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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# BUSINESS STUDIES

## GCE Advanced Level and GCE Advanced Subsidiary Level

Paper 9707/01  
Short Answer/Essay

### General comments

This paper proved to be a very accessible one for most candidates. There was evidence of good preparation with many candidates producing work of a good and even excellent standard. Candidates continue to plan and manage their time effectively and increasing numbers of candidates are demonstrating skills of analysis and evaluation to complement knowledge and understanding.

Most candidates were able to tackle the Short Answer questions in **Section A** with confidence and some very high marks were awarded.

The essay questions were more demanding but even here candidates were able to show some knowledge of the concepts and issues even if they could not go on to give a detailed and focused answer to the question set.

### Comments on specific questions

#### **Section A**

#### **Question 1**

- (a) The majority of candidates were able to give a clear definition of a 'sole trader' making references to the elements of ownership and control over such a business. Weaker answers either mentioned just one of these elements or drifted into a discussion of advantages of the 'sole trader' rather than give a definition as required.
- (b) Many candidates were able to secure full marks for this question. The common and accurate response was to focus on the disadvantage of unlimited liability. Other responses included problems of raising finance and problems related to single ownership.

#### **Question 2**

- (a) There were many clear and concise answers to this question with several candidates also including the correct formula indicating the sensitivity of quantity demanded to changes in price. Some answers that were less precise in their explanation often clarified their understanding of the concept by the inclusion of a correct formula. Weaker answers however were sometimes further weakened by an incorrect formula. Some candidates answered in "economics mode" and included diagrams of various states of elasticity. This was perhaps a disproportionate use of time when only 2 marks were available.
- (b) Many candidates accurately identified a determinant of demand (other than price) with income perhaps being suggested most frequently. Despite the instruction in the question a limited number of candidates did refer to price and explain how it affected demand. Some candidates identified a determinant, explained why that was a determinant but then never said how and why demand might be affected and were thus unable to secure all 3 marks.

**Question 3**

The majority of candidates answered this question well and in a manufacturing context. Most candidates were able to identify two methods of quality control and to explain how they would be implemented in a manufacturing process. Total Quality Management, Quality Assurance, Kaizen and Benchmarking were the quality control methods most frequently suggested.

Some weaker answers concentrated on only one method, for example by using quality inputs or by checking the finished item.

A limited number of candidates may have misunderstood the question as some answers sought to explain how customers might be convinced of an item's quality for example by using high profile advertising and/or luxurious packaging.

**Question 4**

- (a) This continues to be an area of some confusion for many candidates. Good candidates showed a clear understanding of the purpose of Cash Flow Statement and were able to demonstrate this by making reference to some of the detail that it would contain. The key message here is that the Cash Flow Statement is documented information on past business performance that is published in the annual accounts. This is not the same as a Cash Flow Forecast Statement. There was evidence to suggest that some candidates did confuse a Cash Flow Statement with a Cash Flow Forecast (Cash Budget).
- (b) This question was answered well by the majority of candidates. Most candidates were able to demonstrate a clear understanding of the difference between internal and external sources of finance and were able to identify various possible sources relating to each. For example retained profits, depreciation and sale of assets (internal funds) and loans, credit, leasing, mortgages (external funds).

**Section B****Question 5**

- (a) Most candidates were able to identify key features of an autocratic leader but fewer were able to do the same for laissez – faire leadership. These two styles of leadership are of course at opposite ends of a leadership continuum. The autocratic leader makes decisions alone and requires others to implement decisions under tight control. The laissez – faire leader on the other hand provides little structure for decision making and does not force his or her views on others.

Good answers were able to show clear understanding of both types of leadership and also were able to give valid examples of when each style might be most appropriate.

- (b) Many of the candidates attempting this question were able to show good understanding of the main features of a democratic leadership style and to explain how such a style might be of benefit to a business.

Weaker answers outlined some key features of a democratic style of leadership but did not address the issue of how such a style might enable a business to maximise its performance. The word 'effectiveness' in the question was an important word and required candidates to analyse and evaluate as well as describe and make assertions.

A number of candidates used theorists such as Maslow, Herzberg and McGregor to review the cultural results of a democratic style of leadership citing the value of a motivated, participative and empowered working environment as evidence of the effectiveness of this style of leadership.

Some candidates were discerning enough to identify the potential weaknesses of a democratic style of leadership (such as slow and non-task orientated decision making).

**Question 6**

This was not a popular question though there were some high quality answers. Some candidates spent much time in describing Government objectives before focusing on macro-economic policies such as taxation, spending, control of money, trading relations with other countries, regulation of markets, environmental controls and regional aid.

The key focus of a successful response to this question was a recognition that through macro-economic policies a Government creates an environment and climate within which businesses must pursue their objectives (growth, profit, location, diversification, production methods etc.). Such an environment can both support business objectives leading to business prosperity and restrain business activity thus thwarting and preventing the achievement of some business objectives.

**Question 7**

- (a) While there were some excellent answers to this part of this question there were also those that concentrated on a discussion of the amount of promotional activity at each stage of the product life cycle but did not distinguish between the different forms that promotion might take.

Good answers showed a clear appreciation of the key stages in a product's life cycle and could also clearly identify a range of promotional activities and when they might most usefully be introduced.

Weaker candidates were unable to progress beyond a discussion of the 'generic promotional activity' – advertising, and generalising about promotional strategies rather than give a detailed discussion of promotional activity.

- (b) This part of the question was generally less well answered. Many candidates reiterated the stages of the product life cycle that had been outlined in the answer to part (a) but then made little reference to the need for funds at various stages. There was often a bias towards considering potential expenditure incurred by businesses at various stages of a products life and less consideration given to the inflow of funds and the use to which that might be put. Weak candidates were unable to focus on the specific functions of business finance managers and simplistically saw them as being responsible for all aspects of the marketing mix during a product life cycle (e.g. pricing strategies).

**Paper 9707/02**

**Date Response**

**General comments**

Performances on this paper continue to improve and there were some very pleasing scripts. More candidates than in previous sessions demonstrated the skill of answering questions *in context* – there were fewer pure "textbook" answers – and candidates continue to demonstrate good understanding of the subject. Although quality of language is not assessed, there continue to be scripts showing excellent use of the English language, which often helps to make answers clearer. A few candidates showed a time problem, with very short answers to **Question 2 (d)** but this was usually demonstrated when too much time had been spent on earlier parts (most notably part (a) of each question). Although candidates are showing better contextual skills, evaluation remains an area of major concern for the Examiners, and this is a skill that teachers could usefully invest time developing with their candidates – see comments on individual questions (parts (c) and (d)).

The evidence was that the case data was accessible to most candidates and that there was very little misunderstanding of the requirements of the questions.

Part (a) of each question can be answered out of context (whereas all other parts must be answered using the context of the data). The best answers to part (a) are short, sharp and to the point. Good answers should have a definition together with an explanation, often through the means of providing an example. Many candidates write more than enough to gain full marks for the explanations.

**Comments on specific questions****Question 1**

- (a)(i) This part of the question was generally answered well with many candidates providing a definition of *economies of scale* together with an example to explain the definition (usually describing particular types of economies of scale such as purchasing, financial etc.). A good definition will refer to the fact that as the scale of production increases then the average cost decreases. A few Centres and candidates did not understand the term, thinking that it related to wider national economic activity. Some candidates are under the misapprehension that the term relates to the level of production rather than the scale of the operation. Many candidates referred, imprecisely, to a reduction in costs rather than specifying average costs.
- (ii) This part was generally well answered with most candidates being able to explain the term *multinational*, and able to give suitable examples. Many candidates went into unnecessary detail on the advantages/disadvantages of multinationals operating in a particular country.
- (b)(i) Most candidates were able to attempt a calculation of profit using the figures provided by finding the difference between revenues and costs. Some candidates overlooked the income generated from selling programmes while other candidates overlooked the cost of hiring the ground. Some candidates seemed to be looking for a more complex calculation than would be justified by the few marks available. However, incorrect answers usually managed to achieve several marks, provided the working was clear.
- (ii) Comments often simply restated the answer to (i), observing that the event made a profit. Good answers observed that although the event made a profit, it was a risky venture and involved a high cash investment well in advance of receiving any income. Some very good answers related the profit to the level of sales, for example by calculating a profit margin. Comments such as "it is a good profit" cannot be rewarded in isolation and should be made with reference to some other factor such as the level of investment or sales. It is worth re-iterating the general "own figure rule" that answers to (ii) are rewarded relative to whatever answer the candidate arrived at in (i), whether correct or not.
- (c) Answers to this question were generally pleasing, discussing motivation within the context of Candy Shows. However, there were still a significant number of candidates who provided "textbook" answers that could apply to many businesses rather than specifically to the business in the case. Good answers focused on the poor management style of Yasmin, the heavy and increasing workload on staff, lack of financial reward for overtime, and apparent lack of success of free tickets as a motivator. The answer then addressed methods that might resolve these difficulties. Very few answers demonstrated evaluation skills. These could be achieved through a justification of which were the most important motivation problems facing the firm, or which were the most useful of the motivation techniques in the context of this firm, or by discussing the likelihood of success of the various methods, again in context.
- (d) Many answers focused on the general process of becoming a PLC, and the advantages it might have compared with remaining a limited company. Since these factors could be applied to many companies, these answers missed the opportunity of gaining context marks. Good answers recognised the importance of the context of staging larger events. These would require access to more finance and converting to a PLC might be a good means of achieving this. The best answers then attempted to balance this (and other possible advantages) against the disadvantages, such as loss of control, cost and so on, thereby demonstrating evaluation skills. A few candidates, and in a few instances, whole Centres, wrongly thought that PLC's are owned by the government.

**Question 2**

- (a)(i) Although there were many good answers to this part, definitions of *job production* were often imprecise or incorrect, although examples given, such as tailor made clothes, building bridges etc. helped the candidates make their explanation clearer. There is a misconception with a small but significant number of candidates that job production is undertaken by one person. A very small number of candidates confused job production with job specification, or other aspects of employment.
- (ii) A surprisingly large number of candidates confused *capital expenditure* (spending now for a return in the future) with current expenditure (such as wages, materials etc.). Many candidates were able to give a suitable definition together with a relevant explanatory example, such as spending on machinery.

- (b) Government intervention in business activity is clearly a part of the syllabus that candidates should know well, and there was evidence of good, general understanding of the topic often with an awareness of relevant issues facing “developing” countries of the type envisaged in the data. To gain more than half marks, candidates needed to relate their answers to the particular circumstances of the data, such as the probable desire to provide employment in rural areas, the objectives that many governments have in developing tourism, the importance of income from tourists to the overall economy, or the importance governments attach to the development of small businesses, all of which apply to the situation of Lasting Memories.
- (c) Many candidates have a good understanding of job and batch production and the likely consequences of changing from one to another. A general weakness, shown in many candidates’ work, was the “textbook” answer – an answer that could apply to many businesses making such a change, and not specifically to Lasting Memories. A pleasing number of candidates were able to apply the concepts of job and batch in the context of the data given. This could be achieved through use of the information that the work force in this business are skilled, that they enjoy their work and that rural employment is a consideration, which, together with the importance that tourists want to buy a unique, hand made product all point to the appropriateness of job production. On the other hand, expansion into the export market might make batch production a necessity due to increased volumes needed. The best answers demonstrated evaluation skills by balancing these arguments and justifying the appropriate method in these circumstances. It is worth noting that full marks could be achieved with a strong argument that came down on the side of either job or batch production – there is seldom a “right” answer in such circumstances.
- (d) Candidates generally found this question challenging and the answers given often reflected this and the fact that it was the last question to be answered. Although candidates were often able to list many difficulties that the firm might face expanding into the export market, issues were seldom limited to marketing factors, or were not developed beyond a list. The better answers tended to focus on the components of the marketing mix together with some reference to the need for, and difficulties involved in, market research for a small business attempting to develop an international market. Very few candidates achieved evaluation marks, which could have been obtained by justifying which was likely to be the greatest difficulty, or by prioritising some of the issues discussed.

**Paper 9707/03**

**Case Study**

### **General comments**

Total world entries showed another marked increase this year. It is encouraging to report continued growing interest in this prestigious qualification. The overall standard of candidates’ scripts was similar to last year, which means that the significant overall improvement reported on last year has been sustained. It is pleasing to report that not only are the more established Centres able to respond positively to Examiner’s advice regarding “application” and “evaluation” skills but that some of the newer Centres have also been preparing their candidates very thoroughly for this challenging examination paper. The main areas of weakness in answers from many candidates revolve around lack of use of the case study material, limited subject knowledge and a failure to show judgement when the question demanded it. Time constraints did not seem to be a major factor influencing candidate results although there was still a common tendency to spend too long on the first question to the detriment of some of the later answers. The quality of written English is variable between Centres but continues to improve. Some of the most successful candidates used forms of expression that would not be out of place on degree level answers from University students.



**Comments on specific questions**

- (a) The great majority of candidates were able to offer several ways in which a business might be affected by workers joining a trade union. A few focused on advantages and disadvantages for workers rather than the business. Better responses really did understand how Topaz might benefit or lose from its staff joining a trade union. These answers dealt with the poor communication and lack of staff motivation in the business and explained how some of these problems might be reduced by trade union membership and recognition of the union by Topaz. Similarly, the fear that trade unions might call for industrial action was linked into the decision regarding Strategy A which would require “full workforce co-operation”. The key prompt word in the question was “discuss” so candidates were expected to show judgement as to the degree to which this firm would be affected by staff joining a trade union.
- (b)(i) There were many correct answers here:
- $$\text{Contribution} = \text{selling price} - \text{direct costs} = \$8 - \$7 = \$1$$
- The main problem that candidates had with this question – assuming they were aware of the concept of contribution – was what to do with “allocated fixed overheads”. As this was an additional order, they should not have been deducted to arrive at contribution. As always with numerical calculation questions, some marks were available for just the correct formula or for other answers that demonstrated some understanding.
- (ii) The “own figure rule” applied here. This means that even if the candidate calculated part (i) incorrectly, if they analysed the significance of their own result on this special order decision, then credit could still be awarded in part (ii). Apart from the numerical evidence there were many other indicators in the case study regarding the wisdom of accepting this order. There were many excellent answers to this question and it is clear that more and more Centres are now giving their candidates similar “decision making scenarios” to discuss and debate in class. This is excellent teaching and helps candidates prepare for this type of question. The other main issues identified by candidates were: loss of identity with the product name change; could lead to further orders; it could take sales away from existing products; other retailers might demand similar “special deals”.
- (c)(i) Most candidates gained 2 marks on this question, by identifying two potential problems of exporting these toys. Surprisingly, many did not take up the invitation to put the problems into an “own country” context and this is so easy to do. Even statements such as “my country has low average incomes so high priced toys may not sell in great numbers” was sufficient to gain an additional mark.
- (ii) Answers to this question varied quite markedly. Some Centres are encouraging their candidates to “think strategically” when tackling this type of question. A good definition of a marketing strategy would be a sound starting point. Answers that focused on objectives, marketing resources and marketing mix tended to gain many marks – especially when focused on toys and an “own country” scenario. Many answers just concentrated on one or two aspects of the marketing mix without linking this discussion in with marketing objectives and without trying to put this into the form of an over-riding strategy. “Own country” references were often perceptively made in answer to this question – in comparison with part (i).
- (d)(i) Two problems were frequently identified but not applied to this case or these products. The areas of uncertainty for any long term research and development project are numerous and changes in consumers’ tastes in toys was just one of them. Again, only the better answers were able to apply “uncertainty” to this case and these products.
- (ii) Investment appraisal is now much more widely taught and understood than previously. There were many correct answers and the layout of the calculations was often beyond reproach. Common errors were failure to add the discounted cash flows and failure to deduct the original cost of the project.
- (iii) The purpose of this question was to test candidates’ understanding of their results. This will become a common theme on the case study paper. This is to avoid just awarding marks for the “mechanical process” of applying numerical techniques without testing whether candidates understand the significance of what has been calculated. The best answers were able to explain what a Net Present Value of \$256000 meant and discussed whether this was sufficient to encourage Topaz to go ahead with this strategy.

- (e) Many candidates were struggling to demonstrate appropriate subject knowledge in a question. Answers tended to dwell, generally, on aims and objectives, rather than on the process of Management by Objectives and the benefits (and potential costs) of this process. Some answers were certainly able to do this and some of these then went on to discuss whether a business would benefit from introducing this approach to setting and monitoring objectives. The “clues” in the case study were certainly not picked up by everyone – the lack of clear vision being commented on by shareholders and the lack of involvement by the staff in target setting were two of the hints that were given.

### Overall

The overall improvement in the quality of answers in recent years is a tribute to the teaching being undertaken in many Centres. Teachers seem to have responded positively to the advice given in these previous Examiners' Reports and have incorporated this into classroom practice. Next May/June (2005) sees the introduction of the new style Paper 3 Case Study. This will be of three hours duration (there will be no Paper 4). The following advice is intended to assist teachers in preparing candidates for this new examination, based on the best practice that was evident in this years examination.

- Candidates need to be able to define all relevant subject terms. Even in the Advanced Level Paper, content marks will always be awarded for accurate and appropriate definitions and these are an excellent way to start a candidate off in the right direction in their answer.
- The case study is the key to all answers – if the candidate is writing an answer that could “apply to any business in the world”, then application marks will not be gained. Answers must be rooted in the context of the business in the case.
- Evaluation is not required in questions that just ask candidates to “explain” or “analyse”. Valuable time can be wasted if candidates attempt to gain evaluation marks that are just not available.
- Weighing up the advantages and disadvantages of various business decisions in class can assist candidates in demonstrating important skills of judgement in examination answers.
- There will still be the requirement to answer one extended “essay” type question (from a choice of two). Evaluation will always be the key skill being looked for by Examiners in answers to this question. Judgement should be shown within the answer as well as in the final conclusion.

If evidence taken from the last two years Paper 3 answers is any guide, candidates are becoming much more used to applying and evaluating their responses. Even though these two skills will be crucial on the Extended Case Study Paper the new examination, overall, will not be more difficult than the two papers that it replaces. The opportunity to put *all* answers into a realistic business scenario will further extend the appeal to an even wider audience of this internationally recognised Business Studies qualification.

### **Paper 9707/04**

#### **Essays**

### General comments

There was no evidence to suggest that the candidates were unable to answer the number of questions in the time available and there was a significant improvement in the standard of communication overall. This year there were very few who misunderstood the rubric and answered more than the questions required and also there was a significant improvement in the use of time with nearly all candidates giving equal time to each question. This enabled the candidates to achieve a much higher level in many cases. However, candidates must ensure that they choose two questions where they feel confident about both parts of the question. This was particularly true of **Question 5** where (a) was answered well but (b) was poorly answered and therefore brought down the overall mark.

The general level of knowledge displayed by the candidates was encouraging and provided clear evidence of candidates who had prepared well for the examination. However, candidates are still failing to achieve the higher levels particularly on those questions which require application and analysis in context. This was particularly true of **Question 2 (a) and (b)** and **Question 6** where candidates gave detailed answers which achieved low marks due to lack of application to the context of the question. Far too many still reproduced notes on the topic rather than tackle the question asked.

Evaluation still presents a major problem for many candidates although there was evidence that some Centres had tackled this problem and the candidates achieved high marks in these cases



## Comments on specific questions

### Question 1

This was a popular question with some Centres where the candidates had clearly been taught about liquidity ratios but in many cases failed to apply these to the question.

- (a) Most candidates knew and could give the formulae for the current and acid test ratios but few were able to comment on how they could actually be used by a business in terms of liquidity management. Candidates occasionally cited 'gearing ratio' as relevant and this was not rewarded, as it is not a liquidity measure. Best answers showed development by using days sales in debtors and creditors with explanation about how these could be used to control liquidity in the long and short term.
- (b) Most of the answers to this part of the question contained some definition of liquidity and most listed or described some methods relating to decreasing stock, collection of money owed or leasing of assets. Since this question was very similar to a November question it was disappointing that evaluative/analytical answers did not make a more widespread appearance. Although the knowledge of the methods was good the majority of candidates did not go on to explain how these methods could be used to improve liquidity and fewer evaluated them. The best answers gave judgements about the relative ease of use and implementation of each of the proposed methods of liquidity management.

### Question 2

This was a popular question especially from those with an economics interest. Candidates must beware of wasting precious time by drawing every possible variation of diagrams which were unnecessary to the question.

- (a) Many candidates had a good understanding of PED though a noticeable minority did reverse the formula. Explanations of elasticity were generally sound but many did not apply this to either the market share of the business or to the product itself, chocolate. Best answers discussed the influence of substitutes and brand loyalty on the market share of the business with some judgement as to whether the use of elasticity would prove useful in this industry. For example, cheap chocolate may have an elastic demand in which case some manipulation of price downwards may be useful.
- (b) Most candidates knew elements of the marketing mix which scored them two marks. However in many cases the candidates failed to develop a coherent strategy for chocolate and therefore gained few marks at the analytical level. Once again evidence of evaluation was rare and this was disappointing since the evaluation of the 4Ps is a relatively straightforward task. Best answers attempted to adopt a strategic approach based on market research leading to product development and promotion with some understanding that any marketing strategy would be dependant on the level of competition in the market. Centres must emphasise the importance of writing in context if the candidates are to achieve the higher levels of response.

### Question 3

This was not a very popular question and was one that produced very few good answers. Candidates must be wary of simply regurgitating all they know about motivation theories rather than applying those asked for in the question. In many cases the candidates were unable to compare the two theorists and understanding of Herzberg was disappointing. There was confusion with Maslow and McGregor who many thought had the same theory as Herzberg. This confusion lead to many scoring low marks. Candidates must be encouraged to read the whole question and perhaps choose a two part question if unsure of the answer.

Those who could explain the two theories often failed to analyse the question in terms of the relative importance of the different factors in motivating the workforce to increase productivity although some did achieve Level 3 by concluding that hygiene factors did motivate staff. Best answers argued that financial incentives could lead to non financial needs being stimulated and then went on to discuss these in terms of the productivity of the business.

**Question 4**

Although this was not a particularly popular question it produced some excellent answers from candidates who had been well prepared for their examination. Although there was still some confusion between 'ethnic' and 'ethnic' this was rare and almost all those who answered this question were able to apply the ideas to their own country.

- (a) Examiners were disappointed in the number of responses which did not specifically explain the meaning of ethics with good examples. Many were vague and tended to approach the question from a citizenship viewpoint rather than from that of the business. Better answers used examples such as effects on environment, pollution and child labour issues to illustrate their point. However, even if understanding of ethics was good the candidates in many cases failed to use that knowledge to explain the link between objectives and ethics and therefore failed to achieve high marks. There were evaluation marks to be gained in this part of the question and those who achieved these made some attempt to weigh the relative costs and benefits of a business operating in an ethical context rather than not doing so.
- (b) Most of the responses in this part of the question gave an external influence especially the role of the government in their country. Examiners found many of the responses insightful and interesting although candidates must avoid becoming long winded and ensure their responses apply to the question. Those who did achieve analysis gave good explanations from their own experience and knowledge of the effects on business in their country.

**Question 5**

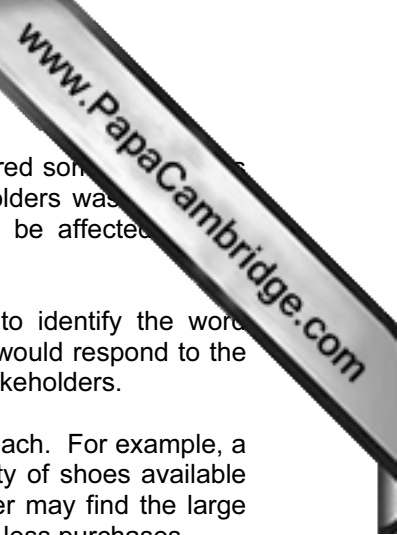
This too was a popular question. However, it was the one that provided Examiners with the greatest evidence of candidate's inability to answer the question set.

- (a) Most candidates were unable to adequately explain the meaning of decentralisation and tended to discuss delegation and decision-making in small businesses. Very few adopted the geographical approach used by large businesses and many simply discussed the advantages and disadvantages of decentralisation rather than the factors which a business would have to consider such as organisational structure, workforce skills, capability of local managers, motivation etc. The best answers attempted to discuss these in terms of regional markets, financial decisions, customer service centres and training.
- (b) The majority of the responses to this part of the question were disappointing. Nearly all candidates failed to understand the distinction between 'methods' of communication and 'barriers' to communication which resulted in very little reward. There was little evidence of any application to decentralised organisations and the problems involved in the 'periphery' communicating with the 'centre'. The few good answers explained effective communication and then explained a variety of appropriate methods such as meetings, internet/intranet, video conferencing, email, telephone etc. in terms of the problems involved in decentralised business.

**Question 6**

This was a popular question and most candidates seemed to be able to approach each part with a reasonable level of knowledge and understanding. However, once again many candidates failed to achieve high marks due to a lack of context in their answers.

- (a) Most candidates had a good understanding of a range of reasons for merger e.g. increased market share, economies of scale, decreased competition and shared skills. However, many did not distinguish between retailer and manufacturer and there were many answers which did not identify or mention the two firms who were merging were shoe retailers. Best answers discussed the merging of differing types of shoes thereby increasing the market, the synergistic advantages to the merger of shoe retailers, some even giving examples of shoe companies in their own country to explain their answers.



(b) Still some confusion between 'stakeholders' and 'shareholders' which hampered some candidates in achieving marks. However, in most cases knowledge of various stakeholders was shown. Most candidates were able to show understanding of how their interests would be affected by the merger.

Candidates in many cases did not achieve analysis because they failed to identify the word 'reaction' in the question and therefore did not explain how the stakeholders would respond to the merger. Even fewer attempted to evaluate the impact of the merger on the stakeholders.

Better answers selected two or three stakeholders and attempted to analyse each. For example, a customer may react positively to the merger because of the increased variety of shoes available perhaps at lower prices resulting in more purchases. However, the customer may find the large store with its more impersonal approach more intimidating and therefore make less purchases.