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# A-LEVEL BUSINESS

7132/1 Business 1  
Report on the Examination

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Specification 7132  
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## **General Comments**

The paper appeared to be accessible to most students who coped well with the demands of the three sections. It discriminated well and there was no evidence of time pressure. The examination showed the importance of a consistent performance across the questions. The paper provides a broad coverage of the specification and therefore a clear understanding of the entire specification is essential for success.

## **Section A**

The objective test questions were answered well. The easiest question proved to be a new topic (Lewin's force field analysis) whilst a question on Ansoff's matrix proved to be the most challenging question. Other challenging questions covered Greiner's model of growth, price elasticity of demand and critical path analysis.

## **Section B**

The two investment appraisal questions (16 & 17) revealed the importance of fully understanding concepts from the specification. It was evident that many students knew how to construct an investment appraisal calculation but were less certain of what the calculation showed e.g. whether the technique they were using was payback or NPV. Many students identified the discount data in Figure 4 and attempted to use the data to calculate payback. A number of students confused the two methods of investment appraisal and thus answered the wrong question. Overall performance was similar between the two questions. For question 16 a common error was students believing payback occurred after 3 years (rather than during the 3rd year). For question 17 it appeared that some students might not have had a calculator.

## **Question 18**

This question enabled many students to demonstrate a good understanding of 'fair trade' and to apply that understanding to a particular context. It is important when answering questions to demonstrate a precise understanding of the key issues being assessed. For example "it increases demand" or "it increases costs" shows no specific link to how "fair trade" has these effects. Better responses made these links clear. However quite a few students found the context more demanding and focused only on the impact of 'fair trade' on a business. Good responses related to a retail context.

## **Question 19**

In this question, many students found it difficult to explain how break-even analysis might help a start-up business. There was a tendency to provide assertions rather than reasoned arguments, although there were a number of very focused responses.

Some students defined break-even as a period of time, rather than a number of units of output. In their responses students should show a precise understanding of the issues in the question. "It could help understand the financial position of the business" does not in itself show how breakeven analysis specifically could help a start-up. Better responses were able to show how break-even analysis could be used to examine the impact of changes to costs and/or price.

**Question 20**

This question provided a wide range of responses. Some students showed excellent understanding and an ability to apply it to the context. These responses used the data to show that coffee sales would grow significantly in comparison to the increase in income, whilst tea sales would decline, but by a smaller margin than the increase in coffee sales. However, other answers showed confusion between price elasticity and income elasticity and between inelastic and elastic.

Good students were able to recognise that demand for tea would fall when income rose. The most common problem was a tendency for students to argue that an inelastic demand meant no change at all in the quantity demanded.

**Question 21**

This question also provided a variety of responses with good students being able to explain the meaning of debt factoring and to use Figure 5 to show why debt factoring would help that particular business. In many cases students knew the definition of debt factoring but subsequent explanations indicated an uncertainty in their understanding.

Some students showed a good understanding of the data in Figure 5, but sometimes made unnecessary calculations of ratios that did not address the question. Good answers tended to use the data to recognise the link between the growth of receivables and the decline in cash and then explain why this would lead to debt factoring as a solution.

**Section C****Question 22**

This question proved to be more popular than question 23 (Elkington). In some cases, students showed an unclear understanding of delegation, often linking it to autocratic management. Furthermore, there was often some loss of focus on question 22. A significant number of students explained how delegation might motivate a workforce and thus increase productivity. However, this one argument was often followed by a more extensive argument about another topic (such as Taylors) and how delegation might motivate a workforce and thus increase productivity as well.

An approach which focused primarily on ways of increasing productivity other than delegation usually meant there was little judgement of the extent to which delegation might influence productivity. It is vital that students identify the demands of the question. For this question the focus was on the extent to which greater delegation would be effective in terms of increasing productivity not on other ways in which an increase in productivity might be achieved. A pleasing aspect of this question was the effective use of relevant theories, such as Herzberg, in relation to delegation.

**Question 23**

Question 23 was chosen by fewer students but featured higher quality answers, on the whole. Students who selected it showed excellent knowledge and were able to develop some high quality arguments to demonstrate the impact of using this approach on a business's profits. Most students recognised the impact on costs, with many contrasting this with the benefits to brand image. Some even focused on how the Triple Bottom Line might lead to a long-term reduction in some costs. Less focused responses ignored the requirement of the question to consider the impact on the business.

## Section D

### Question 24

This question focused on investment spending on innovation. The vast majority of students rose to this challenge and were able to construct arguments connecting investment spending to successful innovation. There were some good arguments linked to R&D and also a surprisingly high number who recognised the importance of spending on staff, in order to innovate. Other approaches to innovation such as kaizen, intrapreneurship, benchmarking, and spending on patents were also relevant but not very evident in responses.

A feature of some responses to this question was the excellent insight into different contexts to support arguments – for example in consumer electronics product development is very rapid and any investment in innovation may not be successful if competitors' investment is greater or leads to better products. Few students used the comment that the business had a record of poor innovation for many years. A consideration of why this might be was often a useful focus of a good response.

### Question 25

Question 25 proved to be more popular and enabled students to show some excellent topical understanding of businesses and current business issues. Good answers showed a broad understanding of digital technology, such as big data and marketing through social media and e-commerce. In some cases, students relied on story-telling rather than using their knowledge and insight into current business issues to develop analysis. However, in contrast there were many answers that effectively argued how digital technology might affect market share in different contexts. Unfortunately, some students focused purely on technology rather than digital technology. Few responses considered why the market share was falling in the first place and therefore how relevant digital technology might be as a solution,

## Overall

Students must consider all the demands of a question and make effective use of the information provided. For example, in question 19 students need to show an understanding how breakeven could help decision making in the context of a start-up. In question 20 students needed to understand the significance of the income elasticity of demand for tea and for coffee and then the overall impact on sales. For question 21 they needed to show an understanding of how debt factoring could be of value in the context of the data provided.

Simply defining terms at the start of an answer is not necessary, provided an understanding of the relevant aspect of the topic is shown in the answer. Defining terms where it is not specifically asked for is using time which could be used more effectively to actually answer the question; having said this it is important to be very clear and precise about the aspects of the concepts being used, for example the way debt factoring can be used or the ways breakeven analysis can be used to demonstrate the relevant knowledge and understanding.

Thinking about the demands of specific questions seemed to be particularly important in Section C and D where there is a choice of questions and where there are higher tariff questions. Question 22, for example, was about the extent to which greater delegation was a good way of increasing productivity not whether it was the best way. The focus of a strong response was on the factors that determined how effective greater delegation might be in the context of increasing productivity. Question 25 focused on digital technology in the context of a business that had been losing market share; the effectiveness of digital technology in this context presumably depends on factors such

as why market share had fallen in the first place, how and why it is used and what other firms might be doing.

The Section C and D questions are very evaluative and students need to consider the underlying debate in the question and focus on this. There is a tendency amongst some students to start writing “on the one hand”, “one the other hand” and then have little to say in the conclusion. This often means there is very little judgement. “Delegation can increase productivity; delegation may not increase productivity” does not actually answer the given question very effectively- what was asked was the extent to which greater delegation might be effective in increasing productivity; this needs a discussion. Whilst a pre-determined structure can help some students organise their ideas it can also mean they are not thinking enough about the key demands of the given question or answering it very directly. Students need to be encouraged to think what the question is asking and what their answer is. The holistic approach to marking rewards the answer as a whole - to what extent does it meet the demands of the question? If a question asks about the extent to which something works and there is an automatic “it does, it doesn’t” and little or no focus on what it depends on then this will adversely affect the mark awarded.

It is the quality of the response that matters and time spent thinking what a question requires is time well spent. Many students wrote far more than the allocated amount in their answer booklets; there is no evidence this correlates to higher marks and it is likely that planning more and writing less may be a better use of time in many cases.

### **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.