

# BUSINESS STUDIES

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Paper 9707/11  
Short Answer/Essay

## Key messages

Candidates must ensure that they read and take note of key words in questions e.g. advantages or disadvantages.

Centres should remind their candidates that essay questions will always require a judgement to be made that must be directly linked to the context in the question.

Candidate must be alert to the context used in questions throughout the question paper. Knowledge of syllabus content must be applied to the context given in questions if high marks are to be achieved.

## General comments

The vast majority of candidates answered all the required questions on the paper. Most candidates demonstrated knowledge and understanding of a range of business studies concepts. Analysis was frequently evident when required by a question but evaluation is still lacking in many answers. Candidates should be reminded that any evaluative comments made must be supported by the arguments contained within their answers. Judgements referring to factors that have not been discussed previously are unlikely to score high marks for evaluation.

## **Question 1**

- (a) Candidates were expected to define performance related pay as being a bonus or additional payment that is made for meeting or exceeding targets/expectations. Some notion of additional payment for meeting pre-set targets or standards could also be rewarded. Some candidates were able to indicate some understanding by referring to bonus payments but such answers were often incomplete because they did not contain any reference to pre-set standards or performance above average or to exceeding expectations. Many candidates defined piece rate or commission rather than PRP. In this syllabus the term 'performance related pay' has specific connotations that were not represented by piece rate and/or commission.
- (b) Candidates who gave a correct definition of performance related pay were able to offer some valid disadvantages of using such a reward system. The problem of establishing a workable means of measurement of performance was identified together with the problem of favouritism by managers that can lead to demotivation of those workers who are not 'favoured' by their line manager. The fact that not all workers are motivated by money was also recognised and that if this is the case performance related pay will then fail to motivate those employees. The divisive nature was another relevant disadvantage that was identified by some candidates.

Some candidates who answered **Question 1(a)** incorrectly did identify a disadvantage in this part of this question and were able to gain some reward. However, candidates who had described piece rate often gave a fall in quality of the goods produced as a disadvantage; however, this was not relevant to this question.

A small number of candidate described advantages rather than disadvantages.

## Question 2

- (a) This was answered accurately by the majority of candidates. Good answers stated that primary research was first hand information that directly relates to the needs of the business and is acquired through the use of questionnaires, interviews or focus groups for example.

A small number of candidates described the primary sector and explained how this related to the extraction of natural resources, for example farming or mining. This indicated a possible mis-reading of the question where candidates focused on the word 'primary' and did not take note of the fact that this was related to 'research'.

- (b) The most commonly mentioned correct disadvantages were that primary research can be expensive and time-consuming. The majority of candidates also explained how expense and time was used in the conduction of primary research. Some candidates, having correctly identified two disadvantages, failed to offer any explanation and therefore limited the marks that could be awarded. Several candidates correctly identified 'time-consuming' and 'expensive' but the explanation was limited to 'it is expensive because it costs a lot of money' and 'it is time-consuming because it takes more time than other forms of research'. Such responses did not offer any explanation of what contributed to the expense or to the time needed. Stronger answers explained that it was expensive because in some cases specialists would have to be employed to develop and/or administer a questionnaire and that there could be expense caused by the need to travel around to meet suitable respondents. The time element was explained by the time taken to determine exactly what it is that the business needs to know; then the information needs to be collected and then analysed before it is useful to the business. Many candidates recognised that this can take many months in some cases. Some candidates used a comparison with secondary research which added to their explanations in many cases.

A small number of candidates explained advantages rather than disadvantages.

## Question 3

Many candidates showed a clear understanding of the rights and responsibilities of employees and the fact that these are encompassed in the contract of employment and the rules and regulations of the business. The most common rights identified were the rights to be paid appropriately, the right to safe working conditions including the provision of safety equipment where necessary and the right not to be treated unfairly. Responsibilities were accurately identified as the need to follow the rules and regulations laid down by the business and the need to perform the work identified in the job description and the contract of employment.

Some candidates identified rights and responsibilities and although these were correct they did not offer any explanation of them. Some explanation was required if the highest marks were to be awarded. Relevant explanations could include the need for safety helmets and clothing for employees working in a mine or with hazardous materials. The right to be paid appropriately could have been explained by referring to the fact that employees have a right to receive pay that is at least as high as the minimum wage for their country. The right to be fairly treated was often explained in terms of fair versus unfair dismissal or the right not to be discriminated against for reasons of religious belief, gender or racial origin.

Several candidates indicated that employees have a right to job security, that they have a right to be consulted on business decisions or they have a right to know how the business is performing financially. These assumptions were incorrect.

## Question 4

- (a) Most candidates were able to distinguish between capital intensive production and labour intensive production. A small number of candidates described capital intensive production as relating to the amount money that was invested in a business.

Strong answers distinguished between the two means of production by referring to using more of one type of resource than the other. For example this was often stated simply as "capital intensive production is when more machines are used than labour" or "when more emphasis is placed on the use of machines in production than human workforce". Labour intensive production could be described as the reliance on the labour force rather than machines to complete the production of

goods. Some element of comparison between the two means of production was given in strong answers.

Some candidates stated that capital intensive production was “production of goods using machines” and labour intensive production was “production of goods using labour”. This type of response was insufficient to gain full marks.

- (b) Many candidates were able to correctly identify two factors that could influence a decision to change to capital intensive methods of production. The factors included the cost of labour relative to capital equipment, with several candidates recognising that the cost benefits were more likely to be gained in the long term given the initial expense of purchasing the capital equipment.

The shortage of labour with suitable skills was another reason given for a change, often explained in terms of the quality of the goods produced might not be good enough if the labour lacked essential skills. This was often linked to the speed and accuracy that might be achieved from machinery.

The need to meet growing consumer demand was another common factor and the fact that machines can work without frequent breaks and can run for longer hours than labour could work.

The pace of technological change was also a frequently identified factor and the need to keep up with competitors who might have adopted the latest technology in their production.

Again explanation of the factors was required if full marks were to be awarded. Some candidates merely identified relevant factors but offered little or no explanation and therefore prevented the award of full marks.

#### Question 5

- (a) Many responses to this part of this question demonstrated a good understanding of the difference between revenue expenditure and capital expenditure. The majority of candidates gave an accurate example of each and also identified the long-term nature of capital expenditure contrasted with the frequency of revenue expenditure. Strong answers also explained how each form of expenditure is recorded in the financial documents of a business. Candidates with a comprehensive understanding also explained how capital expenditure increased the asset value of a business and usually increased the income-earning potential of the business. Clear distinctions were made between the two by the frequent use of the example that capital expenditure is the purchasing of a non-current asset while revenue expenditure is incurred in maintaining that asset. Another valid example was of the purchase of a vehicle (capital expenditure) and the purchase of fuel for the vehicle (revenue expenditure).

Analysis was achieved by candidates explaining how the perceived financial outcome of the business might be affected if the two forms of expenditure were recorded incorrectly in the financial statements.

- (b) Many candidates demonstrated a sound understanding of internal sources of finance and were able to offer some detailed explanation and analysis of the appropriateness of internal sources of finance for capital expenditure. The analysis often took the form of questioning the amount that might be raised, for example, in a newly formed business or a small business retained profit might be inadequate to meet the needs of capital expenditure. Strong candidates pointed out that retained profits are not available at all to a newly formed business. Candidates also recognised that in the case of a company the needs of the shareholders would also have to be considered in that they might prefer larger dividends and therefore this would reduce the amount of retained profit available for reinvestment.

Retained profit and sale of assets were the most common internal sources identified, but unfortunately several candidates stated incorrectly that issuing shares was an internal source of finance.

While analysis was offered by many candidates, evaluation was often not attempted. Some candidates did offer evaluation linked to the points they had raised in the body of their answer. For example, the appropriateness of internal sources of finance for capital expenditure could depend on the cost of the items to be purchased relative to the amount of retained profits or to the possible

resale value of idle assets. This point was also linked to the fact that new businesses will not have old assets to sell or retained profit and therefore they might not have any choice other than to try to acquire external sources of finance. Some strong judgements were also made based on the impact on gearing if external sources were used and the potential deterring of future investors if the business were to be highly geared. This was given as a good reason for using internal sources if possible.

### Question 6

Candidates choosing this question were usually able to demonstrate understanding of the differences between a business enterprise and a social enterprise but, unfortunately, many answers did not develop beyond a description of the two types of enterprise. Most candidates could explain their similarities in terms of the fact that they both have aims and objectives, they both employ people, they both have an organisational structure and both have stakeholders. The differences were usually identified as being related to the way in which profit was used. It was accepted that both business types aim to make a profit and most candidates recognised that in a business enterprise the aim was to maximise profits for the owners of the business whereas in a social enterprise the profit was essential for the survival of the business but also to enable investment into society. There were also some good explanations regarding employment in which candidates explained that a social enterprise might aim to provide jobs to the local population whereas a business enterprise might adopt a capital intensive method of production and avoid using labour in order to make higher profits. The creation of jobs would not be the priority of a business enterprise.

Some candidates used the idea of corporate social responsibility as a vehicle for analysis. It was recognised that this could be evident in both types of business. In a social enterprise it would be a driving force, whereas in a business enterprise it might be used as a public relations or marketing tool rather than be a genuine desire of the owners.

A lack of analysis and/or evaluation in many answers limited the marks that could be awarded for answers to this question.

### Question 7

- (a) The majority of candidates choosing this question demonstrated that they understood the difference between above the line and below the line methods of promotion. The understanding was often made clear by the use of accurate examples. However, there was confusion in some responses about the relative cost of these two promotion methods. Many candidates referred to the high expense often associated with above the line promotion but then referred to below the line promotion as being free of cost.

Most candidates identified television and radio advertisements as being above the line and the use of discounts and buy one get one free offers being frequently used in below the line promotion.

While most candidates could distinguish between the two methods many candidates did not attempt to explain why both might be used by some businesses. This severely limited the marks that could be awarded. However, many candidates did explain that the use of both methods could increase the number of consumers who were made aware of a product or service. Some candidates made a successful link to the various stages of a product life cycle and explained which methods would be most appropriate at which stage.

Good answers explained how above the line promotion is designed to raise awareness or to inform and/or persuade consumers and that below the line encourages the actual purchase to take place at the point of sale.

- (b) Good knowledge and understanding of branding was demonstrated by most candidates, although some candidates focused their answer on explaining 'how' a powerful brand identity might be obtained rather than focusing on the advantages of actually having a powerful brand identity.

It was important that candidates answered this question in the context of a designer of children's clothes and this was successfully done by many candidates. The idea of pester power was relevant and was explained in terms of many of today's children being very fashion conscious and wanting to be seen in clothes with a 'certain label'. Strong responses often used the product family as a means of analysis by explaining how a powerful brand identity can be transferred to other products if the designer decides that they want to branch out into other markets, for example adult

clothes. The context in such responses was maintained by saying that the parents would already be familiar with the brand because they had been attracted to it when buying clothes for their children. Analysis and evaluation was sometimes achieved by using this argument by developing it to say that a powerful brand identity brings with it a high level of exposure to criticism if, for example, any unethical behaviour is uncovered such as the use of child labour to make the clothes.

Often it was the lack of context in responses that prevented the award of high marks to some candidates.

# BUSINESS STUDIES

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Paper 9707/12  
Short Answer/Essay

## Key Messages

- Candidates are reminded that it is important to develop a basic understanding of all the business studies concepts outlined in the syllabus. Failure to do this can result in an inability to address significant sections of an examination paper.
- It is very important to respond to any specific context or application requirement of particular questions. Failure to do so may well lead to a significant limit on the marks that can be awarded.

## General comments

- In **Section A** many candidates were unable to confidently respond to either **Question 1** or **Question 4**. Although the other two questions were generally well answered, the lack of knowledge and understanding in relation to price discrimination and intellectual capital significantly reduced the marks awarded to many candidates.
- In **Section B** there was more evidence of detailed knowledge and understanding of relevant business studies concepts and issues, particularly in many sound responses to essay questions **5** and **7**. Even here however the specific contexts of **Question 5(a)** and **Question 7(b)** were often ignored or insufficiently acknowledged and addressed. There was also some evidence that some candidates selected essay **Question 6** as a 'last resort' and produced very general and limited answers.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) Very few candidates knew the meaning of price discrimination and were able to define it correctly. A significant number of candidates thought that price discrimination is between different types and qualities of products, or between the prices charged by different firms. Strong answers correctly defined price discrimination as the charging of different prices for the same product to different groups of consumers.
- (b) This part of the question did not lead to many strong answers. Even those candidates who were able to define price discrimination correctly in part (a) were unable to explain the conditions necessary for the strategy to be successfully employed. Some candidates were aware that price elasticity of demand was relevant but most did not make it clear that the elasticities in the two markets have to be different; most simply said that demand should be price inelastic. Strong candidates said that consumer knowledge must be imperfect, that there must be no leakage between market segments and that elasticities in the market segments will be different.

#### **Question 2**

- (a) This question was confidently answered and the majority of candidates were able to score 2 marks. Weaker responses stated one point such as 'owned by private individuals' for a partial definition, but added nothing more by way of development such as 'profit is the main objective' or 'there is little or no governmental control or interference'.



- (b) This section was also well answered and many candidates scored the full 3 marks. It was however often difficult for Examiners to identify two different characteristics of public sector enterprises. Candidates need to clearly separate and label each characteristic presented. A significant number of candidates confused public sector enterprises with public limited companies and mentioned share issue and limited liability.

### Question 3

This question was well answered and a pleasing number of candidates scored 4 or 5 marks. Stronger responses defined team working and explained at least two or three disadvantages in terms of potential impact on business performance. Weaker answers identified disadvantages but did not link these to business activity. Some candidates spent too much time in discussing the advantages of team working.

### Question 4

- (a) Very few candidates knew the meaning of intellectual capital and so were unable to score any marks here. The main error was in describing intellectual capital as money brought into the business rather than as an intangible business asset.
- (b) Those candidates that did understand intellectual capital, as for example 'the collective knowledge and skills of individuals in an organisation', did not always recognise how such an intangible asset could become a significant source of competitive advantage or could provide an extra capability for an organisation.

## Section B

### Question 5

- (a) This was a very popular question. Most candidates were able to define a cash flow statement and many brought out the necessity of cash to a business. Better answers put this into context and showed that a newly established business faces a lot of outflow and little inflow at the outset. A good number of answers showed the necessity of providing a cash flow statement to a bank when applying for a loan. Some mentioned the need to identify problems beforehand and to prepare for cash shortages. Weaker answers morphed into a discussion of profit and loss; indeed, there was quite a lot of confusion of profit with cash surplus and loss with cash deficit.
- (b) Most answers followed a similar pattern of defining a net cash outflow, showing the need to reduce outflows / increase inflows and finally describing how this could be done. Many candidates were able to go through the various ways of improving a cash position; weaker answers produced something of a list but better answers gave some good discussion and analysis of the methods. There was not much evaluation. The best answers considered the potential drawbacks of possible approaches and suggested how such approaches might be applied with discretion. For example restricting trade credit may be a means of improving cash flow, assuming that sales can be maintained, but such a policy might not be applied to all customers.

### Question 6

This question was the least popular essay question. Some answers were very basic and made brief references to the weather and the natural features of the countryside. Better answers were able to discuss 'nearness' to a number of factors and there was some quite good application, including references to real-world adventure parks. The best answers discussed the 'most important factors' and recognised that compromise decisions are often required in location decisions. Some weaker answers were structured around the 4Ps and devoted as much attention to the other 3Ps as they did to 'Place'.

### Question 7

- (a) Many responses contained a clear explanation of hygiene factors and motivating factors. Sometimes the motivating factors were drawn from general motivation theory and such an approach was acceptable given the wording of the question. The best responses clearly and analytically reasoned on the differences between the two factors and hence the importance of taking into account both when forming an approach to motivation in the workplace. Some answers incorrectly stated that hygiene factors are those factors that cause dissatisfaction. Hygiene factors only cause dissatisfaction if they are not met.

- (b) The tendency of most answers was to give a long description of Maslow's hierarchy of needs and to repeat some of the Herzberg material. The very best answers identified different kinds of employees within a fast food restaurant and considered the relevance of different parts of Maslow and Herzberg to their motivation. Weaker answers did not include any application to a fast food restaurant.



# BUSINESS STUDIES

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Paper 9707/13  
Short Answer/Essay

## Key messages

- Candidates should continue to carefully consider and apply key words in questions such as 'importance', 'useful' and 'influence'. These words are often opportunities for analysis and judgement as well as clear indicators for relevant responses.
- Candidates are reminded that high marks for essay answers will only be awarded when context is addressed and an attempt to evaluate is made.

## General comments

This paper proved to be very accessible to most candidates. The answers given, particularly in **Section A**, indicated a good measure of knowledge and understanding of a range of business studies concepts.

There are still examples of candidates spending insufficient time in planning their response to the essay question. More time spent on a thorough review and interpretation of the question should lead to a more relevant response to the questions in **Section B** of the paper.

## Comments on specific questions

### **SECTION A**

#### **QUESTION 1**

- (a) Most answers made a clear and accurate distinction between piece rate and commission payment methods and many candidates illustrated their definitions with applied examples of items produced and products sold.
- (b) Many responses to this question were also strong, with candidates giving impact on product quality and worker motivation as the most popular explained disadvantages.

#### **QUESTION 2**

- (a) While a majority of answers revealed some understanding of 'cost based pricing', a significant number of candidates were only able to gain one mark for a partial definition. Such definitions referred to costs of production but not to the aspect of a 'mark up' on a cost base.
- (b) Better answers to this question explained that penetration pricing is all about entering a new market and keeping prices low in order to create a customer base and gain market share. Weaker answers often confused penetration pricing with competitor pricing and other strategies.

#### **QUESTION 3**

This proved a more demanding question for many candidates. Most answers revealed a measure of understanding of 'efficiency', with explanations focused on an input/output resources ratio. There were many less confident and accurate explanations of the concept of 'effectiveness' however. Effectiveness is very much about how organisational objectives are achieved. The better answers used business examples to illustrate both the differences between the two concepts and the necessary link between them if organisations are to achieve success.

#### QUESTION 4

- (a) The vast majority of answers indicated a full understanding of the 'stakeholder' concept with just a small number confusing the term with 'shareholder'.
- (b) The best answers identified a specific conflict situation, such as a conflict of interest between shareholders wanting profits distributed through shareholder dividends and employees wanting increased wages and salaries. Marks were awarded based on the validity of the examples given and the strength of the explanatory evidence presented. Some weaker answers attempted to give more than one conflict situation and drifted into more general and less well developed illustrations and examples.

#### SECTION B

#### QUESTION 5

- (a) The strongest answers to this question combined knowledge and analysis of inventory management generally with specific references to the particular inventory context of a retail business. The need for retail businesses to have stock available to meet customer demands and consequently not lose business to competitors was frequently the example given to emphasise the importance of inventory management in the retail sector. Weaker answers were unable to apply the inventory management issue to a retail business and presented a rather generalised response.
- (b) Strong answers to this question focused on a discussion of 'factors' likely to influence the successful operation of a JIT inventory system, such as the reliability of suppliers and the skills and agility of the workforce. Relevant factors were explained and analysed with a judgement made as to the relative importance of the identified factors. Weaker answers focused on descriptive explanations of the nature and advantages of JIT and failed to sufficiently identify and analyse the factors likely to influence a successful JIT operation.

#### QUESTION 6

Although this essay question was the least popular of the three optional questions there were some impressive responses. The strongest answers defined both terms with a focus on Goleman's emotional intelligence competencies and then introduced concepts from leadership and motivation theory to analyse the implication of the assertion in the question that emotional intelligence is more important for business leaders than intellectual ability. Many candidates recognised that for effective organisational leadership it is not simply a question of 'either/or' but rather an intelligent combination of these skills and competencies. Weaker responses adopted a simplistic non critical approach to the assertion in the question and simply defined and extolled the claims made for emotional intelligence.

#### QUESTION 7

- (a) Many answers to this question presented only quite descriptive and general material relating to business cost information. Few candidates were able to analyse how important cost information can be for profit calculations, budgetary control and decisions on resource use. A small minority of answers made the critical distinction between economic cost and social cost and were appropriately rewarded.
- (b) Many candidates were more confident in discussing and analysing the potential value of break-even to business decisions. However some answers focused on explaining the concept in detail and largely ignored opportunities to analyse and evaluate the potential limitations of the technique.

# BUSINESS STUDIES

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Paper 9707/21  
Data Response

## Key Messages

- Candidates must remember the importance of applying business concepts and ideas to the context of the businesses in both of the scenarios. This is particularly important in relation to the analysis and evaluation questions.
- Candidates generally performed well where calculations were needed. It was clearly evident that candidates were stating the formula as part of their workings. Thus, some candidates gained marks despite making an error.
- Many responses made good use of the data provided and applied their ideas. This was particularly evident in **Question 1(d)** and **Question 2(c)**.
- Candidates need to understand that discussion or evaluation questions – **Question 1(d)** and **Question 2(d)** – require evaluative responses. Candidates evaluated more successfully in **Question 1(d)** where they used the data provided to make a judgement and justification on the best location.

## General comments

Candidates generally made more effective use of the data in relation to **Question 1**. It was noted that candidates performed particularly well when using the context in answering **Question 1(d)** with most being able to use the evidence to decide on a suitable location. This was similar in **Question 1(b)(ii)** where candidate used the current ratio and other information, such as the inventory, to comment on the liquidity of the business. Candidates found **Question 2(d)** difficult – candidates needed to apply the research methods to the given context, in this case a food based product.

In **Question 1(d)** there were stronger attempts at evaluation being demonstrated. Candidates attempted to give a clear recommendation and justification as to their preferred site for the new clothes shop. It was particularly good to see candidates use, rather than re-state, the given information. Using data is a key skill being examined in the data response paper.

The case material proved accessible to the candidates and the quality of answers, particularly in **Question 1(a)** and **(b)** and **Question 2(a)** and **(b)** showed that many candidates had very good understanding of business terminology.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a)(i)** Most candidates demonstrated good understanding of the term “business objective”. Many candidates referred to the time aspect and SMART nature of setting objectives. Good explanations included an example of business objectives such as survival, increase market share and/or growth.
- (ii)** Candidates needed to go beyond a partial explanation of stating how the net profit margin is calculated. Thus, good explanations focused on how the net profit margin could be used by a business, for example in measuring profitability. Other good explanations outlined how the net profit margin could be improved, for example in managing expenses more effectively.
- (b)(i)** This question was answered well by most candidates, clearly showing their workings of applying the current ratio formula in arriving at the correct answer of \$1.27. Where errors occurred in

applying the formula, candidates did not correctly identify and then total the current assets accurately.

- (ii) The most common approach was for candidates to state that because the current ratio was below an expected average of 1.5 liquidity was weak. The better answers used information in the case study to develop their explanation, for example, by stating that for every \$1 of debt needing to be paid, CC had \$1.26 flowing into CC and thus liquidity was not a significant problem. Other good responses developed how liquidity became more of a problem if the acid-test ratio was calculated and thus CC had possibly too high a level of inventory.
- (c) Candidates must answer the question set. This question focused on analysis of suitable sources of finance for the expansion and not an analysis of whether or not CC should expand. Candidates must consider what the key issues are in the data and include factors that are in context. Good responses focused on how Clare as a sole trader and how, having unlimited liability, she therefore might struggle to gain external finance due to the possible risk for any lender. Other candidates analysed the fact that Clare has been disappointed with her profit margin and this might limit her ability to borrow. Some candidates gave very generic responses about internal and external sources of finance such as loans and mortgages. Other candidates needed to understand that Clare was funding an expansion – analysis of having a sale or a fund raising event is not an appropriate business response.

Teaching Tip:

When candidates are asked to analyse a factor that a business should consider, such as in raising finance, they should select and apply the factor directly to the data. This means they should use the data as they develop their response and ensure that their explanation specifically relates to the business in the data and not just any business.

- (d) Candidates made good use of the data in developing their response and most candidates attempted to recommend a site and state the basis for their recommendation. It was clearly demonstrated that candidates understood the main issues for and against each of the two sites. Issues such as the wealthier population in Site B, the competition on Site A, unemployment in Site A and the rental costs of Site B were all commonly analysed. There was some excellent analysis and clear evaluation. It was clear that there was less of a tendency to restate information in the table and to focus on using the information to show the implications for where CC should locate the new shop.

Teaching Tip:

When candidates are asked to give a recommendation, they should focus on justifying the main reason for their choice and apply this clearly to the context. Repetition of previous points or a list of the main points will not demonstrate evaluation. This approach means that candidates will (a) give their recommendation (b) select carefully the main reason for their recommendation and then (c) apply this clearly and specifically to the data.

## Question 2

- (a) (i) There were many good explanations, including a definition and then an outline of the common advantages and/or disadvantages of being in a partnership. It is important for candidates to clearly show an explanation of “ownership” rather than “running” a business. This applies to an explanation of any business type such as a company. A partnership is “owned” by two or more people and a company is “owned” by shareholders.
- (ii) Most candidates showed partial understanding of this method of production and avoided any confusion with flow production. It was important for candidates to show that they understood that a group of products went through each stage of production together. Some candidates needed to avoid using the word “batch” repetitively in their responses. For example: “a batch of products produced in the same batch”.

- (b)(i) Most candidates correctly calculated the answer of 19231. Only a few candidates gained full marks for correctly identifying the units in the context of the data and therefore giving 19231 ice-creams or fruit bursts as the full answer.

Teaching Tip:

When candidates are asked to perform a calculation, such as break-even, they must correctly identify the type of unit after their numerical response.

- (ii) Most candidates were able to show knowledge of one advantage of break-even. Better responses used the context of FF and applied the advantage. The most common approach to application marks was a focus on how using break-even allowed FF to plan for the production of 19231 ice-creams and the fact that FF needed to ensure that they could sell that many ice creams so a profit could be made above an output of 19231.
- (c) Candidates used the context well in demonstrating their understanding. Answers that took this approach were generally good with most candidates being able to apply the possible problems and consequences if FF did not address the concerns. Responses needed to answer the set question rather than to give solutions to the human resource problems. In some responses candidates did not analyse sufficiently how FF could be affected if they ignored the human resource problems, such as failure to launch the new ice-cream effectively or the possible risk to the quality of the ice-creams which is a key selling point for FF. These are serious issues facing FF and good responses analysed these issues fully.
- (d) Candidates must relate their ideas to the data. It was more common on this question to find generic answers about primary research (lots of generic information about questionnaires) and secondary research (marketing reports). Candidates need to make more solid use of the context in the question and to apply their ideas; for example, taste tests would be useful considering it is a new flavour of ice-cream. Some very good responses linked to the importance of primary research and, as it was a new flavour of ice-cream, secondary research would be less useful. Other candidates demonstrated good analysis by developing why primary research, although useful, will be expensive for a small family partnership. A few candidates demonstrated evaluation skills by justifying the importance of primary research and which method (such as taste tests) would be the most appropriate given the fact that it is a new ice-cream.

Teaching Tip

It is important for candidates to avoid generalised answers. In this question, candidates should have identified what research methods could have been used and then analysed why they would be useful. When asked to answer any question in relation to marketing, candidates must first consider the nature of the business and then the nature of the product before developing their ideas. This will help them to develop a coherent and contextual response that will gain higher marks.

# BUSINESS STUDIES

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Paper 9707/22  
Data Response

## Key Messages

Candidates are advised to:

- Read the data carefully
- Read and analyse questions
- Prepare for definitions/explanations of all terms on the syllabus
- Recognise the need for analysis in specific questions and practise using analytical skills
- Recognise the need for evaluation and explore how to demonstrate evaluation skills.
- Answers all parts, apart from part (a), in the context of the business in the data.

## General Comments

There was evidence of candidates engaging well with the data and using the information effectively. This was particularly true for **Question 2**, where many candidates were able to identify key factors of operating a business within a school. However, a major weakness derives from the fact that many candidates seem reluctant to use context well in their answers. In addition to this, candidates seldom seem prepared to make judgements/recommendations, weigh up arguments or identify and discuss which factors are the most important in a given situation.

There was little evidence of candidates being short of time, and no general misunderstandings of the case material or the questions asked. The quality of written communication was generally of a high standard.

## Comments on Specific Questions

### *Section A*

#### **Question 1**

- (a) (i) This question provided a good start for most candidates, who were able to define 'private limited company'. Many candidates were under the misapprehension that these are always family businesses. Most candidates were able to say that ownership of shares is restricted and the best answers gave examples of private limited companies. A common weakness was making no reference to the concept of 'ownership'.
- (ii) Most candidates were able to define 'non-current assets'. The best answers explained the term by means of examples and by explaining that the assets are expected to be useful for a period longer than a year. A small number of candidates confused the term with 'current assets'.
- (b) (i) Most candidates calculated the correct answer. A significant number of candidates confused the acid test ratio with the current ratio. Candidates who obtained the wrong answer but showed their workings could, where appropriate, be awarded method marks.



- (ii) This question was about the value of setting objectives. A significant number of candidates misinterpreted the question as being a question about increasing profit by 20%. It is very important to read the question carefully and understand what is required. The best answers mentioned that objectives are something to be aimed for, that they could motivate workers towards reaching targets, and that FD needed to do this if it is to achieve its expansion plans. That FD achieved an increase in profits may well have been because it was working towards the objective. Weak answers made no use of the context – this was true of most answers.

Teaching tip:

Read and analyse every question carefully. Answer the question that is set, not the one you think it should be.

- (c) This question was unusual in that it only asked candidates to discuss one side of a two-sided discussion. Candidates seemed to struggle with this restriction. Many candidates know what defines a public limited company but a worrying number of candidates think that public limited companies are owned by the state. It is important to understand the difference between ‘public limited company’ and ‘public sector’. A small number of candidates discussed both advantages and disadvantages although the question only asked for disadvantages. Weaker candidates, while often being able to provide a reasonable ‘textbook’ answer, usually were unable to use the relevant context in their answer. Stronger answers referred to the current family nature of the business which could be lost with many more shareholders, that they would lose their current protection from takeovers, and the costs of flotation which could diminish the \$2m that they could raise to fund the expansion.
- (d) Most candidates knew and understood flow production, although a small number of candidates confused it with job production. Many answers analysed in very general terms giving typical ‘textbook’ discussion of advantages and disadvantages. Better answers referred to relevant contextual issues such as: the anticipated increase in orders which flow production would fulfil more easily; the availability of production lines that produce only one drink, which would increase efficiency; the likelihood of a fourth factory which presents an ideal opportunity for change. Few candidates attempted to use evaluation skills by, for example, making a justified recommendation or prioritising the various factors in the decision. The strongest answers gave a recommendation which was largely justified by the previous discussion.

Teaching Tip:

Try to identify ways in which evaluation skills could be demonstrated in a particular higher mark question. Always try to make judgements and justify them in these questions. Try to think like a major decision making stakeholder in the business.

- 2 (a) (i) As with many marketing terms, candidates find it very difficult to avoid ‘circular’ definition e.g. ‘target market is a market that is targeted’. A target market is a group of customers with similar tastes or needs that a business has decided to aim its marketing efforts, and ultimately its products/services, towards. It is useful for candidates to study and prepare for explanations of all of the terms that are on the syllabus. Better answers mentioned ideas such as particular needs of customers, producing products/services that meet those needs, and gave examples of target markets.
- (ii) Many candidates were able to explain the term ‘entrepreneur’ and often gave good examples. However some candidates confused the term with ‘owner’ or ‘manager’. A key feature of the concept of entrepreneur is the risk that the person takes in starting a new business venture in return for a reward.
- (b)(i) Almost every candidate gave the correct answer.



- (ii) Most candidates appeared to know the meaning of 'cost plus pricing' but very few candidates were able to put the concept into the context of SSS. A few candidates asserted that cost plus would lead to high prices but very few candidates explained why this might happen. A few candidates mentioned the competition from the suppliers that are mentioned in the data. Other candidates mentioned that because SSS has a wide range of products it would be difficult to allocate overheads and hence determine the cost plus price. Those candidates who did make some connection with the situation facing SSS were able to gain context marks.

Teaching tip:

Avoid simplistic answers but try to apply concepts to the business in the case. What makes this business special?

- (c) Some candidates showed good understanding of the concept of social enterprise and a good proportion of those were able to relate the concept to the key features of SSS. However many candidates were unclear about the meaning of social enterprise. Weaker answers usually simply listed some of the features of the school enterprise without developing their relationship with the concept of social enterprise.
- (d) A large number of candidates simply wrote about the marketing mix. However, this was specifically a question about promotion, which is only one element of the mix. While it was entirely appropriate to mention other elements of the mix in relation to the key issues of consistency of the mix, the focus should have been on promotion in its various forms. Weaker answers largely ignored the context and suggested such things as advertising on television, radio and in national newspapers which were unlikely to be relevant. The better answers focused more on what was realistic for this school based enterprise and, in particular, mentioned the small budget which was described in the data. A popular approach, that sometimes worked well when developed, was to associate promotion with various school activities and locations; for example, having posters in classrooms or advertisements in school publications.

Teaching tip:

Think whether your suggestions are realistic in the given circumstances.

# BUSINESS STUDIES

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Paper 9707/23  
Data Response

## Key Messages

Candidates are advised to:

- Read and analyse questions
- Prepare for definitions/explanations of all terms on the syllabus
- Recognise the need for analysis in specific questions and practise developing analytical skills
- Recognise the need for evaluation and explore how to demonstrate evaluation skills.
- Answers all questions, apart from part (a), in the context of the business given in the data.

## General Comments

There was evidence that candidates found the case material accessible. This was particularly the case with **Question 1** for which candidates were able to identify key factors of operating a business such as CC and the ethical issues involved. However, a major weakness derives from the fact that many candidates seem reluctant to use this context well in their answers beyond simply repeating the information. In addition to this, candidates seldom seem prepared to make judgements/recommendations, weigh up arguments or identify and discuss which factors are the most important in a given situation.

There was little evidence of candidates being short of time and no general misunderstandings of the data or the questions asked. The quality of written communication was generally of a high standard.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

- (a) (i) This question provided a good start for most candidates, who were able to define 'public limited company'. However, many candidates were under the misapprehension that these are businesses which are owned by the government. It is important to recognise the difference in use of the word 'public' between public limited company and public sector. Most candidates were able to say that ownership of shares is widely available through stock markets and the best answers gave examples of public limited companies. A common weakness was making no reference to the concept of 'ownership'. It is more appropriate to say public limited companies are often large rather than always large.
- (ii) Many candidates often make the mistake of thinking that marketing questions are easy. Even simple terms such as 'marketing' require careful thought. This question was rather poorly done. Many candidates equated marketing with advertising in a simplistic manner. The best answers referred to marketing being a process of getting the right product to the right customer at the right price. This concept was often related to the ideas of the marketing mix and market research.
- (b) (i) Most candidates calculated the correct answer. Some candidates confused gross profit margin with net profit margin. Other candidates had a formula which made no logical sense – it is always important with business calculations to understand the purpose and meaning rather than just mechanically putting numbers into a formula. Candidates who obtained the wrong answer but showed their workings could, where appropriate, be awarded method marks.

- (ii) Most candidates made simplistic comments such as 'the trend is down'. Some candidates attempted to quantify changes in the trend by observing that the net profit margin was down by approximately 25%. Some answers had an attempt at explaining the change such as 'sales probably fell' or 'costs may have increased' without contextualising these comments. The best answers referred to the fact that sales had fallen 10% due to an ethical shift in customers' tastes, with a less than proportional fall in costs.
- (c) Many candidates were able to explain the usefulness of accounts and were able to relate these to the concept of stakeholders. However many of the answers could have applied to any business. Examiners are looking for comments relevant to the business in the data. Weak answers tended to say 'shareholders will be interested to see if profits have risen' rather than using the actual information given which shows a reasonable, but falling, net profit margin. Other answers referred to suppliers wanting to know about the firm's liquidity, to assess risk, without observing that the current ratio is comfortably around 2 so that there is enough liquidity to pay suppliers. Note: 'competitors' are not accepted as stakeholders.
- (d) Most candidates knew and understood the ideas of ethics in business. Many answers made some reference to the business's plans to switch to more ethical production methods whilst others discussed the fact that consumers are becoming more ethical in their buying decisions. Frequently mentioned was the high level of sugar in the chocolate as well as the claim that CC are exploiting workers in low wage countries. Whilst most answers referred to some aspects of behaviour that may be regarded as unethical, these references needed better analysis in terms of the likely impact of behaving more ethically. Better answers attempted to discuss the likely benefits of CC behaving more ethically while the best answers attempted to balance these benefits against the likely additional costs, both financial and otherwise. Few candidates attempted to use evaluation skills by, for example, making a justified statement as to which is the most important factor in the decision.

Teaching Tip:

Try to identify ways in which evaluation skills could be demonstrated in a particular higher mark question. Always try to make judgements and justify them. Try to think like a major decision making stakeholder in the business.

- 2(a)(i) Most candidates had some understanding of the term 'niche' market. Better answers referred to a niche market as being a small, specialised segment of a larger market, with specific needs. Businesses will attempt to produce products/services that will suit this small market often at a high price. The best answers gave suitable examples.
- (ii) Many candidates were able to explain the term 'contract of employment' and often gave examples of the kind of things that a contract will contain. The best answers mentioned that these contracts are legally binding on both parties (employers and employees) and contain information of relevance to both parties.

Teaching Tip:

Examples often help an explanation. Examples can be from the candidate's own country.

- (b)(i) Almost every candidate gave the correct answer.
- (ii) Most candidates appeared to know the meaning of 'price elasticity' and were able to explain the likely impact on the business of a price change if the market was elastic or inelastic. However, most answers were not in context. Useful contextual points included the luxury nature of the service which is likely to make demand inelastic, the issue of the loyalty of the customers, the possible impact that the swimming pool might have on elasticity, and the fact that a new competitor gym might make the demand more elastic. Those candidates who did make some connection with the situation facing GG were able to gain context marks.

Teaching Tip:

It is always important in this paper to put answers to this type of question in context. This can be achieved in this instance by looking at how elasticity is relevant to this particular business.

- (c) This question was unusual in that it only asked candidates to discuss one side of a two-sided discussion. Candidates seemed to struggle with this restriction. Most candidates understood the term 'high labour turnover' and also were able to discuss some of the factors that affect the level of labour turnover. Quite a few candidates thought that the question was about methods to improve the labour turnover, but this was not the question that was set. What was often missing was the contextual dimension to the answers. Candidates could have mentioned: the relationship between trainers and their customers which is likely to be upset with trainers leaving, which may, in turn, cause customers to leave; the likely impact of a new competitor who might seek to recruit good trainers; the impact that high labour turnover will have on GG's plans to expand. Also mentioned was the fact that GG is owned as a sole trader so costs of recruitment and training might be difficult to pay with limited finance.
- (d) This question was generally answered well. Knowledge about sources of finance is generally comprehensive and impressive and many candidates were able to discuss all of the possible sources in turn. Most candidates attempted to apply this knowledge to the situation facing GG. A major consideration is that George is a sole trader which limits his choices unless he is prepared to consider incorporation. Better answers referred to this and to the fact that George has no mortgage or loans at present, and this might help in trying to get a loan. A further issue is that George seems overloaded with work so taking on a partner might be a suitable course of action to take. The best answers brought together the various strands of the arguments to make a justified recommendation, based largely on George's attitude to the long-term development of the business. Weak answers focused on unrealistic sources such as selling unused assets – likely to be insufficient for such a major project – and short term sources such as overdrafts, debt factoring and changing payment periods for debtors/creditors.

# BUSINESS STUDIES

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Paper 9707/31  
Case Study

## Key Messages

- Consider carefully the meaning of key terms in each question.
- Aim to include evaluative comments in the main body of the answer - not just the conclusion.
- Make use of calculations in answers if possible.
- Essays should be strategic in nature.

## General Comments

There were examples of exceptionally well prepared candidates able to provide highly analytical and evaluative answers to the questions based on the case material. The majority of candidates were knowledgeable, demonstrating a sound understanding of the core concepts and extension topics that constitute the Business Studies A Level syllabus. However, a significant number of candidates would have benefitted from a more focused approach to answering questions. There was evidence of candidates misinterpreting key elements within the questions set.

Candidates are to be commended on the accuracy of their numerical answers; many candidates were credited with full marks to both **Question 2(a)** and **Question 4(a)**. Candidates should make greater use of their calculations in the follow-up questions.

**Section B** continues to provide a challenge to candidates. In **Question 6**, although candidates were familiar with the nature of strategic analysis they were less able to develop arguments relating to its usefulness to LKE in making the decision on market development in country Y. For **Question 7** candidates should have focused on the management of change rather than describing change and whether it was beneficial to LKE.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

Although this was an accessible question it was not always answered well. The case study suggested a number of potential weaknesses of LKE including its management of human resources, its traditional product range, its high level of external debt and Serge's lack of business experience. Most candidates referred to one or more of these weaknesses and typically developed some limited analysis of the impact on LKE in terms of sales and profitability. However, candidates should have given more consideration to how their knowledge and understanding could be applied to LKE rather than providing generic responses. For example, good answers recognised that the poor relations between LKE and its employees could lead to industrial disputes that would reduce LKE's output of kitchen equipment and result in capacity utilisation falling below the 82% achieved in 2013, with further implications for unit costs and market share.

#### **Question 2**

- (a) Many candidates found this an accessible question. Candidates successfully updated the income statement for LKE, making accurate use of the data contained within the case study. A few answers incorrectly calculated one or more of the figures but were able to gain most of the marks due to the 'own figure rule'. A small number of candidates did not attempt the question.

- (b) This question required an understanding of factors that could raise profit in 2014; thus it was essential to focus on changes that could be made in the short term. Although there were a range of relevant suggestions made, the majority of answers would have been improved through evaluating changes that could take effect within the coming year of trading activity. Many answers missed the opportunity for simple application by, for example, referring to the possibility of finding cheaper suppliers of materials as a means of cutting costs. Application could be developed by more specific reference to the type of materials used by LKE such as steels for making saucepans. The best answers combined information from the case study as a means of developing effective evaluative comment; for example, identifying cutting the cost of steel supplies but placing this in the context of the possible impact on the quality of LKE's products, which was a differentiating factor for the business. Where calculations have been made, it is usually beneficial to make reference to them in answer to the follow-up question.

### Question 3

The case study provided clear evidence of the factors that were behind the dispute with the workforce. Good answers typically identified the causes of the dispute as a means to suggesting solutions. However, it was not enough to simply suggest that the decision to change work contracts should simply be reversed. A more analytical approach considered the potential impact in terms of cost to LKE of the different solutions to the dispute. The best answers provided a carefully balanced response that sought to identify the underlying problem within the potential business solutions and their likely success. As in most questions, there was no 'right' answer but rather candidates were rewarded for developing a logical chain of argument that addresses the question and makes reasonable suggestions within the context of the business. Thus, for example, some candidates concluded that with high levels of unemployment in the local area LKE could afford to take a tough stance with workers and threaten to replace them with other workers if necessary.

It should be noted that answers sometimes miss the focus of the question. In this case a significant number of answers treated this question as relating to an issue of motivation. Therefore, they reproduced generic suggestions relating to how workers may best be motivated. Such an approach overlooked that a greater focus was required on dispute resolution rather than motivation.

### Question 4

- (a) (i) The majority of candidates correctly stated and then calculated capacity utilisation. A small number of candidates did not remember the equation, confusing the top and bottom of the equation.
- (ii) This question was answered accurately by many candidates. A small number of candidates did not know the equation.
- (b) This proved to be a difficult question as many candidates were not familiar with the concept of operational efficiency. Good answers analysed the impact of introducing machinery on productivity and capacity utilisation. Calculations, such as the impact on capacity utilisation or the change in capacity, were usefully included in some answers. The inclusion of relevant calculation is an effective way of gaining application marks. Candidates should also note the wording of the question as it required use to be made of the data in Appendix 2 and other information from the case study. Where answers referred only to other information or only to data in Appendix 2 marks were more limited.

### Question 5

Marketing questions are traditionally met with long answers that often lack focus. This has been commented on in previous reports. There is still evidence that candidates continue to consider the elements of the marketing mix in isolation rather than develop a coherent and consistent strategy to achieve marketing objectives. There was a wealth of case information that could be used in consideration of an appropriate strategy. Country Y was quite distinctive in terms of consumer characteristics; this would suggest that LKE should use a different strategy to that used in their own domestic market. Stronger answers recognised that LKE might need to develop further its range of steel products and that this would have implications for costs of production that impact on pricing. Evaluation could also be developed on this issue as the current capability to produce more steel products could be questioned. Few answers provided an integrated marketing mix. Fewer still evaluated the suggestions made.

## **Section B**

### **Question 6**

This was the slightly more popular of the two essay questions. The majority of answers demonstrated understanding of the meaning of strategic analysis and were able to explain several relevant concepts such as SWOT, PEST and Porter's 5 Forces. Answers typically focused on SWOT and PEST analysis and there were many examples of applying these techniques to LKE. Thus there was recognition that LKE's strength was the quality of its products. Candidates could have improved their answers by giving more attention to the thrust of the question which was to evaluate the usefulness of strategic analysis before entering country Y. A relatively small number of candidates actually answered the exact question; the majority went no further than commenting on the strengths and weaknesses of LKE. The best answers understood the role of strategic analysis as a stage in the strategic management process that could help LKE focus on its strategic direction. Good candidates were able to evaluate the relative usefulness of strategic analysis by considering its limitations in the context of LKE.

### **Question 7**

A significant proportion of candidates described the changes that would result from the takeover by CPS, thus setting the scene for developing a structured response. However, most candidates then went on to consider whether the changes would be beneficial to LKE. The question was about the management of change, not the consequences of change. A few candidates achieved high grades through recognising the difficulties that Serge would face in implementing changes (such as making employees and managers redundant) and then considering how to approach introducing these changes. Good answers tended to stress the importance of communication with relevant stakeholders and considered the weak communication that currently existed within LKE as an obstacle to successful change.



# BUSINESS STUDIES

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Paper 9707/32

Case Study

## Key Messages

- Candidates need to be able to use their calculation results effectively for the case study business e.g. in terms of the impact on working capital.
- Teachers are advised to give candidates much experience in answering accounting ratio calculation questions and those involving moving average calculations – these are important syllabus topics.
- Time management appeared not to be a problem on this paper.
- Application of answers to the case study business is improving from candidates in some Centres but this skill needs to be a feature of every answer to non-calculation questions. Effective application of an answer not only gains marks for this skill but also opens the opportunity to gain marks for evaluation.
- Essay answers to **Section B** questions would have benefited from a more careful reading of the question. Many candidates tended to write an answer to a similar question – one, perhaps, they wish had been set – without focusing on the precise demands of the essay title.

## General Comments

There was a wide spread of marks on this paper with a small proportion of well prepared candidates being awarded high marks. There was no evidence of the case study material having been generally misread or misunderstood and this observation applies to the questions in **Section A** too. There was some evidence that answers to **Section B** questions could have been improved by more careful reading of the questions.

It was evident from many of the answers that a few Centres continue to impress upon their candidates the important principles behind “case study” based examinations and prepare these candidates with much past paper practice. The best way to prepare Advanced Level candidates for the academic challenges presented by this paper is to set several “mock” examinations using past papers and for the scripts to be marked to Cambridge International Examination standards using the mark schemes made available to teachers. This level of exposure to previous 9707/32 examinations helps build the key skills of application and evaluation.

In contrast, candidates from several Centres did not appear to be well prepared. In some instances answers could have been improved significantly if there had been fewer gaps in candidates’ subject knowledge such as specific accounting ratios, moving average sales forecasting and industrial dispute resolution through collective bargaining. In addition, improvements would also have been made if more candidates had understood the real meaning of “application” on a case study paper which is not exemplified by copying out several lines of text.

The quality of written communication varied significantly but it must be stressed that the Examiners who assess Cambridge International Examination’s Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language. The best scripts read by Examiners were impressive not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used. A significant problem that some candidates had was not being able to develop a fully discursive answer to a question. This tended not to be a “language” problem but rather a lack of understanding of the level of debate, discussion and judgement required for the higher mark questions on the paper.

## Comments on questions

### Question 1

This proved to be a very accessible question. Nearly all candidates were able to make some observations about competitive rivalry and the changes that were occurring in this industry. The clues in the case study were well flagged and many answers explained how increased competitive rivalry could lead to higher costs (delivery vans) and less demand (more competition) for JCL. Application and analysis could have been more fully developed in most cases. For example, would speed of delivery and customer service be sufficient “differentiating factors” for JCL in a more competitive environment or would the business be forced to cut prices – and profit margins?

### Question 2

- (a) (i) Although there were many candidates who were able to calculate days sales in trade receivables correctly, the majority of answers did not gain full marks for this question. The most common failings were lack of knowledge of the appropriate formula, incorrect units e.g. a percentage result rather than “days” and incorrect selection of data from Appendix 1.
- (ii) In contrast, the majority of candidates knew this ratio formula and were able to select appropriate data. The most common error was to calculate the current ratio and not the acid test ratio.

*Examiner’s tip: Always encourage candidates to write out their working in their calculations. It was possible, for example, to be able to reward candidates for stating an accurate ratio formula, even if the correct result had not been obtained.*

- (b) Many candidates attempted a definition of working capital although there was often confusion between this concept and liquidity. Many answers identified one or two possible ways by which working capital could be more effectively managed within JCL – encouraging debtors to pay more quickly or extending the period of payment to suppliers were the two most common. Application was often gained by referring appropriately to the result in **2(a) (i)** or by commenting on the change in the “creditor days”. The impact these measures would have on working capital was often explained briefly but evaluation was rarely displayed. The potential negative impacts of the measures analysed were rarely considered – and if they were, this was usually not done in context. So, for example, the urging of customers to pay bills more speedily could impact negatively on JCL’s customer relations at a time when competitive rivalry in the industry is increasing. This might not be the right time to adopt such a measure.

### Question 3

This question was poorly answered by many candidates. It seemed to be the assumption of many candidates that this was “the HR question” on the examination paper so it must require an answer based around motivation methods and motivation theories. Whilst appropriate measures to encourage long term employee commitment to JCL might feature as part of a long term strategy to improve industrial relations, these would, in practice, not be the most likely steps that would need to be taken to resolve an imminent labour dispute. Many answers made no reference to collective bargaining, arbitration, compromise solutions or even the “take it or leave it approach” which a few answers suggested might be most appropriate if it was easy for JCL to replace existing employees. The skill of evaluation was often absent from answers too. Just to state “JCL should pay the workers the 6% they demand” is not a judgement unless it is supported with appropriate arguments in the context of this business. A few very good answers considered the situation that JCL were in with increasing competitive rivalry and the risks to its business reputation from a long strike and proposed a method of reaching a compromise with the trade unions.

*Examiner’s tip: Candidates should be encouraged to give a definite answer in support of one business response or another when answering those questions that demand a clear judgement or assessment of alternatives. This decision must be supported by preceding analysis of the key factors influencing it.*

#### Question 4

(a)(i) and (ii) These were correctly answered by most candidates.

(iii) This was often not answered. Some candidates used the correct approach but divided total seasonal variations for this quarter by 2 and not 3.

(b) (i) and (ii) Most candidates did not answer this question correctly. The most common response was to identify the trend value from the graph for these two quarters – some marks were given for this. Very few candidates then realised that an adjustment needed to be made to these trend values to calculate the actual forecast.

(c) Nearly all candidates attempted this question but a surprising number of responses were expressed in general “sales forecasting” terms and not focused on the moving average method. Candidates are advised to define the key term contained in the question before presenting the rest of their answer and this would have been a very good step for all of the candidates who believed that a non-specific forecasting answer was acceptable. The moving average method of time series analysis is a significant technique and candidates are expected to know how it is conducted and what are its most important uses and most serious limitations. Even those candidates who referred rather obliquely to “trend values based on past results” were rewarded in two senses. Firstly, marks for knowledge were gained and, secondly, the subsequent analysis of the advantages and limitations tended to be quite clearly focused on this statistical technique.

#### Question 5

This question often resulted in the best answers on candidates’ scripts. The data in Appendix 4 were clearly understood by the majority and there was often very effective analysis of the advantages and disadvantages of moving to one central warehouse location. Some candidates considered it sufficient to state, for example, that “the single warehouse is further away from most JCL customers than the 5 separate warehouses” without calculating, or effectively commenting on, the difference. In contrast many answers argued that: “Being 15 kms further away from customers, on average, could damage JCL’s current good reputation for customer service. As this is a differentiating factor within an industry that is subject to increasing competitive rivalry, JCL’s management need to make sure that the road links from the central warehouse are excellent.” Again, an overall supported final recommendation was needed for high marks – just ending an answer with comments such as “So Des will have to consider the advantages and disadvantages carefully before making the final decision” is just avoiding making that final decision – which was a requirement of the question.

#### Question 6

Many candidates took this question as being an opportunity to discuss the merits or limitations of these two strategies and aimed to produce a recommendation in support of one or the other. This was not actually the question – and, again, candidates are advised to read each question carefully before committing their thoughts to paper. There was a lot of emphasis on the decision making techniques that could be used to assist JCL in making the strategic choice but these were not relevant unless the underlying “strategic factor” was also being discussed. These factors included risk, finance required and scope for potential long term profitability.

#### Question 7

This was generally more effectively answered than **Question 6** but many candidates again slightly misread the question. It was not asking candidates to undertake these forms of strategic analysis – yet that was the most common way in which candidates responded. This approach was not without its potential merits as long as candidates then discussed the potential uses and limitations of these techniques to JCL. The best answers highlighted the risk associated with both strategies A and B and used this as justification for undertaking detailed strategic analysis. Others suggested that both internal and external factors could change so quickly – such as the changes in the competitive environment for JCL - that such analysis had very little value unless it was constantly updated. Candidates who have been given the opportunity to answer similar **Section B** essays will always be at an advantage – hence the need for practice using past papers. The skill with which a few answers were concluded (with, for example, an overall justification for strategic analysis undertaken in the most objective way possible) suggested that past practice had indeed been a sound investment of revision time.

# BUSINESS STUDIES

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**Paper 9707/33**

**Case Study**

## General comments

There was a wide range of marks awarded on this paper and it differentiated well between candidates. Some Centres had clearly prepared candidates effectively for this case study paper by not only ensuring wide coverage of syllabus topics but also by encouraging the relevant use of contextual evidence within answers. In contrast, some candidates could have improved their answers by appreciating much more fully the need to use evidence from the case study in their responses in order to ensure that they were focused clearly on the case study business and not just giving a general textbook based response. The skill of applying key facts about the business or referring to important events in its development within a case study answer is one of the most important requirements for success on this paper – after the essential subject knowledge required by a question has been demonstrated.

Another important requirement for doing well on this paper is for candidates to show judgement when this is required by the wording of the question. In the case study paper it is quite usual for the first question not to require an evaluative response but for all other non-quantitative questions to be directed towards the need for the candidate to provide an answer containing supported judgements or evaluative comments. To be worthy of gaining marks for the skill of evaluation, however, these judgements and evaluative comments need to be in the context of the case study business and some application to this business must therefore be demonstrated in the answer.

The skills of application and evaluation can be most effectively developed by candidates when they are encouraged to work through past examples of paper 3 examinations and by demonstrating to them, with the aid of the published mark schemes, how answers can be planned and written to incorporate these two assessment objectives.

## Comments on specific questions

### **Section A**

#### **Question 1**

This question was very well answered by many candidates. The key points were quite accessible within the case study and application marks were awarded for references to the specific economic changes that had occurred recently. A few candidates simply copied lines of text from the case study without showing real understanding. Better answers were able to apply some of the changes made to PC's products by suggesting, for example, that the demand for these was likely to be income elastic. The best answers developed both the application and the analysis of the consequences of the changes to PC. For example, many candidates correctly analysed the likely impact of the exchange rate depreciation on raising costs of imported raw materials used in PC's products.

#### **Question 2**

- (a) (i) A large number of candidates gained some marks for this question but many failed to calculate the difference or change in the annual depreciation. A few candidates had little grasp of the concept of depreciation and were unable to state an appropriate formula.
- (ii) Most candidates gained some marks for this question, often by stating a gearing ratio formula and attempting a calculation. Only a minority were able to recalculate the new capital employed figure and use this to calculate the correct gearing ratio.

- (b) This question led to a wide range of answers. The weakest answers were general in nature and used textbook ideas on the limitations of ratio analysis without applying these points to the case. Comparatively few candidates identified the apparent window dressing that the accountant was considering and the impact that this could have on the “accuracy” of ratio results. The limitations that these revised ratio results would then have for both trend analysis and inter-firm comparisons were also rarely considered.

### Question 3

This question led to some excellent answers that showed real insight into the problems of marketing products in international markets. The analysis of these points was frequently well contextualised and there was, in nearly all cases, a supported recommendation. There was no “right or wrong” answer in terms of choosing between the 2 strategies and either option was considered valid as long as the recommendation had been well supported by preceding analysis. There was also scope for candidates to assess the need for more information before a final decision could be recommended with complete confidence – for example, more data about the market conditions and the degree of competitive rivalry that exists in the international markets could influence the choice on the most effective marketing strategy.

### Question 4

- (a) Most candidates were able to undertake some relevant calculations. More answers suggested that the impact on profits would be a loss of \$600000 than suggested it would increase profits by \$400000. This indicated that some candidates were not as skilled at handling contribution cost data as they might have been. The factory fixed costs would not be allocated to a new order such as this as the contribution to fixed costs would be of much greater significance.
- (b) The ‘own figure rule’ applied to this answer, but if candidates really did believe that fixed costs would increase as a result of this contract then that limited their ability to discuss the other issues at stake here. Many candidates correctly recalculated capacity utilisation and assessed the potential disadvantages of nearly full capacity working. Many of the other points raised in the mark scheme were highlighted and assessed by most candidates.

### Question 5

The quality of answers to this question varied considerably. A considerable proportion of candidates seemed to be unaware of the meaning of “workforce plan” and tended to answer the question as if it were a “how to motivate” type of task. Only a minority of candidates gave a clear definition of workforce plan although many showed sufficient knowledge, if rather oblique knowledge, of the need to plan for human resources so were able to access marks for this and the other assessment skills. There is little doubt that if candidates had kept at the back of their minds the two issues of “employee numbers” and “employee skill levels” then they would have been able to construct more convincing answers to this question. The key issues of demand levels and – for a manufacturing business – automation levels were not always considered by candidates, many of whom just focused on the new HR objective for PC – a 15% reduction in labour costs.

## Section B

### Question 6

This proved to be slightly more popular than **Question 7**. Many candidates focused on making the choice between the two options – rather than just evaluating the “factors” – but this was an acceptable approach as, by doing so, they had to assess the issues involved in this decision. It was generally done well. Ansoff’s matrix was often called upon to provide a risk analysis framework for the decision between these two options. The risk/return discussion was an important one in this case and many candidates picked up on this. The “factors” could, of course, include issues and data that were not made explicit by the case and this was noted by some candidates. This is a good example of evaluation as noting the inadequacies or potential inaccuracies of the data provided, if done in context, is an effective form of judgement.

### Question 7

Change management was understood by most of the candidates who answered this question. Many candidates were able to recognise and assess the strategic changes that PC was likely to have to undergo and to explain that these would not be successful without effective management and leadership. The issue of whether the existing management team and organisational structure were best suited to handling these changes effectively were often analysed. A good number of answers considered the different approaches to managing change such as project champions and project teams. The most frequently occurring issue was whether the management team was likely to be able to involve the employees sufficiently in these changes to allow them to become effective agents of change rather than potential sources of resistance. This question led to some good answers.