BUSINESS

Paper 9609/11
Short Answer and Essay

Key messages

There were some significant gaps in business concept knowledge and understanding in both sections of the paper notably in **Question 2(a) Question 4** and **Question 5**.

Each of the essay questions in ***Section B*** presented significant challenges to many candidates and the number of candidates that answered all 3 essay questions was more than usual.

General comment

While it is pleasing to note that more answers are attempting to produce evaluative comment to support relevant analysis there is still a reluctance to draw conclusions and to make judgements relating to assertions made in particular questions or relating to specific business concepts and assumptions underpinning them.

Comments on specific questions

Section A

Question 1

(a) Accurate definitions given generally focused on the collection and analysis of data about markets/customers/competition. Some definitions referred to different types of market research data and to different methods of collection. There were however a number of definitions which gave only limited or partial information.

(b) Some responses were quite vague and discussed the advantages of market research generally rather than those of primary research. Strong answers focused on the accuracy, relevance, and immediacy of the collected data and frequently referred to the value of collecting confidential and targeted business information.

Question 2

(a) Defining the term productivity proved challenging for many candidates. The link between inputs and outputs was recognised by some leading to definitions such as**:** the effectiveness of productive effort as measured by the rate of output per unit of input. Many definitions however produced partial statements such as: 'the amount of goods produced'.

(b) Some answers simply suggested that recruiting more workers or purchasing more raw materials would improve productivity in a manufacturing business. Without explanation of how and why these extra inputs might lead to higher productivity such suggestions were not rewardable. Stronger answers explained how investment in better machinery or in measures to improve employee motivation and or morale could well lead to improved productivity.

Question 3

This question proved challenging for many candidates. While the concepts of objectives and ethics were understood it proved difficult for many to apply the concept of ethics to management objectives and/or to link the two concepts in any meaningful way. Better answers gave examples of ethical principles and explained

how objectives might be affected. Specific examples included reference to profit maximisation at any cost, supplier exploitation, and the exploitation of employees and how a more ethical approach could well modify such practices.

Question 4

(a) Very few candidates were able to provide either a full or partial definition of this concept. There was little recognition that the concept was connected to break-even analysis - the difference between the actual budgeted sales/output and the break-even level of sales/output. Many candidates incorrectly suggested that it was the amount of profit needed for business survival.

(b) A significant number of candidates had little understanding of break-even analysis and were therefore unable to realistically answer this question. However many candidates were able to explain two limitations of break-even analysis such as the dependency on the accuracy of the data and the limitation of use for only one product at a time. Some answers were able to provide only one limitation.

Section B

Question 5

(a) The strongest answers focused on the importance of cost data in business decisions and calculations and in particular on the accuracy of such data. Such answers clearly indicated that inaccurate cost data would lead to misleading calculations relating to prices, costs, and profits. This could then lead to incorrect assumptions relating to current performance and future prospects. The quality of the examples given significantly affected the level of marks awarded. The quality of the analysis regarding the impact of poor cost data on business activity and business decisions was not often strong.

(b) Strong answers clearly distinguished between cash issues and profit concerns and contextualised this distinction to that of a new business. The need to pay bills and maintain liquidity in the short term in order to build a strong platform for long term profitability was the focus of strong responses. Evaluative responses recognised that a sustainable business needs to effectively manage cash and profits over the long term. Weaker answers lacked sufficient and detailed knowledge and understanding of cash and/or profit to construct a reasoned answer to this question.

Question 6

The strongest answers to this question defined a business mission statement and then sought to apply and link the concepts of strategy and tactics to that definition. In so doing sound responses commented that effective mission statements should be part of the operating focus of decisions at the strategic and tactical level and that they should be the focus of managers at these levels and hence be significant for all employees in a business. The use of business case studies proved very valuable for some candidates as they gave specific examples of working business mission statements. Some candidates successfully argued against the assertion in the question and questioned the possibility of a general mission statement having the impact suggested in the Question. Weaker answers failed to address the concepts of strategy and/or tactics and relied on a limited understanding of a general ‘wish list’ mission statement.

Question 7

(a) This question was the most popular essay question. Unfortunately a considerable number of candidates defined ‘performance related pay’ not in terms of reward (often an extra payment) for ‘above average performance’ (often to employees whose output is more qualitative than quantitative) but more narrowly in terms of piece-rate payments. This narrow definition resulted in a much more limited analysis of the disadvantages of performance related pay. Stronger answers with a broader understanding of PRP were able to analyse the potential impact of PRP on such issues as equity, teamwork, motivation and problems of performance measurement.

(b) Strong answers noted that staff morale and staff welfare are an integral and crucial aspect of the human relations management function but argued that other HR functions such as recruitment and selection, training and development, and employee motivation could be as important or even more important for a business. A recognition of the complementary nature of many HR activities provided opportunities for some very effective evaluative comment. Weaker answers simply accepted the

assumption as stated in the question and demonstrated only a very general understanding of staff morale and welfare.

BUSINESS

Paper 9609/12
Short Answer and Essay

Key messages

Candidates should spend an appropriate amount of time determining which essay question to select in ***Section B*** of the paper. Effective responses require sound understanding of the business concepts associated with particular questions. Many answers to **Question 5** revealed a lack of understanding of the concepts of price discrimination and product portfolio.

Having made a selection, time should be given to determining a relevant interpretation of a question and the most sensible approach to be adopted. Too often answers simply list the features/advantages/disadvantages of a specific business concept rather than analyse the specific problem and context given to that concept.

General comment

Candidates are reminded that when a specific business context is integral to a question as in **Question 5(b)** and **Question 7(b)** that context must be addressed and explained.

Comments on specific questions

Section A

Question 1

(a) Many candidates defined inventory management in terms of keeping a level of stock for one mark, and gained a second mark for commenting on the management of that level of stock in order to have an appropriate amount available to meet the particular demands of a business. The term was generally well understood.

(b) This question was well answered with explanations for high levels of inventory including meeting unexpected demand, shortages, seasonal demand, transportation costs, and purchasing economies of scale.

Question 2

(a) This question was generally not well answered.There was a considerable amount of confusion between below the line promotion and above the line promotion. Many candidates simplified a 'not directly paid for means of promotion' to promotion that does not cost anything. Some answers thought the term had something to do with job opportunities and promotion in the work place. Strong answers recognised and described the characteristics of below the line promotion and gave illustrative examples such as local sales promotions, free gifts and loyalty cards.

(b) Those candidates that were not confused between the two terms were able to give sound methods of above the line promotion. TV and radio advertising, billboards, newspaper/magazine advertisements, and the internet were the common examples given. Many strong answers used the framework of persuasive and informative advertising to explain and describe methods of promotion.

Question 3

Most candidates found this question accessible, and confident explanations of the potential impact on businesses of low levels of motivation were given. Specific issues such as low productivity, high labour

turnover, and reduced quality of performance were identified. However many answers failed to address the 'long term consequences' aspect of this question. Strong answers discussed the specific consequences listed above and then linked them to possible long term results such as loss of reputation, reduced market share, and consequent reduced chances of business survival.

Question 4

(a) Most answers gave accurate and comprehensive definitions of capital expenditure. However there were some who confused capital expenditure with revenue expenditure or working capital.

(b) There were many confident answers to this question. Typical reasons given and explained were those relating to the lack of collateral security or the inadequacy of entrepreneurial business plans. Weaker answers focused on the greater risk of lending to an entrepreneur with insufficient explanation of what that risk might be.

Section B

Question 5

(a) The strongest answers produced a discussion with analysis of the connection between price discrimination and increases in revenue/profits. Such discussions incorporated an understanding of the concept of price elasticity of demand. These answers used the example of a train company to explain how different prices could be charged for the same journey at different times and for different customers resulting in increased total revenue. However there was confusion among many candidates as to the distinction between price discrimination and price differentiation. Price discrimination is where different prices are charged to different customers for **the same product.** Examples of different prices for different levels of service such as enhanced comfort for certain train passengers are examples of price differentiation **not** of price discrimination.

(b) Strong answers clearly understood the idea of a large product portfolio in the car industry and focused on the advantages of producing a range of models that could appeal to a range of customers, increase competitiveness, reduce risk and produce benefits associated with diversification. Consideration of potential disadvantages of a large product portfolio provided opportunities for some effective evaluative comment. However a significant number of answers fundamentally misunderstood this question. Some candidates interpreted the concept of product portfolio as some sort of business brochure which gives detailed product specifications while others confused the concept with product life cycle. Clearly the management of product life cycles in a product portfolio is very important and relevant but such discussion is quite limited if the concept of a product portfolio is not made clear initially. Some answers accurately defined and analysed a large product portfolio but ignored the context of a car manufacturer.

Question 6

Most candidates who answered this question had a sound understanding of ethical/unethical business activity. Strong answers used this platform to then focus on examples of ethical/unethical practices that might be of particular concern to senior management. Common approaches focused on ethical practices that could impact on the external environment or the workforce or the community and the potential positive long term effects these could have on the image and reputation of a business. The avoidance of penalties and fines for unethical or illegal practices were also considered. A common evaluative point often made was whether ethical decision making (and consequent short term increased costs) would be in line with different stakeholder interests. Further evaluation included the relevance of business context in terms of competition and governmental expectations/requirements. Weaker answers were more general and simply focused on the advantages/disadvantages of business ethical behaviour without examples of ethical decision-making or analysis of the consequences of ethical decisions.

Question 7

(a) **Question 7** was the most popular essay question. In ***section (a)*** a number of responses were unclear about the meaning of diversity preferring to define it as the notion of different skill sets amongst the workforce or the means of placing a fixed quota on certain groups of employees. Equality was also somewhat narrowly defined by some who discussed the concept only through the lens of gender. Many answers however clearly understood the benefits that policies of equality and diversity could be for a business. Sound responses focused on how these policies might affect

the motivation and morale of employees and speculated on the way in which diverse workforces could respond to the needs of more diverse markets.

(b) The most notable feature of many answers was the absence of any retail context. This absence led to a significant restriction on marks awarded. Less successful answers often simply listed the different types of training and development together with advantages and disadvantages without considering such issues as relevance, cost, or effectiveness. Stronger answers discussed the value of training and development for improving customer relations and customer service but also examined additional or alternative investment approaches such as more effective recruitment or motivation boosting initiatives such as enhanced financial/non financial rewards for retail employees. An analytical focus on the suggestion in the question that a significant investment in training and development 'is the best way' proved to be a productive approach for many candidates as it provided an excellent opportunity for evaluative comment.

BUSINESS

Paper 9609/13
Short Answer and Essay

Key messages

- Candidates are reminded that the 'briefly explain/describe' command for **Questions 1(b), 2(b)** and **4(b)** requires enough detail and development to show clear understanding of the concept and its application. A brief statement is not likely to do this, nor is extensive writing required. Two or three developed sentences should be sufficient.
- Application marks in ***section B*** can only be awarded if candidates address the particular context given in a question. This can be specific such as examples of triple bottom line targets e.g. environmentally friendly production or jobs for disadvantaged people. But examples can also relate to more general business scenarios such as non-financial measures of business e.g. customer loyalty or brand image. Candidates must do more than merely repeat words that are in the question such as "triple bottom line" or "Maslow" or "business enterprise" as this will not count as application and will limit the number of marks awarded.
- Analysis marks in ***Section B*** are awarded when candidates have clearly gone beyond making a brief statement or description and have assessed the impact of any point made. It is useful for candidates to develop the points they make by using key words such as; therefore, as a result, this leads to. This helps candidates to build a bridge in their response from being descriptive to having more depth and becoming analytical.
- Evaluation marks can be awarded for answers to **Questions 5(b)**, **6** and **7(b)**. In order to access evaluation marks candidates need to make a critical comment or counter argument rather than a summary that repeats what they have already said. It is important to note that candidates can be awarded evaluative marks throughout their response and it does not necessarily need to be made at the very end of an answer. Evaluation occurs when a judgement has been made on the evidence presented. In **Question 7(b)** for example a candidate may have developed their response analytically on how business enterprise develops a country but offered an evaluation outlining how other factors are "more" important such as government policy or if the country is experiencing a recession.

General comments

- Candidates showed a good understanding of theory but need to bear in mind that all parts of the specification can be examined therefore it is important to be able to define and explain all business concepts. Some candidates were unfamiliar with business concepts such as marginal costs or operations management and the motivational theory of Vroom.
- Candidates need to ensure that when answering ***section B*** they focus on the specific demands of the question and move beyond a general level of understanding and knowledge by ensuring their answer is contextual or they express a view.

Comments on specific questions

Section A

Question 1

(a) Most candidates were able to score 2 marks here as there are many points on leadership that could be made. The majority of sound answers made reference to both motivation and achieving objectives. Answers that gave only partial definitions only referred to one factor such as guide, inspire, motivate, achieve goal or vision. A common mistake some candidates made was confusing leadership with management and listing incorrect points such as control staff or set objectives. Some candidates listed leadership styles which are not awarded as part of a definition.

(b) The majority of sound answers for this question tended to focus on democratic and autocratic leadership styles and developed answers to include how decisions were made, communication and the impact on employee motivation or the business itself. Some answers mentioned 'laissez-faire' or 'paternalistic' and were generally well answered. Weak answers tended to make brief reference to factors such as one or two way communication, or "manager makes all the decisions", without developing this any further to include the impact this could have on either the employee (e.g. feeling valued) or the business (e.g. achieving objectives).

Question 2

(a) Most candidates were able to gain at least 1 mark for this question though many struggled to fully define operations management. There are many points that could be made in order to gain 2 marks with most responses making reference to the production process and the transformation of inputs into outputs. Very few answers made reference to production methods, the type of production or what to produce, all of which could be rewarded.

(b) This response was generally very well answered with most candidates scoring 2 or 3 marks. Many responses made reference to both CAD and CAM and developed these sufficiently to show the impact on operations such as more accurate designs thus less waste, or increased production leading to lower unit costs. Many candidates understood that there could be an impact on staffing levels which could lead to cost savings. Some responses were vague such as "new technology costs money" or "CAM is expensive".

Question 3

This question was well answered with many candidates gaining at least 3 marks. Most candidates understood what objectives were, making reference to survival, profit maximisation or increase market share to develop their answers. A focus for many answers as to why objectives changed was that it had been achieved, there was a recession, or more competitors had entered the market. These provided a sound basis to develop answers and often achieve 4 or 5 marks. Candidates also made reference to a change of ownership or management and then changing objectives from profit maximisation to becoming more socially responsible. Candidates were able to address the "over time" element of the question very well as factors such as recession or change of ownership, implying a period of time had elapsed. Weaker answers tended to focus on small businesses surviving then, once they had survived, making a profit without developing the answer any further and were limited to 2 marks.

Question 4

(a) Many candidates were able to answer this question correctly with a full definition of marginal costs. Candidates understood that it was both "an extra cost" as a result of "producing one more unit." Weaker candidates tended to only know that it was an extra cost of production but were unable to make reference to the extra unit produced.

(b) Many candidates were able to score full marks on this question usually by focusing on fixed and variable costs and giving a full definition which also included an example. Responses that tended not to gain full marks focused on direct and indirect costs and were unable to make reference to cost centre or unit of production and ended up defining fixed or variable costs by referencing "do not/do vary with output."

Section B

Question 5

(a) Candidates typically did not fare particularly well on this question. Some answers regarding venture capital were vague and only covered a narrow range of marks. Candidates did however understand that small businesses may find it difficult to raise finance through conventional routes such as bank loans and did generally understand that the capital provided was an investment and did not need to be repaid. Weaker candidates likened venture capital to a bank loan in that interest was charged and it had to be repaid. Better candidates understood that venture capital is invested in exchange for equity in the business and that venture capitalists can be a source of invaluable expertise and advice to the small business. Better candidates were able to access analysis marks by showing

how the venture capital could impact the business positively enabling them for example to achieve their objectives and become successful or break into a market.

(b) Sound answers were comfortably able to understand the question and differentiate between financial and non-financial measures and offer an opinion on the importance of these. Better candidates understood that financial measures could be window dressed but were very important to potential investors. They also understood non-financial factors with reference to brand image, customer loyalty, goodwill or motivated staff and that they could be more difficult to measure. Evaluative answers recognised that an integrated approach was necessary to get a complete picture of the whole business. Some candidates incorrectly discussed non-financial rewards such as job enrichment or job rotation which is a misunderstanding of the question.

Question 6

This question was a less popular one than **Questions 5** or **7**. It required candidates to discuss how the motivational theory of Maslow differed from that of Vroom. A good explanation was usually seen for Maslow, but candidates were less confident with Vroom. For the question as a whole, many scripts were descriptive and lacked a comparison between the two models, constraining marks. Again, though, a few very good answers were seen where candidates were able to identify the similarities and differences between both theories. These responses would perhaps focus on how needs are important to Vrooms process approach or that both theories enable an individual to decide what results will motivate them. In contrast Vrooms expectancy theory does not focus on needs but on results. Better candidates were able to differentiate between the two theories and scored high marks. Less successful candidates decided to compare Maslow with Herzberg, Taylor and Mayo. This highlights the importance when preparing for exams that candidates need to be familiar with all aspects of the specification and not just the parts they enjoy or find easier.

Question 7

(a) This question proved to be the most accessible and was generally well answered with candidates feeling comfortable with triple bottom line and how this could prove advantageous to a community. Most candidates were able to explain how triple bottom line would mean more jobs, profits reinvested and protection of the environment. Better candidates moved beyond 4 marks by analysing, to include improved standard of living or better health or infrastructure as a result of businesses implementing triple bottom line in their community. Weaker candidates misinterpreted the question and discussed the benefits to the business itself instead of the community.

(b) Some very good answers were seen to this response, and this was the best answered section of all the option questions. Most candidates were able to identify and frequently analyse the benefits (and some disadvantages) that accrue to a country from business enterprise. Strong responses were able to understand that business enterprise brought jobs to a country which led to increased taxes which in turn could be spent on infrastructure, schools, hospitals, etc. Strong responses were also able to discuss how a developed country could also attract other businesses to locate there or that theme parks might attract tourists. Weaker responses merely listed the advantages of businesses such as jobs and more goods without developing these points. Evaluation tended to be at the lower level and was usually an evaluative comment at the end of the response whereas some stronger responses would have provided more detailed evaluation going on to develop points such as; “it also depends on government policy” or “businesses can exploit the workforce” or “PLCs may take all their profits back to their home country”.

BUSINESS

Paper 9609/21
Data Response

Key messages

- **Questions 1(c)**, **1(d)**, **2(c)** and **2(d)** all require extended answers in order to create arguments and where required come to a justified conclusion. While there has been an increase in the overall ability to develop the candidate answers, a significant proportion of candidates are still writing too little in their responses which is therefore impacting on their final marks. A good structure for an analysis question would consist of two good sized paragraphs with an additional paragraph where evaluation is required.
- It is, however, important for candidates to be able to structure their answers appropriately and distinguish between application and analysis. Many candidates used too much data and then provided basic analysis which was not developed far enough to meet the requirements of the mark scheme. **Question 1(c)** for example, asked candidates to recommend a supermarket for closure; there was often an abundance of context which in turn led candidates to analyse a number of points to a basic level which could have been easily developed but was not.
- In many instances candidates failed to use data at all in their answers, for example **Question 2(c)**; while candidates correctly identified methods of selection, they were not related to the skills required for a factory manager, which led to many answers only receiving half marks.
- Centres must prepare candidates better to respond at the right level to the command words. On this specific paper:
    - **Question 1(a)(i)** and **Question 2(a)(i)** both require definitions only. This is simple repetition of a learned definition with no application or development required.
    - **Question 1(b)(ii)** and **Question 2(b)(ii)** require explanations without any stimulus material. For a three mark question candidates should have a detailed definition plus an example not from the case; tautological responses do not show understanding.
    - **Question 1(b)** and **Question 2(b)** require calculations followed by a question related to that answer. Candidate must use the calculations in the second part to be certain of gaining full marks.
    - **Question 1(D)** and **Question 2(C)** both require analysis in context. Candidates should aim for two key points from the text well analysed. There is no requirement for any conclusion.
    - **Question 1(C)** and **Question 2(D)** both require an evaluation based upon developed analysis in context.

General comments

Candidates were provided with a large amount of data for both questions. **Question 1(b)** and **Question 2(b)** was necessary for candidates to be selective in their choice of applicable data, as covering many or all points in their answers to **(c)** and **(d)** questions is unreasonable. Being selective is also a good way of demonstrating their ability to select the most important factors.

The case material seemed to be well understood and able to be used. There was little difficulty in understanding the questions set, however in **Question 2C** a significant proportion discussed recruitment (job descriptions etc.) instead of selection.

Comments on specific questions

Question 1

(a) (i) Cash flow was generally well understood with most candidates successfully identifying the movement of cash into and out of the business. However, poor definitions meant that candidates could have been referring to other terms such as profit, for which candidates did not gain marks.

(ii) Many candidates confused the term 'product portfolio' with 'product description' and focused on describing the amount of sales and revenue of a specific product. Many candidates also failed to provide a satisfactory example, often using tautological examples from the case which as mentioned above does not show understanding.

(b) (i) This question was poorly answered. Some candidates were able to provide the formula for one mark but then were unable to identify the correct figures from the stimulus material. Many candidates calculated actual figures for the change in price and quantity however then failed to change this into a percentage change. Those with workings out managed to acquire marks for their calculations.

(ii) A lack of context from **(b)(i)** meant that most answers were limited to one mark. It is important to use the figures derived from **(i)** to gain full marks in this question.

(c) Most candidates were able to achieve full knowledge marks due to the amount of data used from the case study regarding which supermarket to close.

A common error however, was candidates identifying too many different reasons for closing each supermarket (e.g. Declining profit in Supermarket B) and then only briefly analysing why each was a reason for the closure (e.g. which means it might soon be making a loss) without developing the chain of analysis any further (e.g. which would minimise shareholder returns).

Many candidates also only focused on the supermarket they had chosen to close, either ignoring or only implicitly mentioning the other supermarket. This also meant that candidates could not achieve evaluation marks.

Without this development, candidates are unable to achieve the evaluation marks, which limited a great many candidates to 6 marks.

(d) Candidates generally answered this question well, as the range of possible stakeholders was great. Errors mainly occurred when candidates failed to identify a stakeholder and talked in general terms.

A key error candidates made was to confuse the term 'stakeholder' with 'shareholder'. While a shareholder is a stakeholder, not all stakeholders are shareholders, so in these cases, the question was not answered and candidates scored poorly.

Question 2

(a) (i) Some candidates were not able to identify that 'retained earnings' originate from profits. In definition questions with two elements it is important to ensure both are clearly defined: 'retained – kept for future use' and 'earnings – come from profits'.

(ii) Many candidates confused a public limited company with a public sector company. This is a common error and highlights the need for candidates to be revising key terms used in Business prior to the exam.

(b) (i) Many candidates did not seem to know the formula for working capital (current assets – current liabilities) and included ALL assets and ALL liabilities which resulted in a great deal of candidates scoring 0 for this question.

(ii) While candidates were mainly able to identify that working capital could be improved by reducing current liabilities and increasing current assets, many made no use of the source data – simply adding the figures for current assets and liabilities would have enabled a candidate to access the application marks.

(c) A significant error for analysing two methods of selection was to discuss internal and external recruitment – which is not a method of selection. Candidates had to mention selection criteria; interviews, work trials or appraisals to access marks. Those who did successfully identify selection criteria often failed to clearly link the methods to a factory manager, which meant application and development marks were missed.

(d) Many candidates misunderstood the question and used examples of fruit and veg having short shelf lives and rotting, which is not the product life cycle. Product life cycle refers to the stages a product passes through including extension strategies. Those candidates that successfully identified the product life cycle generally failed to link their answer to the case. Examples of application such as (existing) canned and (new) frozen veg were missed which again limited the marks as there was no application. Without application candidates are unable to access the evaluation marks.

BUSINESS

Paper 9609/22
Data Response

Key messages

- There is not enough focus in candidates work on the skill of analysis and developing chains of analytical argument. This skill is essential in the higher mark questions and a lack of developed analysis is often the limiting factor in responses.
- If a question refers to the business or a specific stakeholder then this must be the focus of the response. However if a question does not make reference to the business or a specific stakeholder then any examples used should not come from the data. For example on this paper **Question 1 (b)(iii)** was often answered as a generic question with answers not focused on OT. In contrast **Question 1(a)(ii)** does not mention the business or a stakeholder and therefore stating that all OT employees are given a contract of employment does not show any real understanding as this is just a repetition of the given data.
- There are four assessment objectives being assessed in this examination. The most common error to be avoided in each of these skill areas are:
  - **Knowledge** – not knowing something is an obvious barrier to gaining marks. However there were many examples of candidates who obvious did know the terms but misread or misunderstood their meanings. For example, on **Question 1(a)(i)** there were many responses where the candidate gave a good definition of a private business, not a private limited company. Whilst this is an understandable error when a candidate is under time pressure, centres must make sure that candidates do not waste these relatively simple marks in the examination.
  - **Application** – the data given is relatively short, but there is always enough context to make sure every point is based on the data. Too often candidates ignored the data and simple wrote everything they knew. A really good example is **Question 1(c)** where a large number of candidates chose to analyse the effect of the redundancies on the government. Whilst there is no doubt that the government would be affected, there is little or no data in the examination to base it in the context of OT. This left candidates with a really tough task trying to gain all the marks available using this stakeholder and most were unsuccessful. Much better to use the obvious, contextual stakeholders rather than the first ones to come to mind.
  - **Analysis** – developing chains of analysis is the most fundamental skill in writing a longer answer in this subject. Too many candidates give and effect, reaction or impact of something without taking it any further. For example on **Question 2(c)** candidates needed to analyse advantages. This is not just '….could increase productivity', but needs to be taken further '….could increase productivity, which may lead to more umbrellas being made at a lower costs and lead to an improved profit margin.
  - **Evaluation** – this is about answering the question, which usually requires a judgement. There are three stages to a good evaluation, making the judgement, developing it, often in terms of different perspectives or what the judgement 'depends upon' and then justifying why it is the right judgement. Too often candidates try to gain evaluation marks by repeating what they have just argued. This is not evaluation and will not be rewarded.

General comments

Two contrasting contexts seemed to give more scope to use the context and candidates tended to engage well with both pieces of data. OT as a service sector business with a focus on the use of the internet to market and sell was well understood by candidates. UU as a more traditional manufacturing business was also well understood and candidates coped well with the two options for growth.

There was little evidence that candidates ran out of time on the examination, apart from those who wrote too much for the first question.

Comments on specific questions

Question 1

(a) (i) 'Private limited company' is a fairy standard piece of business terminology and as such most candidates couple produce a good definition. When defining a business structure such as this, the definition should make it clear what distinguishes this structure form any other type of ownership. For example, 'selling shares' is not enough on its own as this could also apply to a public limited company.
There were a few candidates who defined a 'private sector business' rather than a private limited company. This highlights the importance of accurately reading the question.

(ii) A contract of employment was well understood, but often poorly explained. Candidates often spent a great deal of time explaining the contents of a contract but not enough actually explaining what it is. This led to some lengthy answers which did not gain full marks. Most 'explain' questions can be answered in two sentences and do not require a paragraph or two.

(b) (i) This was a relatively simple question and asked candidates to 'identify'. Most candidates could find the data correctly but sometimes felt the need to write a sentence (or occasionally more) to answer the question. Identify means give the information, nothing more and time should not be wasted doing anything else.

(ii) Most candidates worked out how to approach this question. Those candidates who did not gain full marks often made simple mistakes. Where working was shown these could be identified a mark awarded for appropriate working. However some candidates did not show their working and this meant that, in the case of a wrong answer, no marks can be given.

(iii) The disadvantage is to OT in this question and yet many candidates did not use any context in their answer. Again this does not require a long answer, in fact, done well a full mark answer could be written in one sentence as long as the disadvantage is explained in the context of OT. If the question refers to the business then the answer must as well. This is not just using the business name or naming the product, but rooting the answer in terms of what it means to OT in this case.

(c) Although candidates did need to have some knowledge of redundancy to answer this question, the focus is on the effects on stakeholders other than employees. The data gave a number of stakeholders who could obviously be affected by these redundancies; customers, owners as two examples. However too many candidates choose government as one of their stakeholders. This made it very difficult to gain application (context) marks because there is no mention of the government in the case. Whilst those candidates were not wrong in highlighting the possible effects on the government, these were generic effects and therefore unlikely to gain full marks.

(d) This question had four important elements to build a full answer. Firstly candidates needed to understand the marketing mix. This was a fairly straightforward piece of knowledge but some candidates spent too long writing about market research rather than sticking to the 4 Ps or 4 Cs.

The second element was the context of OT. As with any question which refers to the business, the answer must be rooted in the data given. Too many candidates gave generic answers that did not refer to OT at all.

The third element was the internet within the marketing mix. Most candidates had some knowledge of this, but it is perhaps an area of the syllabus (section 3.3.9) that has not been as well addressed as others. Whilst most candidates may have a good knowledge of how the internet is used (often better than some adults), being able to apply this to a business scenario is a different skill that needs practice.

The fourth element is the target market of 16–30 year olds. This was often the most neglected element and led to some good answers not fully addressing the question. Evaluation marks cannot be gained unless the candidate is covering all the elements of the question, no matter how good the rest of the answer actually is.

Question 2

(a) (i) In common use, 'consumer' and 'customer' are often interchangeable. However in business they have distinct meanings. The consumer uses a product or service, whilst the customer purchases it. On this occasion a mark was awarded for candidates who obviously mixed these up, but in future examinations this is unlikely to be the case.

(ii) Variable costs change as output changes. Many candidates understood this, but some chose to use the word 'vary'. This does not show understanding because it is a word derived from the word 'variable' and therefore tautological. Candidate must strive not to use the terms from the question, otherwise marks cannot be awarded. The easiest way to get the third mark was through an example which showed good understanding.

(b) (i) The ability to calculate revenue from the given data required a good understanding of what revenue actually is. The most common error was to forget to add the profit on, giving a total cost figure, but not revenue. This was not a lack of numeracy skills but highlighted a lack of knowledge. Centres should practise knowledge within numerical questions so that candidates can access all of the marks in this type of question.

(ii) Most candidates had some knowledge of the need for a business to have accurate cost data, but relatively few contextualise this as a reason why UU needs the data. There were plenty of 'clues' in the data which candidates often ignored. Candidates who focused on the data and used an obvious contextual reason often had a full marks answer in a very short piece of writing.

(c) Batch production can be difficult for candidates to explain because the advantages are mostly relative to other types of production. For example batch production tends to have lower costs than job production, but higher costs than flow production. Therefore candidates who simply state that 'batch production has low costs' are not being precise enough. With any terms where there are multiple different types, candidates should be encouraged to thoroughly explain their points in relation to the other types.

Context was essential in this question to gain full marks. It is not enough to analyse the generic advantages of batch production, they must be applied to UU. UU is a business that is looking to grow, therefore how will batch production enable this through increased profits, more efficiency, etc. The fact that UU has numerous business customers who want their own designs can easily, be related to batch production, as can the consumer market where limited edition prints are made.

(d) Candidates always engage well the data when asked to make a choice. It is a great shame that this level of engagement is not true on all 11 mark questions in the same way. To gain full marks candidates needed to analyse and explore both options. This is the essence of justifying a recommendation. Candidates who chose to only look at one of the options could gain a maximum of six marks.

Either option could have made a viable recommendation and there is never a requirement in this type of question to come to the same decision as the Examiner. The important aspect of an answer is the skills of argument shown in the analysis and evaluation.

One of the most frustrating omissions in a question such as this, is when a candidate analyses a good two-sided argument and then does not come to a recommendation. In other words, the candidate has not actually answered the question.

There is always going to be far more data than is required to gain full marks on a question such as this. Candidates are not required to use all of the data. In fact if a candidate tried to use of the data then they would quickly run out of time. Therefore candidates must learn how to be selective and choose the most compelling argument on each side. In this case the best argument for Option 1, the best argument for Option 2 and then a justified recommendation would have gained full marks.

BUSINESS

Paper 9609/23
Data Response

Key messages

- Encourage candidates to use the context, presented in the case studies, to support their responses.
- Advise candidates to use a calculator where appropriate but show full workings when answering quantitative questions such as **1(b)(i)** and **2(b)(i).**
- 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.
- Remind candidates to be aware of the marks available for each question so that they spend the appropriate time on each question and devote adequate time to contextualised, analytical and evaluative questions such as especially in **Questions 1(c), 1(d), 2(b)(ii)** and **2(d)**
- Advise candidates that questions requiring the use of context, such as question **2(d)**, should integrate the information, from the case, in their answer.
- Candidates should practise developing an argument to build up quality analysis.
- Ensure full understanding of the command words used in questions.
- Revise key terms for 'explain/definition' 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 answered **2(a)(i)** in terms of financial capital. A minority of candidates gave longer answers to **1(b)(ii)** (4 marks) than to **part (c)** (8 marks) and even **part (d)** (11 marks) questions.

Teaching tip: Arguments should be balanced and based on good analysis

As in previous sessions, candidates should make full use of opportunities to:

- Use the context
- Identify opportunities to analyse – **question 1c** required good analysis based on chains of reasoning
- Identify opportunities to evaluate – **question 2(d)** required an evaluation of a decision
- Answer the set question - **question 2b(ii)** asked candidates to use their answer to **2b(i).**

Comments on specific questions

Question 1

(a) (i) Most candidates gave the correct definition of 'tertiary sector' with a minority confusing it with the secondary sector.

(ii) Some candidates gave tautological answers such as the 'human resource manager manages human resources'. In explanation questions all parts should be explained. This question required the candidate to identify the meaning of human resource and an explanation of manager in the context of human resources.

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

(b) (i) Most candidates received at least one mark for the correct equation or the correct calculation of retained profit. Most candidates were aware of the importance of showing working out which aided in receiving partial marks in certain responses.

(ii) The information in the case study provides information to use in answering this question such as the importance of retained earnings to fund the proposed expansion. The fact that the firm is a PLC was noted by many in that they considered the impact on shareholdings of a reduced dividend.

(c) Many candidates identified internal and external methods of recruitment but lacked in-depth analysis for each. Some candidates noted that as the firm wanted to expand overseas then internal recruitment was unlikely to be suitable. A few answers confused training with recruitment. There were many acceptable methods which could be analysed but it was important to note that the recruitment would be for drivers in another country. A developed analysis based on a chain of reasoning, for each method, would achieve full marks. Evaluation is not required.

(d) Some candidates misunderstood the question and answered in terms of the benefits of market research rather than market research methods. A few candidates were able to develop their analysis in context. Evaluation was successfully attempted by a smaller proportion of students with a few able to give a justified judgement based on their previous analysis.

Question 2

(a) (i) Some candidates did not define the term capital (machinery, equipment etc.), whilst others wrote about finance rather than the use of more machinery than labour in the production process.

(ii) Candidates showed some understanding of 'niche' in terms of a segment but not all identified this as a 'smaller' market than the mass market.

(b) (i) Most candidates gained one mark by stating the correct formula. Few candidates realised that the question asked about 'packs of pencils' and gave the answer as the number of pencils for 3/4 marks.

(ii) This question asked candidates to use their answer in **2(b)(i)** to show how the calculation of break-even could be used and by doing so could access the context mark. However, the context mark could also be gained by using other information from the case study. Just referring to pencils was not sufficient for context.

- Answer the set question.

(c) Almost all candidates could identify methods of improving cash flow and give a brief explanation of how they worked. The lack of application was the biggest cause for lower marks. Many candidates could or would not relate the methods to the case study. The best answers did make use of the fact that shops could take 30–60 days to pay for the supplies and that PP had a high inventory which could be reduced.

(d) Most answers created lists of the advantages and disadvantages of niche versus mass marketing, rather than developing a few points. Some candidates assumed that PP was in the niche market as the sole firm and so would not face competition. This is where careful reading of the case study would help avoid such mistakes. Once again, the case study was a source of much content to use in answers. Many candidates made use of the information but few used it to develop good analysis based on a chain of reasoning.

BUSINESS

Paper 9609/31
Case Study

Key messages

- Greater accuracy in numerical questions is required
- Units of measurement in numerical questions are important
- Define key terms, e.g. strategic choice in **Question 7**
- Aim to include evaluative comments in main body of answer – not just the conclusion
- Ensure that questions are answered fully – many questions include more than one instruction to follow
- Candidates need to be able to distinguish between different elements of strategic management.

General comments

Most candidates were knowledgeable of the core concepts and extension topics within the Business syllabus. However, a significant number of candidates had only a limited understanding of business theory and were unable to define key terms such as moving average method or identify techniques within broader concepts such as strategic choice. Overall, candidates found some questions relatively straight forward, e.g. **Question 1** and **Question 3** whereas others presented significant difficulty to answer, e.g. **Question 5**. Technique and understanding were frequently weak in ***Section B***; these extended essays continue to provide significant challenge. 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 PGP. For **Question 7** candidates should have clearly identified the strategic choice techniques referred to in the case.

Comments on specific questions

Section A

Question 1

As noted above the majority of candidates understood the meaning of privatisation and stakeholders and where able to use the case material to identify and analyse the impact of privatisation on one stakeholder group. The majority of candidates chose to consider employees as their stakeholder group. Candidates identified that wages had risen for employees and better answers also referred to the increase in income for managers noting the significant difference increases. Weaker answers tended to show limited analysis of increasing wages from the employee perspective. Better answers developed a comprehensive chain of reasoning linking wages to living standards and material consumption for employees and thus, gaining L2 analysis marks. 'Customers' too was a common choice with candidates identifying the increased range of goods and the increased price of goods as consequences of privatisation.

Candidates should follow the instructions in the questions with care. A number of candidates analysed the impact of privatisation on more than one stakeholder. This tended to result in weaker analysis of both the advantages and disadvantages of privatisation to each stakeholder group and thus a lower mark for the question. Examiners could only award marks for analysis of the impact on one stakeholder group. Other candidates evaluated the impact of privatisation and in some cases did so at length. As there are no evaluation marks available for **Question 1,** such an approach is wasting valuable time.

It is worth noting that a small number of candidates still confuse stakeholders and shareholders giving the impression that they believe that all stakeholders are shareholders. A few candidates did not understand the term privatisation and thought that the company had changed from a PLC to a private limited company or vice versa. Overall, however, the bulk of answers were able to identify the key change as a move from a company with the community's interests at heart to one of a profit driven company.

Question 2

(a) Many candidates gained full marks on this question with an accurate calculation of the difference in between the annual cost of outsourcing the transport of fuel in country *X* with the existing annual cost of transport. In all calculation questions the own figure rule applies so it is essential that candidates show full working of their answers so as to ensure that if mistakes are made it may still be possible to secure some of the available marks. Through showing clear method many candidates gained six or seven marks.

The majority of candidates were able to identify that the cost of outsourcing was $78m although a significant minority then either added or subtracted other 'costs', 'income streams' with the most popular being the value of the trucks and distribution centre. Equally the majority of candidates correctly calculated the variable cost for PGP if it delivered its own oil/gas but the value of the trucks/distribution centre often featured here as well.

However, candidates made simple errors such as not showing the appropriate unit of measurement in their answers, i.e. omitting that the answers was in $. Others, gave their answer as a difference of $11 rather than $11m or $11 000 000. These omissions are important and candidates must take care with numerical questions.

Some candidates gave an incorrect answer and as no working out or formula was provided they were awarded zero marks.

(b) Most candidates demonstrated some understanding of factors that should be taken into account in making the decision about outsourcing transport. By referring to the answer to **Question 4(a)** and making a simple judgement candidates were often able to achieve between six and eight marks. Candidates frequently gained both knowledge and application marks and L1 analysis and evaluation marks.

Better candidates identified PGP's desire for cost savings as a major factor in their choice about outsourcing and linked this to the competitive nature of the market. Answers also noted that PGP could benefit from the extra money from selling the trucks and distribution centre. The strongest answers noted that the trucks were near the end of their useful life and that if outsourcing were delayed PGP would have to replace the trucks at significant cost. Many candidates also considered the additional benefit of using a specialist company in transporting the fuel weighing that against the loss of control over distribution.

A small number of candidates assumed that all outsourcing involved low-cost overseas companies but failed to note that this would be impossible her as the fuel transportation was to take place in PGP's home country.

Question 3

The majority of candidates gave an accurate definition of delayering at the start of their answer. Defining key terms early in an answer is good practice for **Paper 3**. The advantage of delayering was frequently discussed in terms of motivation. It is worth noting in this context that many candidates failed to achieve higher marks because they focused on the benefits for employees or managers or problems for these groups without going on to discuss how and why this impacted PGP. Better answers linked employee motivation to improvements in productivity and therefore cost savings to PGP and noted the significance of reducing costs in a competitive market. The best answers highlighted that the company had had this structure for many years – a result of state ownership and taking over smaller companies – and that any change would therefore cause considerable disruption to employees and this would have consequences in terms of efficiency and labour turnover for PGP.

Question 4

These numerical questions proved challenging for the many candidates.

(a) (i) A more difficult question than **Question 4(a)(ii)** with a lower proportion of candidates achieving full marks. A common error was to divide the share price by dividends per share rather than earnings

per share. A significant number of candidates gave their answer as $13.3 rather than 13.3. A Level candidates are expected to appreciate the importance, not only of, accurate calculation but also of using the correct units of measurement.

(ii) Many candidates understood how to calculate dividend yield. However, a significant number of answers did not give their answer as a percentage figure, for example, many left their answer as '3' rather than '3%' or stated their answer as a decimal, e.g. 0.03. Others gave answers with a dollar sign thus making the answer fundamentally incorrect. A common error was to miscalculate the dividends per share or to use the figure for earning per share given in the case material.

(b) Perhaps as a consequence of the difficulty of interpreting shareholder ratios such as PER many candidates were not sure how to approach this question. Indeed a significant minority of answers focused on, reducing prices or increasing promotion without thinking through the consequences in terms of revenue and costs and the impact on ratios. Some candidates assumed that companies were able to increase the price of shares whenever they wanted without explaining exactly how this might be done; there was a lack of understanding of the role of supply and demand in determining share price. Thus, to increase the price of shares PGP would need to pursue strategies to make holding shares more attractive, for example, by raising profitability. Weaker answers did not even mention accounting ratios at all and thus were destined to receive a low mark.

Better candidates focused on an accounting ratio, defined it and then commented on how it might be improved. For example, answers centred on ways of improving gearing, noting that although below 50 per cent the company's ratio was above the industry average and therefore discussed ways of reducing long-term loans. Others considered the ROCE focusing on how to improve profit or reduce capital employed. Some highlighted the problems of sales forecasting noted in the case and therefore suggested that improved forecasting would reduce inventories and its cost thus improving efficiency ratios. The use of delayering and outsourcing transport also made effective contextual approaches. The best answers referred to the answers generated in **Question 4(a)** as well as using other information in the case.

Question 5

Very few candidates gave a definition of moving averages or showed understanding of their usefulness to PGP. Some candidates wrote on the page that they had never heard of the term or simply left the answer completely blank. Good answers to this question were therefore rare. Prior to the exam it is worthwhile for candidates to check through the syllabus and ensure that they are able to define and use all concepts specifically referred to. Forecasting is an important element of the business planning for the future and can significantly impact business performance.

Candidates who did provide relevant answers, even where their knowledge of moving averages was partial, considered how forecasting could help PGP plan accordingly for production, stocks and workforce among other things. Therefore, forecasting helps satisfy demand and reduces costs leading to an improvement in profitability. A few answers highlighted the importance of seasonal variations, other analysis focused on the impact of economic growth as an important factor influencing demand and therefore forecasting but noted that this was much more difficult to predict when using past sales data. Some very good answers noted that the demand for oil and gas is highly price elastic for individual companies and that the resultant interdependence between companies could make forecasting difficult. Candidates struggled to evaluate effectively in this question and marks were often sparsely awarded. Candidates often did not make any judgements, and where judgement was shown, if was often superficial. Evaluation tended to be simplistic with most candidates only noting that the usefulness of moving averages was directly linked to its likely accuracy. Consequently, it was infrequent that candidates achieved more than 10-11 marks for this question.

Section B

Question 6

Over a number of years candidates have typically favoured questions on SWOT and/or PEST analysis. However, in this session a substantial number of candidates chose to attempt **Question 7**.

Those candidates who did realise what techniques were required to answer **Question 6** often scored well being able to make good use of case material in completing a SWOT and suggesting how this was useful to PGP. Evaluation marks were earned by noting that strategic analysis techniques were subject to bias and therefore could result in strategic management decisions that were not effective. Weaker candidates

conducted a 'SWOT' analysis of Options *A/B* and consequently looked at the strengths/weaknesses of the options rather than those of PGP.

Equally candidates pointed out that PEST analysis was also invaluable especially in relation to the economy and social attitudes towards renewables. Unfortunately, a few candidates missed out on maximising their marks by using Ansoff's Matrix as one of their strategic analysis techniques. As has been noted before in these Examiner Reports, candidates should understand the difference between the different stages of strategic management and be able to identify the techniques applicable to each stage.

Most candidates defined strategic choice and referred to various techniques such as Ansoff's Matrix and force field analysis. However, a significant number of candidates analysed strategic analysis techniques instead. Where those candidates linked their comments to the reduction of risk, L1 knowledge and application was awarded. Some candidates interpreted the question as asking which of the strategic options to choose. The focus of these answers was incorrect and therefore analysis and evaluation did not address the question of risk reduction. Better answers identified how consideration of investment appraisal techniques and other strategic choice techniques could reduce risk. Simple evaluation was often shown by commenting on the limitations of the techniques in particular the likelihood of estimates of future revenues and profit proving incorrect or the quantitative nature of investment appraisal. The best answers provided in-depth analysis and gave thorough evaluative comment throughout the answer and in the conclusion.

Question 7

Both **Paper 31** and **Paper 32** suggest that not only do candidates confuse strategic analysis with strategic choice but are also confused by the reference to techniques in questions. The techniques of strategic choice include investment appraisal, force field analysis, decision trees and Ansoff's Matrix. Techniques of strategic analysis include SWOT, PEST, Porter's five forces, and core competences. Candidates must ensure that they understand the difference between these different stages of strategic management and their usefulness to business.

Many candidates scored low marks on this question. Candidates often just commented on the information in the appendix and in some cases just repeated the information and made no attempt to interpret its usefulness. Better answers clearly identified the strategic choice techniques that the information referred to and analysed how it could guide PGP's strategic decision. Some good answers also included a critical evaluation of the techniques highlighting issues of bias in force field analysis, the purely quantitative nature of decision tree analysis and problems of accurate forecasting with investment appraisal techniques. The best answers also considered whether the techniques were sufficient in themselves to make decisions and stressed the importance of the economy, social attitudes and the role of strategic analysis techniques providing a framework for determining the direction of PGP's growth.

BUSINESS

Paper 9609/32
Case Study

Key messages

- Greater accuracy in numerical questions is required
- Identify, with care, the information required to complete calculations
- Aim to include evaluative comments in main body of answer – not just the conclusion
- Ensure that questions are answered fully – many questions include more than one instruction to follow
- Candidates need to be able to distinguish between different elements of strategic management.

General comments

There were some examples of exceptionally business minded candidates able to provide sophisticated answers to the problems posed in the exam. Most candidates were knowledgeable of the core concepts and extension topics within the Business syllabus. However, a significant number of candidates had only a limited understanding of business theory and were unable to define key terms such as decentralisation or identify techniques within broader concepts such as lean production and strategic choice.

Section B continues to provide a challenge to candidates and marks the significant shift in difficulty between AS Level and A Level. Both paper 31 and 32 suggest that not only do candidates confuse strategic analysis with strategic choice but are also confused by the reference to techniques in questions. Strategic choice techniques include investment appraisal, force field analysis, decision trees and Ansoff's Matrix. Techniques of strategic analysis include SWOT, PEST, Porter's 5 forces, and core competences. Candidates must ensure that they understand the difference between these different stages of strategic management and their usefulness to business.

Comments on specific questions

Section A

Question 1

A deceptively difficult question for students due to the close links between decentralisation, democratic management and, in the eyes of a number of candidates, so called 'soft HR'. Many candidates were aware that decentralisation involved authority delegated to subordinates. However, the degree of delegation candidates believed was involved, varied greatly across responses. A significant minority of candidates suggested that ALL employees would enjoy a degree of delegation and its associated benefits. This is not the case as decentralisation gives authority to managers lower down the hierarchical chain not to all employees. These candidates further assumed that decentralisation was necessarily a democratic approach to human resource management and therefore that there would be extensive consultation leading to slower decision making within DA. This is not always true.

Better responses noted that there were four product areas and that decentralisation was likely to involve managers in those departments enjoying a degree of autonomy in their decision-making. The benefit of this to DA could be that managers might be more knowledgeable about their product areas than remote senior managers at Head Office. Therefore, better decision making would result to the benefit of DA. Good contextual links were made by some candidates to the advantages that decentralisation might bring if DA expanded to country B. Other benefits commonly identified by candidates included improvements in motivation of managers. However, it is important that candidates develop the benefit of motivated managers to DA in order to answer the question effectively. Many weaker answers did not make the link between motivated managers and reduced labour turnover or higher productivity at DA. Candidates often highlighted

the reduction of day-to-day management by senior executives that could lead to increased opportunities to concentrate on strategic management decisions.
In order to access the full range of marks candidates needed to address the possible disadvantages of decentralisation as well as the advantages. Weaker candidates tended to give one-sided answers and neglect the potential disadvantages. The best answers linked disadvantages to case material such as Lino's highly protective attitude to the company image arguing that there was a strong possibility that decentralisation might lead to a move away from a strong corporate image. In addition, senior managers may also have more experience resulting in better decisions.

Overall, the blurring of the distinction between decentralisation and democratic management did lead to confusion and candidates are advised to more clearly distinguish between the two. In some answers candidates defined decentralisation only in terms of democratic leadership. These answers could not be given marks due to the underlying lack of knowledge of the term.

Question 2

Many candidates gained full marks on this question with accurate calculations of dividend yield and the price earnings ratio. In all calculation questions the own figure rule applies so it is essential that candidates show full working of their answers so as to ensure that if mistakes are made it may still be possible to secure some of the available marks. It is also good practice to state the formula being used.

(a) (i) Many candidates understood how to calculate dividend yield. However, a significant number of answers did not give their answer as a percentage figure, for example, many left their answer as '2.2' rather than '2.2%' or stated their answer as a decimal e.g. 0.022. Others gave answers with a $ sign. A Level candidates are expected to appreciate the importance, not only of, accurate calculation but also of using the correct units of measurement. A common error was to divide total dividends, rather than dividend per share, by the current share price.

Some candidates gave an incorrect answer and as no working or formula was provided they were awarded zero marks.

(ii) A more difficult question with a lower proportion of candidates achieving full marks. A common error was to calculate dividend per share rather than earnings per share. However, if candidates had stated the correct formula for the price earnings ratio they could gain marks for OFR if they used dividends per share in their calculation.

(b) Candidates developed application by demonstrating an understanding of the relevance of their answers from **Question 2(a)**. A common approach was to compare DA's dividend yield with the industry average observing that because it was lower potential shareholders might prefer to consider buying shares in other companies as the expected return would be greater. However, few candidates were able to make effective use of their PER calculation. As in previous exam sessions, this ratio understanding of this ratio was incomplete. Candidates often stated that the figure of 8.33 was either low or high without any explanation of their judgement. A basic understanding of the PER is that it represents how many years earnings per share would take to match the share price. A handful of candidates recognised that the PER gave an indication of shareholder confidence in DA. Thus, a high PER figure potentially indicates shareholder confidence in future earnings. More sophisticated responses highlighted that shareholders may look for firms with a low PER as there is greater scope for an increase in share price if the firm is subsequently successful. Linking this to DA's expansion plan provides effective application and analysis. .

L2 application was shown by some candidates by contrasting either DA's dividend yield, or PER in 2018 with 2017 and commenting on the trend. The best answers developed extended chains of argument regarding factors considered by potential investors and then made a supported judgement as to the most important factor. An effective approach to evaluation in this question was to contrast the short and long run. For example, although the returns to investors were currently low investors DA's expansion plans might give significant long-term benefits.

Question 3

Candidates found it easy to identify the operational problems faced by DA. However, weaker answers just repeated the case material and did not focus on lean production techniques. Some answers did not identify any lean production techniques and therefore did not answer the question. Although, most candidates understood that lean production related to reducing waste there was confusion as to what techniques were associated with lean production. For example, a few answers referred to quality control and employing quality inspectors as a lean production technique. Others thought that lean production required investment in capital machinery. Candidates should have a clear understanding of business concepts at A Level. Most candidates identified kaizen, quality circles and JIT production techniques and effectively linked these to the operational problems faced. However, although candidates frequently referred to simultaneous engineering it was rarely understood. Simultaneous engineering is not about producing multiple products at the same time.

The best answers gave analysis of techniques in context and made supported judgements about the appropriateness of lean production to solving specific operational problems. Thus, for example, good candidates recognised that JIT manufacturing depended on a close relationship with suppliers and that DA's current suppliers might be too unreliable for JIT to work. Weaker answers merely asserted that the adoption of JIT manufacturing would solve the problem of late deliveries without explaining how.

Question 4

These numerical questions also proved challenging for the majority of candidates. In particular calculating price elasticity of demand from the data provided resulted in a wide range of incorrect attempts. A common error was to invert the formula for both elasticity measures. However, candidates showing workings out were given marks for calculating the percentage changes in quantity demanded, promotion or price.

(a) **(i)**As in other numerical questions on paper 3 candidates frequently give answers with incorrect units of measurement. For example, promotional elasticity of demand was often stated as 0.5 per cent or $0.5 or 50 per cent. Such answers demonstrate a fundamental misunderstanding of the concept and its calculation.

(ii) Many candidates gave the formula for PED as change in demand divided by change in price. Thus, no marks were awarded. As in **Question 4(a)(i)** candidates frequently used incorrect units of measurement, for example, answers were stated as 1.3 per cent or $1.3. Such answers are incorrect.

(b) Marketing planning questions often lack focus and include contradictory recommendations about elements of the marketing mix. Previous reports have commented on this weakness. 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. In this case study candidates were required to make use of results from **Question 4(a)** and other relevant information to access full marks. Having calculated price elasticity of demand it was important to demonstrate an understanding of the possible implications for DA's approach to pricing. Some theoretically sound answers identified that as demand appeared to be price elastic a market penetration approach might be justified. This could further be supported by reference to the competitive nature of the market that DA proposed to enter.

Most candidates recognised that demand was advertising inelastic, i.e. unresponsive to changes in advertising expenditure. Candidates therefore asserted that increasing advertising expenditure was not worthwhile. However, answers that are more sophisticated considered the data in greater depth. Thus, a few candidates argued that higher levels of promotional spending could be justified as by increasing spending by $100 000 it might be possible to increase revenue by over a $1m depending on the average price of the walking boot range. To develop evaluation some good answers questioned the validity of any conclusions drawn from the estimation of PED and promotional elasticity of demand for a new range of walking boots with no previous sales data.

Question 5

Candidates generally took the approach of defining what was meant by 'external factors' and terms in Appendix 5. Accordingly, this approach was credited with knowledge marks. It was rare for candidates not to achieve L2 knowledge for this question.

Candidates were able to gain L1 application marks by describing the movements in the data in Appendix 5, for example 'increase in the rate of inflation' or 'decrease in unemployment'. The vast majority of candidates were awarded L2 application for this question, by making more sophisticated application such as 'success would be facilitated in country B because a fall in the unemployment level means that the population generally has more disposable income, meaning that more people can afford to spend more money on their hobbies, such as buying walking boots'. Knowledge and application marks were very accessible for candidates to achieve.

Candidates were able to gain analysis marks by developing a causal line of reasoning stemming from the external factors, leading to either a positive or negative affect on DA. The better candidates would further develop their lines of reasoning to consider a chain of argument and subsequently were more likely to achieve L2 analysis. Occasionally, candidates would link their points to how the success of DA could be influenced by external factors, but in many responses this link was not explicit. High scoring candidates tended to be those that considered a range of external factors that led to the success of DA being either positively or negatively affected, which gave more scope and opportunity to achieve L2 for analysis. Some candidates' analysis was superficial and brief, limiting them to L1.

Candidates struggled to evaluate effectively in this question and marks were often sparsely awarded. Candidates often did not make any judgements, and where judgement was shown, if was often superficial. Subsequently, it was infrequent that candidates achieved higher than 10-11 marks for this question. The better candidates recognised that some external factors could affect DA more than others and made judgements in terms of the significance of these on DA's success. Furthermore, candidates scoring more evaluation marks recognised that internal factors could also affect DA's success and that the impact could be affected by DA's response to the external environment.

Section B

Question 6

Most candidates defined strategic choice and referred to various techniques such as Ansoff's Matrix and force field analysis. However, a significant number of candidates analysed strategic analysis techniques instead. Where those candidates linked their comments to the reduction of risk, L1 knowledge and application was awarded. Some candidates interpreted the question as asking which of the strategic options to choose. The focus of these answers was incorrect and therefore analysis and evaluation did not address the question of risk reduction. Better answers identified how consideration of investment appraisal techniques and other strategic choice techniques could reduce risk. Simple evaluation was often shown by commenting on the limitations of the techniques in particular the likelihood of estimates of future revenues and profit proving incorrect or the quantitative nature of investment appraisal. The best answers provided in-depth analysis and gave thorough evaluative comment throughout the answer and in the conclusion.

Question 7

This proved to be a difficult question. It was a less popular question than **Question 6** and the mean mark was lower. The case study provided some contextual hooks for candidates to use such as the reference to late deliveries of material supplies and the estimated risk of failure of the two potential growth strategies. This information was used by good candidates to analyse the role of contingency planning in minimising the impact of crises. However, there were many candidates that never mentioned contingency planning and, as in a previous exam session, a few answers focused almost entirely on strategic analysis without clearly identifying how this would help plan for crises and minimising their impact on the business. Some responses tended to merely repeat the same point many times until all the lines in the answer booklet had been filled which usually amounted just a few marks for knowledge, application and analysis. Candidates were able to gain a good mark by discussing the role of contingency planning within business plans as a means for DA to prepare for and avoid crises.

BUSINESS

Paper 9609/33
Case Study

Key messages

- Candidates should practise applying numerate and written theory concepts across a wide range of case study contexts. This can be achieved through the use of recent past papers and mark schemes. We advise candidates to spend the first 15–20 minutes of time allowed reading the case study and then that they return to the relevant parts before answering each question.
- Answering questions in order is the best approach, as it allows a picture of the business to be built. However, the new question paper structure makes it easy to return to an answer if candidates have something to add,
- The use of financial analysis, such as ratios and other calculations, should also be supported by an explanation of what the results or changes **mean** for the business or project in question. An integrated approach, that relates financial calculation from different parts of the case, should also be analysed in the context of the business finances in overview. Candidates should be encouraged to consider to what extent the business is a financial success.
- A good evaluative answer includes detailed application, as well as judgments throughout and a well-supported conclusion at the end. Candidates should read the wording carefully and return to the precise question before writing their final conclusion to ensure that this is addressed, especially in the ***Section B*** essays where the longer answers sometimes lose focus on the case context and the question.

General comments

There was evidence that many centres had prepared candidates effectively and as a result they knew what to expect and how to structure responses. The best answers demonstrated excellent understanding of AS/A Level Business concepts and used data and information from the case study to support their answers. In contrast, there were some answers that reflected a more general approach, more inclined towards generic 'text book' knowledge and analysis. High marks in this case study paper depend very much on the candidate's ability to root their answers firmly within the circumstances and events outlined in the case study, as well as demonstrating wide subject knowledge.

It is also important for candidates to read the questions carefully and show judgment when required. Better evaluative answers make links between different parts of the case and take a strategic overview of the business, current position, objectives and future plans. When a comparison and choice is required, such as whether to enter a new product market, candidates should do more than just quoting from the case. There should be an attempt to analyse the advantages and disadvantages of choices, firmly in the specific company context. Candidates should be encouraged to consider alternative views, such as, in this case, arguing that a small company may not find approaches such as TQM or MBO practical or effective.

Centres can improve candidates' performance in the important skills of application, analysis and evaluation, by supporting them in working through past paper 3 examinations and assessing answers using published mark schemes. Candidates who are familiar with the structure of the mark scheme, for instance in knowing that there are no evaluation marks in **Question 1**, will not waste time in the examination. The importance of recognising the 'command' words and answering the exact question asked should be emphasised, as fine focus uses time effectively and is key to good results in the case study paper. Candidates also need guidance on how to choose the optional question in ***Section B***, as there was some evidence of a choice being made and then changed, wasting time.

The area of strategic management remained challenging for candidates, especially the use of these techniques to answer questions in context. Centres can improve candidates' understanding by introducing the concepts from Section 6 of the syllabus early in the second year of the course, integrating them with the A Level functional subject matter.

Comments on specific questions

Section A

Question 1

This question was well answered by some candidates, who showed good understanding of total quality management (TQM) and its potential benefits to a small manufacturing company. Application marks were generally gained by linking aspects of TQM with factors mentioned in the case, such as current Quality Control system, lack of worker involvement, high numbers of defects and frequent need for repairs. This, in many cases, led to analysis marks around the consequence of greater efficiency, lower costs and potentially, profit. A good understanding of TQM was needed to access Level 2 in all skills, which limited candidates who showed knowledge of general benefits of improved quality. Candidates who focused on benefits to employees and manager, in terms of motivation, were only awarded marks once this was linked with benefits to RW, such as improved productivity. Candidates who had misread the question and included disadvantages of TQM did not receive credit for this part of their answer.

Question 2

(a) (i) Many candidates performed this calculation correctly, but a significant number worked out profit, without going on to calculate profit margin, gaining half the marks available.

(ii) Many candidates performed this calculation correctly, but a few confused contribution per unit with total contribution.

(b) This question was about RW's decision as to whether to accept the special order for bicycles from the university. Many answers demonstrated an understanding of the advantages and disadvantages and also used figures from the first part of the question. Application marks were gained by further manipulation of the figures, such as calculation of the final impact on the profit margin if the order is accepted and comments on the difference between normal price and the special order price. Other factors, such as the impact on inventory, quality problems, likelihood of further related orders and importance of the university as a customer, were also mentioned. Application points often led to analysis marks, such as the impact on revenue, profit and company image and market share in the long and short term The most common evaluation points were supported accept/do not accept judgements, but also linked to company objectives, as well as questioning reliability of figures.

Question 3

This question was about whether RW should introduce Management by Objectives (MBO) as a way to solve human resource problems. Many candidates showed a good understanding of MBO in theory, discussing how company SMART objectives may be broken down and given to departments and/or individuals to work towards. However, there were also a significant number of responses that did not focus on MBO, instead suggesting other solutions, such as pay rises. These candidates gained some marks but a good understanding of MBO was needed to access Level 2 in all skills. Application marks were easily gained be reference to the current problems and/or specific objectives and this often led to analysis of how the MBO might improve RW's staff turnover and other human resource problems, usually through improving workers' commitment to the organisation. Very few candidates questioned the use of MBO in such a small organisation with ten employees. Evaluation often balanced MBO against other ways of solving HR problems. Specifically whether the poor record on pay rises and staff feelings of alienation may stand in the way of successful MBO unless financial rewards such as bonus payments are offered.

Question 4

(a) (i) Many candidates calculated the ARR correctly, with some losing one mark for an error, such as not deducting the initial investment or failing to divide by the number of years.

(ii) Many candidates carried out this calculation correctly. The most common errors were forgetting to deduct the initial investment and minor arithmetical error.

(iii) Most candidates calculated the net present value correctly or received one mark for an attempt, such as the use of discount factors.

(b) This part of the question was well answered, even by some of those who had not correctly performed all parts of the calculations. There was plenty of information in the case, other than the figures, for candidates to use to gain application marks and support arguments for and against offering guided bicycle tours. Most commonly, the results from **Question 4(a)** were commented on, as well as the RW's objectives and the revenue and cost data in Table 2. Potential problems, such as RW's lack of experience in this new market, as well as the need to provide good quality bicycles and guides were mentioned in the context of current quality problems and the zero hour contract arrangements for the guides, probably normal in this occupation, but it would not be reasonable to assume candidates know this. Analysis marks were usually gained by considering the future implications for RW with and without the new venture. Evaluation typically focused on reliability of forecast data, the importance of other factors such as likelihood of increasing competition, perhaps learning from RW's mistakes and removing their 'first mover advantage'.

Question 5

This marketing question was quite accessible and many candidates showed good knowledge of strategies that could be used by a small business to launch a new venture, in terms of integrating marketing objectives, research, mix and tactics within budgetary constraints. However, a few candidates thought that the word 'strategy' indicated that a strategic management type response was required and wrote at length about SWOT, PEST and even the Boston Matrix, before suggesting elements of a marketing strategy. Application marks were easily gained by suggesting ways to attract tourists to buy the cycle tours, different tours for different market segments, pricing strategies and use of the website. Analysis marks were gained by comparison between likely approaches and the way these may help RW to meet marketing objectives, through the launch of the new service. Evaluative comments were often limited and in many cases completely absent, leading to very few candidates scoring high marks on this question. Where evaluation was present, these responses commented on the importance of a fully integrated marketing mix and the likelihood of a limited budget for this small company.

Section B (Option questions)

Question 6

Candidates needed to evaluate the importance of using a strategic management approach to improve RW's competitive advantage. Appendices 1 and 2 provided a range of SWOT and PEST factors for RW, but candidates needed to do more than just repeat from the text to gain application marks. The two possible future strategies were relevant here, but candidates were not required to make a choice, just consider how the effective use of strategic analysis, choice and implementation might improve competitive advantage. Thus the question was very wide and invited a range of approaches. A good start in some better responses was to link the appendix information to the proposed future strategies, and consider how competitive advantage could be improved, by the takeover or new tours service. Better candidates also analysed why the data given was not sufficient or even very helpful, given the dynamic market context and size of RW, including their lack of experience and the somewhat limited information in the case about the DB Company. However, there was generally too much focus on the given appendix information in many answers, rather than an attempt to go beyond this and focus on improving competitive advantage. Most candidates drew some justified conclusion as to the sufficiency of the data, but these were generally not fully supported, although a small number of the best candidates did consider wider issues in terms of information needed by RW. There was also often consideration of the limitations of strategic management techniques and, in some cases, comparison between these in terms of which could be more useful in this case.

Question 7

Strategic implementation is often an unpopular topic and this again proved to be the case. The question was less broad than **Question 6** and invited a focus on implementation of one, or both of the expansion strategies. The possible takeover of DB and/or launch of new bicycle tours service offered plenty of scope for comment on change management, business planning, culture clashes (with DB), business planning, contingency planning and the successful use of these. Better answers made reference to these and also analysed how they could be successfully implemented. However, a great many candidates wrote 'generic' answers and seemed unsure about how to use these concepts in the context of RW. Some also fell back on strategic analysis/choice techniques, less relevant here in that strategic implementation takes place once the decision is made. Some candidates also showed evidence of misunderstanding of contingency planning, seeing this as a plan 'in case sales do not go well' instead of a plan to deal with unknown or unexpected crises, such as a road accident involving a bicycle tour. Most candidates who attempted this question drew some conclusions, but often assertive, rather than supported. Limitation of techniques and lack of information were also cited, as well as lack of planning time to integrate DB, will this lessen chances of success? Is the DB business even a viable opportunity?