of the question. This was particularly apparent in the answers to the question on marketing planning; frequently candidates preferred to give a detailed marketing plan for launching the new cereal rather than to discuss whether marketing planning would ensure that 'Maize Crunchies' would be profitable.

Paper 3 always gives a significant number of marks for calculations and candidates are encouraged to set out their working when answering these, including stating any formula used. If candidates do not set out their working and have the wrong answer they are likely to score no marks for the question.

**Question 6** produced many responses that simply reproduced the data in Appendices 2 and 3 without demonstrating an understanding of its relevance to the strategic decision. **Question 7** resulted in a low average mark as candidates did not focus on the issue of effective implementation of the strategy to enter the market in country X. These questions deal with strategic issues and answers should focus on the role that strategic management plays, particularly assessing the factors that a business may take into account when dealing with the issue in the question.

It is worth repeating a comment from the June 2014 *Principal Examiner's Report* in relation to the overall quality of work and the efforts that students make under exam conditions. Some Centres are notable for the length of scripts produced by candidates. It should be noted that a good proportion of these long scripts lack focus and structure. It is potentially better to pause for thought in the exam room to give time to filter the case material and pinpoint the key arguments that will demonstrate a clear understanding of what the questions are really testing.

The quality of written communication varied. Examiners are conscious that many candidates are not writing in their first language and go to great lengths to make sure that they credit understanding of Business Studies in the answers.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

This proved to be a highly accessible question for candidates. Most answers provided an accurate definition of delegation and this provided a sound focus for their response. However, a number of candidates did not give a definition and it was sometimes unclear from the ensuing response whether or not the concept was

actually understood. There were many excellent answers that demonstrated a clear understanding of the possible benefits of the delegation given to farm managers. Candidates made effective use of the case material making effective links between the experience of the farm managers and low levels of labour turnover providing benefits in terms of effective decision making on planting seeds, raising productivity and reducing costs. Good answers made connections between different elements of the case material; for example, it was observed that through delegating authority to farm managers this would give time for more senior managers and Robert Mbella to focus on strategic issues such as the possible takeover of ABC Farms. Limitations were often developed in context with reference to the potential loss of control illustrated by the failure to pay workers minimum wage on some farms which was counter to MF's mission statement that MF would always consider the interests of stakeholders as more important than profit. Weaker answers tended to repeat the case material without developing appropriate chains of argument. These answers often stated possible benefits without explaining how delegation led to the benefits. For instance, stating that delegation leads to higher productivity or motivation without explaining why. This approach meant that analysis marks were difficult to award, particularly as the question asked for benefits to MF, not to the employees.

## Question 2

The calculations were completed accurately by a large proportion of candidates. In a few cases marks were lost because working was not shown and therefore the 'own figure rule' could not be applied. Candidates could have made more effective use of their results in answering **Question 2(b)**.

- (a) (i) The majority of candidates were awarded two marks for calculation of capacity utilisation. Most candidates stated the formula and showed relevant working in arriving at their answer.
- (ii) Although candidates will, quite naturally, feel a time pressure they should take time to review the material given in the case. For both years candidates were required to calculate the average cost at an output level of 30 000 tonnes. A number of answers used an output level of 36 000 and therefore lost marks. Others did not note that the data in Table 1 was in \$ 000s. Many candidates did not appreciate that to calculate average cost it was necessary to include depreciation of equipment and some even ignored all fixed costs in the Table.
- (b) The questions that follow a calculation question normally call on the candidate to use their answer to the calculation. The significance in the forecast change in average costs was frequently overlooked or was only given superficial consideration. Candidates could usefully have argued that with a new factory if MF could increase sales then the average cost might fall rapidly due to the more capital intensive nature of the new factory. However, most candidates were able to identify a range of relevant issues regarding building the new factory. The best answers typically contrasted this option with continuing to outsource production and compared the potential costs of both options before making a recommendation. Candidates should look for opportunities to include further calculations in their answers; in this case it was possible to calculate average cost at 36000 units to show that the new factory's average costs would fall quickly if output increased.

## Question 3

This question proved to be the most challenging in **Section A**. The main weakness identified in candidate answers was that there was a limited focus on the question set. Candidates were not required to develop a marketing plan but to evaluate whether a marketing plan would ensure the profitability of 'Maize Crunchies'. Consequently many answers included an extended analysis of different elements of the marketing mix that quickly secured full marks for knowledge and application but gained limited analysis and evaluation marks because the commentary provided did not address the question. The best answers analysed the benefits of a well thought out marketing plan in attracting customers for a new product but also recognised that in a dynamic external environment the marketing plan could not guarantee success but only reduce the risk of failure.

## Question 4

The answers to **Question 4(b)** typically required greater development and were over reliant on repetition of case material. The calculation was effectively attempted by many candidates.

- (a) (i) The majority of candidates stated the formula for calculating net profit margin and were able to identify the change in net profit and revenue. Where working was shown candidates were still

credited with 5 out of 6 marks even if they had miscalculated one of the necessary figures. The value of showing working cannot be overemphasised.

- (ii) There was a wide range of suggestions for increasing the net profit margin. Unfortunately many of these demonstrated a lack of appreciation as to the factors that underlie the concept. A common error was to make vague statements about increasing sales revenue without identifying how this was to be achieved. Where candidates identified increasing the level of promotion this usually ignored the impact on costs of the promotion and the increase in variable costs of higher sales. Better answers used the case material to comment on the possibility of reducing either direct or indirect costs, for example, using cheaper ingredients or changing to GM seeds to increase yields. Evaluation was then possible by commenting on the potential impact on the image of the business if there was a drop in quality of the meals or, in the case of using GM seeds, the customer perception of the business.
- (b) There was a good deal of case material that could be used in discussing the problems that MF might experience if it were to buy the ten ABC farms. The weaknesses of ABC Farms were clearly identified in lines 38–56. Weaker candidates tended to list the issues raised in this section of the text. Stronger answers combined this information with material from other sections of the text to produce a more analytical and applied answer. For example, a number of candidates argued there might be a clash of corporate culture as MF was committed to promoting the interests of stakeholders whereas ABC Farms had been systematically stripped of its assets over the years, used GM crops and gave managers large salaries not linked to performance. Some candidates observed that finding \$ 10m in just three months would potentially create problems of cash flow especially as further investment in farm equipment for the ten farms was clearly required and MF's accounts indicated a modest level of \$2m retained profits for 2014. Bringing these elements together in an answer produces a much more sophisticated response and opens the possibility to evaluate the extent to which an issue is a problem.

### Question 5

Most candidates were able to identify the relevant stakeholders of MF and to describe their particular interests. In describing the interests of stakeholders, improvement could have been made by putting in the context of MF rather than making generic points. Very few candidates made the mistake of confusing the terms stakeholder and shareholder – this is an area of understanding that has improved in recent years. However, many answers did not focus on the question itself which asked whether the interests of stakeholders were more or less important than profit. Many candidates stopped their analysis of accounting for stakeholder interest at 'this improves MF's image and reputation / customer loyalty / worker motivation,' without taking the next step and relating this to long term reduction in costs and increase in profit. Many candidates recognised that it may be impossible to put stakeholder interests first because there would be conflicts between different stakeholders; for example, customers wish for lower prices but employees desire higher wages which increase the costs of MF and make lower prices less likely to be offered. The existence of stakeholder conflicts provides an effective route to evaluation.

Some very good answers, as well as defining corporate social responsibility, contrasted the stakeholder view of business with the shareholder view. This was then applied to MF. In evaluation candidates occasionally observed that although the mission statement clearly suggested that although profit was not the most important consideration it was nevertheless essential for meeting the long term goals of the business to expand and survive. Thus, candidates recognised that without profit there could be no business activity.

*Examiner's tip: Be willing to question the validity of case material. In this case it is fair to question whether shareholder interests are always more important than other stakeholder interests.*

### Section B

#### Question 6

This was the most popular question. Answers were better than in previous years with most candidates gaining all knowledge marks and some good examples of linking issues from the appendices to gain application marks. There was some good understanding of the data and a willingness to question the exact implications; for example, candidates contrasted the GDP growth data with the inflation data and considered whether or not there had been an increase in real GDP or not. Many candidates observed that there was political instability and that this could mean that the grants currently offered by the government and reduction

in trade barriers might not continue in the near future thus making investment in country X risky. These lines of argument often resulted in good analysis and evaluative comment.

Low scoring answers were the result of a number of errors in either approach or understanding. Firstly, a minority of answers failed to focus on the importance of the data in Appendices 2 and 3 when making strategic choice. These answers tended to comment on what the data showed but not whether it was significant to strategic choice. Answers could have been improved by considering whether other information might be important or questioning the likely accuracy of the financial forecasts. Other answers just described the data and did not develop analysis; for example, it was common for candidates to assert that GDP growth of 7% was a reason for choosing to go into country X but there was no analysis of how GDP growth might affect the sales of MF. Some candidates did not understand the data; for example, quite a few candidates thought that growth in GDP of 7% meant that GDP was high in country X.

### Question 7

Many candidates found this question challenging to answer. A large number of those who attempted this question provided an answer that was similar to that of those answering **Question 6**. In other words they provided a discussion of strategic choice; this was usually rewarded at a low level as it provides a background to strategic implementation but does not answer the question directly. Too much time was given to long explanations of strategic analysis and choice and too little to strategic implementation. Very few responses looked at the management of change and were therefore unable to be awarded many marks. Many other answers described the role that effective management plays and failed to address the question of change and this made it difficult for Analysis marks to be awarded. These answers often quoted sections from the text with little or no comment. Better responses on change management considered various models or techniques for managing change such as Kotter's eight steps, project champions or involving the employees in various ways. These gave reasons for using these methods (analysis) and attempted a consideration of the possible effects (evaluation).

# BUSINESS STUDIES

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Paper 9707/33

Case Study

## Key messages

- Starting an answer with a relevant definition or explanation of the terms used in the question will show knowledge and focus on the question.
- The questions that follow a calculation question normally call on the candidate to use their answer to the calculation.
- Questions require responses that address the question asked in order for knowledge and analysis marks to be awarded. Repeating sections of the case study or including material relating to the topic of the question but not directly addressing it will not attract application marks.
- Working through past papers and using the published mark schemes will develop the key skills of application, analysis and evaluation.

## General comments

The marks awarded showed a very wide spread, including candidates who wrote very little to those who produced detailed thought out answers that addressed all the questions. The majority of responses showed an understanding of relevant syllabus topics and the ability to apply these to the questions set. There were a significant number of marks for calculations and candidates are encouraged to set out their working when answering these, including stating any formula used. Many candidates failed to address the question actually asked in **Questions 6 and 7**. These questions deal with strategic issues and answers should focus on the role that strategic planning plays, particularly assessing the factors that a business may take into account when dealing with the issue in the question.

A noticeable number of candidates showed an inadequate grasp of the syllabus concepts, often simplifying these or showing inaccuracy in their understanding. This was especially noticeable in relation to price and promotional elasticity, the meaning of the data in Appendix D and the difference between profit and contribution. Those that were able to explain concepts sometimes did so without explaining why these were relevant to the case study material and the question. There were some examples of candidates that used relevant concepts to answer questions in depth and detail. These responses were often not long answers as they addressed the issues directly, using selected information from the case. They used syllabus knowledge applied to the case material to develop an argument or a consideration of benefits and limitations to come to a reasoned conclusion based on this analysis.

The quality of written communication varied. Examiners are conscious that many candidates are not writing in their first language and go to great lengths to make sure that they credit understanding of Business Studies in the answers.

## Comments on specific questions

### *Section A*

#### **Question 1**

Many answers started by defining internal communication; but many did not and it was therefore unclear that these candidates understood the meaning of this phrase. Most scripts identified benefits of internal communication, though many quoted sentences or passages from the case with no further comment. Many responses listed the methods used in LF and stated possible benefits without explaining how the methods led to the benefits. For instance, stating that good internal communication leads to higher productivity, lower labour turnover or motivation without explaining why. This approach meant that analysis marks were difficult

to award, particularly as the question asked for benefits to LF, not to the employees. Some answers considered models and/or methods of communication or motivation theories rather than addressing the question. Those that looked at disadvantages or external communication could not be rewarded; nor could answers that only addressed benefits to employees.

### Question 2

- (a) Many candidates produced the correct answer, with clearly shown working. A noticeable number of candidates failed to attempt the question or showed no understanding by adding up and subtracting various numbers from the Critical Path Analysis table and network shown. Others attempted the calculation in a more focused way but had confused the correct elements of the formulae, e.g. giving EFT instead of EST.
- (b) Candidates scored highly if they began their answer with a brief explanation of CPA, then referred to its use for LF in organising a new production line (giving some advantages and disadvantages for LF e.g. meeting deadlines, efficiency, guidance for employees) and finished with a conclusion that considered, for example, accuracy of data/network or managers' experience. These answers were few. Most candidates gave some sort of explanation of what the CPA network might mean, though some of these simply repeated the information in the table. Credit was given even if part (a) was incorrectly calculated. Statements such as that CPA leads to more efficiency or will save time needed to include the reasons why for good analysis marks to be awarded. Other common reasons for low marks included candidates who thought CPA was used in normal production run decisions, or marketing issues.

### Question 3

- (a) A large majority gained full marks for calculating the contribution per month correctly. A smaller number made the error of adding revenue and variable costs and these attracted 2-3 marks where working was shown. There were very few arithmetic errors. Some candidates did not attempt the question.
- (b) Most answers gained 4–6 marks by referring to their results from part (a) and making some sort of recommendation, though often not supported. Large numbers of candidates thought that contribution was either profit or in fewer cases revenue and this pointed to a basic misunderstanding of the concept. Equally large numbers did not appreciate that 3D was offering a contract with fixed terms of price, quality and time, and therefore the risk was extremely low, with no need for advertising or promotion. This led candidates to discuss a variety of marketing issues, as if LF were selling to consumers. Better answers considered some of the following: the short term nature of the contract, the possibility of further orders from 3D or similar cinema chains (at a higher price), selling into a new market segment, the possibility that existing buyers might bargain for the same lower price or the issue of capacity to meet the order (which the case information made clear existed). High scoring answers used their answer to part (a) and showed an understanding of the role of contribution in deciding whether to take a fixed additional order.

### Question 4

- (a) (i) Some candidates showed very little working and if an incorrect answer was given it is difficult to award these answers marks. Most answers contained a formula, though many were incorrect. Common errors were using change in quantity and spending rather than % change and inverting the formula, placing % change promotional spending above % change in sales. Many candidates were unable to calculate % change in spending correctly, often multiplying by 100, resulting in an incorrect answer of .0005. Other common errors were to assume the change in spending was 10000 (from 1-11000) or to divide by the new figure (11000). A minority of candidates correctly calculated the answer.
- (ii) Most candidates were able to correctly calculate PED, though similar common errors to 4(a)(i) were also seen: formula inversion and various incorrect ways to calculate % change in price.
- (b) Many candidates failed to answer the question set, which was about increasing sales. Instead they tried to deal with profit and this confusion resulted in imprecise answers. Nearly all candidates referred to their results from 4(a), though the majority showed an incomplete understanding of what the results might mean. Frequently candidates explained the law of demand rather than the concept of price elasticity or wrote in very simplistic terms about the role promotion plays in

achieving sales. Many wrongly assumed that inelastic promotional elasticity means that increasing promotional spending is a waste of money. This meant that it was not possible to award high analysis marks in the majority of answers. Many responses contained extended passages on various marketing points concerning promotion methods or how consumers use price to make buying decisions. These were of marginal concern to the key question. Many of the recommendations in these types of responses were not supported by any argument and were merely a statement. Better answers discussed how the two elasticities might be used to make a decision. Relevant points included the market position of LF: long established with a brand image but facing significant competition. Candidates then used this to argue in a variety of ways – extra promotion not needed or was needed. Some candidates discussed the accuracy of the elasticity figures and the fact they may have become out-dated. These answers often included an assessment of the two suggested methods in increasing sales and scored highly.

### Question 5

Many candidates started well with a definition or explanation of corporate social responsibility and went on to give examples of this. However, many responses quoted passages from the case study without adding to them. Many answers wrongly conflated CSR with observing legal or regulatory constraints. Most answers contained a general assumption that LF should consider CSR, but only the better ones gave detailed reasons why. These answers stated that LF should consider CSR without giving supporting reasons. Many answers assumed that because there was an issue with high sugar drinks LF should reduce the sugar and reformulate their product, i.e. that LF had some kind of moral responsibility to consumers that overrode any other considerations. And that this would automatically result in higher sales and profit. The better responses gave commercial reasons for this; for example, in terms of avoiding future legislation, appealing to the increasingly health aware consumer, repositioning as an ethical brand. These answers often referred to the possible cost of introducing more CSR and concluded by weighing up the advantages and disadvantages with a recommendation.

### Question 6

This question attempted by most candidates. Many candidates thought, explicitly or implicitly, that this question was about whether LF should enter the market in country Z and this inevitably constrained marks awarded. The question was about strategic planning for LF and no candidate referred to strategic planning for the existing market in country Y. This would have been a possible route to a good answer. Many answers contained restatements of the data in Appendix D with no additional comments and doing this attracts no marks. Only a minority showed a real understanding of the meaning of the data. Common misunderstanding included: index numbers and % growth do not indicate absolute levels of sales or GDP, interest rates are not definitive indicators of levels of inflation and GDP growth does not automatically result in increased sales for products. However, most answers were able to at least describe correctly the meaning of the changing index for exchange rates. These misunderstandings resulted in very poor analysis, where this was attempted. Many answers contained lengthy passages carrying out strategic analysis techniques – PEST, SWOT, Porter's Five Forces and in some cases attempted an Ansoff and/or Boston matrix without really explaining why this was being done. Better answers that enabled higher analysis and evaluation to be awarded showed correct understanding of the concepts in Appendix D and how LF might use them in planning. They also addressed the issue of the validity of the data and the need for further evidence in relation to the strategic decision to enter country Z, suggesting other possible information that might be relevant, with reasons why, and concluding with a statement about the sufficiency of the data.

### Question 7

Candidates approached this question in two ways: the role that change management plays for LF or how LF might deal with changes it is planning to make in marketing, location or personnel (dealt with by a small minority). Both approaches were credited, although very few responses gained high marks. Candidates clearly were prepared for questions on strategy and many answers set out a strategic planning model, often setting out SWOT or PEST, with little relation to the question. Most answers described the role that effective management plays and failed to address the question of change and this made it difficult for Analysis marks to be awarded. These answers often quoted sections from the text with little or no comment. Better responses on change management considered various models or techniques for managing change such as Kotter's 8 steps, project champions or involving the employees in various ways. These candidates gave reasons for using these methods (analysis) and attempted a consideration of the possible effects (evaluation). Better answers on planned change considered issues facing LF (e.g. replacing Tony Brown, entering country Z, introducing CSR, a new production line) and suggested methods to achieve these changes successfully.