



A-LEVEL BUSINESS

7132/2 Business 2
Report on the Examination

Specification 7132
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Overview

In general, all the questions on this paper proved to be accessible for students. The paper discriminated effectively with a wide range of marks being awarded. Only a small number of students appeared to have issues with timing. There were some good examples of high quality responses where students had read the question carefully, kept a precise focus in their response and knew how to meet the demands of the question. The paper assessed a range of topics from the specification and students who performed highly were able to demonstrate their ability to have a consistent performance across the sections and questions. There were very few occasions where scripts featured a “No response” mark. In contrast some students need to remember that an analytical question does not require an evaluative response.

High level responses were produced by those students who read and targeted their answers directly at the questions. The use of figures and calculations to support responses on some questions was frequently evident and helped to develop arguments. There were some excellent responses where students had structured their answers well, focussing consistently on the question and making judgements based on the analysis made. Better responses made use of the items to highlight and support arguments, rather than writing in general terms. On evaluative questions, well developed, concise and balanced arguments, that were critically considered and provided a clear supported judgement scored well. Answers that had obviously been planned and thought through, showing a degree of selectivity of arguments presented, achieved higher marks than those that concentrated on a volume of less developed points.

A particular feature of this paper was the number of students who frequently had not focussed on the core of the question and whose responses as a result lacked direction. Failure by some students to target the specific question inevitably limited some of the analysis and judgements made. Planning time should be used by students to ensure they are clear of the demands of the question. A common weakness on this paper was that, although students were able to access the material, many struggled to follow this through with the development of effective arguments. Many attempted to offer too many separate lines of reasoning rather than being selective and offering fewer but more developed and focused points. A small minority of answers lacked any relevant content but there were still a number of responses that were generic and some drifted away from the question, especially on extended answers. This was particularly the case where there was a lack of clear understanding of the topic they were being asked about.

Many students were often determined to include a business model in their response somewhere in their argument, but in a significant number of cases the use of the model/theory was imprecise or not relevant in addressing the question set. On evaluative questions weaker students clearly need to understand the necessity of presenting a balanced viewpoint to reach an overall judgement. These students were often capable of building a one sided argument but incapable of providing a contrasting view thus limiting their ability to meet the demands of the questions set.

A number of students built their analysis and arguments well but their final judgement let them down; the lack of an overall answer to the question often restricted potentially very good answers. Students need to be more careful about reading the question and understanding what is actually being asked of them. For example, question 1.5 clearly asks whether the information is useful, and in other questions they are asked for more than one argument e.g. “actions” rather than “action”. Understanding the demands of each question is key to success.

A positive feature in the responses to this paper was the number of students who had moved away from need to use definitions as a starting point for a response. Knowledge and understanding can be demonstrated through the response itself and defining key terms can use up important time that could be used more effectively in answering the question.

Question 1**(1.1)**

This was a fairly straightforward question where students either knew the definition or they didn't. Good responses had a clear understanding and used technical language well with an example to support. Many students only achieved 1 mark due to either an imprecise definition, failing to recognise "long term" aspect or due to an incorrect or no example given, despite the question specifically asking for one. A significant minority were either confused between current and non-current assets or gave a definition for liabilities.

(1.2)

Students who scored well on this question were able to identify a clear reason why share prices might fall and related it to the context of Marks and Spencer, with a good explanation of how this would cause the movement in share price to occur.

Many students could identify a reason and develop the impact on profit, revenue or market share for example, but then were unable to develop the reference to the share price fluctuation; alternatively they could develop a reason but without relevant context. The most common omission was not actually explaining how or why a fall in profits would lead to the share price falling.

Weaker students were able to give a reason but with little or no relevant explanation. Students need to fully understand that the key word explain requires more than just giving a simple reason.

(1.3)

A large number of students did well and scored highly on this question. Those that knew the correct formulae were able to access the data easily and perform the correct processes without error. However, even some students who performed relatively well often failed to provide their answers to two decimal places as required.

A key lesson gained from this, as has been apparent in previous exams, is that students who stated formulae and laid out their working clearly were able to secure process marks even if mistakes were made. Common mistakes here were failing to calculate ROCE as a percentage or expressing the current ratio backwards.

With three ratios to calculate not many students scored zero. Most students understood at least one if not two of the calculations required; the least well answered was Gearing. It was disappointing to see the odd few scripts with No Response for this section.

(1.4)

This particular question proved highly accessible to students, most recognised the requirement of the word "benefits" being plural and were able to use the information in Appendix E to explain two benefits in context of Marks and Spencer. Typically, responses linked the diversity to the fact Marks and Spencer is a large multinational business with many international outlets or highlighted the benefits to the business of the range and variety of industry experience.

Weaker answers only put forward one benefit or discussed diversity in general with no reference to the appendix as directed.

(1.5)

This question proved to be an effective discriminator. Good answers were able to analyse the data and use the analysis to answer the question. When this was done well, it showed students with a good breadth of subject knowledge. Better responses used data (eg Gearing, Share Price, ROCE and Current Ratio) to illustrate the health or otherwise of Marks and Spencer and analyse the usefulness of this. Most were able to write balanced answers with many picking up on the fact that it mainly included financial data, that was historical and aspects like market share as well as important qualitative information were missing. These students were fully focussed on the root of the question in addressing whether or not the information was useful. A few students who provided excellent responses also identified that the question asked about a “rival” business and as such that they would already have access to and knowledge of market conditions as well as comparative data. These lines of argument lead to well supported judgements. With AO4 as the main driver on this question these students were able to access high marks.

It was disappointing that many students failed to analyse data or even quote data or use their calculations from question 1.3, instead they merely described the various appendices. Many listed appendices and explained simplistically what they saw, missing important lines of analysis by failing to be selective in what they discussed; as a result they presented a wealth of under-developed points. Descriptive responses were common thus restricting the level awarded. Similarly, the question was not whether the takeover should take place but the usefulness of the data. Too often conclusions were not related to analysis or they were focussed on “I think they should take M&S over because....”. Again this highlights the importance of understanding the demands of the question before writing a response.

On the whole, most students were following good exam practice producing a response with knowledge/understanding, range and some depth, balance, development and judgement. However, it was the quality of what was written, lacking focus on the question asked and thus depth and accuracy which was the main problem.

Question 2**(2.1)**

Almost all students understood the difference between a private and a public limited company. Many more were able to use the context of the case to build responses. Good responses were able to use the context of Lego’s past decisions as a clear line of argument. For example, students might analyse how Lego’s managers previous long-term view might be challenged by a more short-term approach of public company shareholders. Investment in China and Mexico or new product development were often offered as potential casualties of the impact on decisions where looking less long term was a change the managers would have to address. Lines of development like this targeted student’s responses fully at the question asked in context of Lego.

Some students confused the decisions made by the manager with those made by the shareholders and there was a tendency for some students to address the question from a shareholder perspective. Many focused on the release of public accounting data and became lost in this line of argument being unable to really relate it to management decisions. The questions asked for decisions (plural) which was essential to reach Level 3 on the marking scheme and some students were only able to offer one. There was a significant amount of assertion and confusion between ownership and other aspects of a business; for example, there was sometimes an assumption that a private company treats its staff well unlike a public one or an assumption that only a public company is

multinational or an assumption that they sell to a mass market whereas a private company supplies a niche. A few students provided very theoretical responses with no relation to Lego.

(2.2)

The question asked for 'actions' and to reach Level 3 on the marking scheme more than one action was needed in context to Lego. Stronger responses made a clear link between possible actions and how they would support the sharing of the culture. The application to Lego was evident in the better responses. With this question there were many possible actions – the key to a good response was for students to think and plan to select the most appropriate actions i.e. those they could analyse most clearly. Understanding of culture was good, with the recruitment process being a popular action suggested to get the type of person likely to have the qualities to correspond to the Lego culture. Training was also proposed as an action to emphasise and draw out 'Ideas or Creativity' in employees. Many students had clearly studied Google and applied their studies to Lego.

Most responses suggested that students understood the concept of culture and as a result came up with relevant points. However, many did not develop their points in enough detail and many responses were generic and not in context of Lego. Many students tried to incorporate motivational theorists into this answer and, whilst it worked for some, it resulted in a confused and poorly written answer for others. Many were more focused on motivation using generic and often irrelevant or inaccurate application of theories to address employee performance rather than addressing 'sharing culture'.

(2.3)

Key aspects of the question here were the need to consider 'all businesses' not just Lego and whether they need to worry about 'Impact of exchange rates on profits'. This question differentiated well. Students with a sound understanding of exchange rates were able to confidently develop their points and were rewarded in the higher levels. Better responses showed balance with arguments centred on how in some circumstances business would benefit and in others suffer and fully developed the effect of exchange rates on areas such as imports and exports. Better responses often considered the significance of the price elasticity of demand in terms of the impact on exports and imports to illustrate the level of effect on profits that might result. Others considered businesses that operate domestically – often clarifying that these are becoming increasingly rare or will still be indirectly affected. These lines of argument gave a really good vehicle for overall judgements. A limited number of students successfully considered of exchange rate changes for a multinational when converting overseas earnings into a domestic currency.

However, limits in the understanding of the topic were evident in some responses. A number of weak responses were confused about the impact of exchange rate changes. Others made broad generalised points – such as movements in exchange rates might be good for some, without any detail of the actual impact of an appreciation or depreciation. A few students had little to offer outside of Lego and many students failed even to put in context of Lego, making responses descriptive. A common fault was the poor use of technical language by some students such writing 'cost' when they mean 'price' and not making it clear which currency was appreciating/depreciating. It was interesting that many students concluded that 'all' managers have to worry about the exchange rate when their preceding arguments had given examples of businesses that 'only deal with the domestic market which aren't affected by the exchange rate. Effective judgements need to build on prior analysis not contradict it.

Question 3**(3.1)**

This question proved to be difficult with many only achieving level 1 on the mark scheme. Most students identified that reducing prices would probably increase demand. Many students confused the income elasticity of demand coefficient of +1.5 with the price elasticity of demand. For many, increased demand was all that was included and the focus was on increased revenue or overall profit, as opposed to the margin per ticket sold which is what the question asked.

Better answers linked cutting price to a rise in demand / sales and highlighted that cutting cabin crew pay would reduce costs and therefore increase margin, if the cut was greater than the price cut per ticket. Though again many students discussed in terms of overall profit.

Good responses saw students explain a link to rising profit margins on the ticket. These student's responses either explained through economies of scale, but better still in terms of capacity utilisation; fuller planes would lead to lower unit costs as the fixed costs of running each plane are shared out more. These responses were very much in the minority.

(3.2)

Overall this was an accessible question. The majority of students achieving at least level 2 and a high proportion in the top band of the marking scheme. Those who fully read and answered the question using Appendix G had a good basis from which to develop their arguments. The analysis of the restraining force was generally better with students recognising the increased bargaining power of the cabin crew and the threat of industrial action.

Most students were able to identify a driving and a restraining force, although a minority got them mixed up. There were too many students however that hadn't read the question fully and therefore failed to use Appendix G in their answers. Of those that did use the appendices, many students did not make the link between the income elasticity of +1.5 and the predicted fall in incomes. Many were still confused between income elasticity and price elasticity and thus went off at a tangent. There was an overall lack of focus on how the forces related to the cut in pay.

Even when students opened their argument with words from the question for focus, paragraphs were quite lengthy and by the time they had got to the end the focus was lost. Many students would have benefitted by taking their argument back to the question at the end.

(3.3)

The key to this question was whether contingency planning is "essential" in the context of airlines. The basis of the GA cabin crew dispute gave a ready-made vehicle to discuss the need for a plan and better responses built on this to offer a wider range and depth and context of airlines rather than just GA. There were some good examples of real airlines and the problems they have faced in context of contingency plans containing some very good references to Ryanair pilot strikes, volcanoes, terrorist activities and in-flight accidents as well as planes in the wrong place following the recent Beast from the East that caused European wide disruption to flights. The better responses were able to balance this with arguments regarding the level of time, cost and resource required for contingency planning with several very solid lines of argument referencing the competitive nature of the industry and the pressures on those that especially operate in the low-cost bracket.

Less well-developed responses were those that understood why contingency planning might be useful in the context of the GA case, but could not balance this view. Plenty of students could identify why it was essential but struggled to develop counter arguments or had weak development making the answer unbalanced. Some struggled to get into context of an airline, instead writing a general essay on the pros and cons of contingency planning and did not focus on whether it is essential.

Many answers talked about other types of planning: a marketing strategy or human resource planning or planning for seasonal demand. There was often confusion between what is a crisis needing a contingency plan and what is strategy ie price cuts/customer service. Weaker students were focused on strategic planning rather than contingency, and although some answers were well written, they didn't answer the question. Worryingly it was apparent that some students had no comprehension of the notion of contingency planning at all.

Use of statistics

Statistics used in this report may be taken from incomplete processing data. However, this data still gives a true account on how students have performed for each question.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.