

# BUSINESS STUDIES

Paper 9707/11  
Short Answer/Essay

## Key messages

- It is important that the responses to the short answer questions in **Section A** contain accurate and precise Business Studies concept definitions and explanations.
- Answers to **Section A** questions do not necessarily need to be short essays – concise answers can be awarded full marks.
- Questions need to be read very carefully in order to prevent misinterpretation.
- Particularly in **Section B**, candidates should note carefully the mark allocations and manage their time appropriately.
- **Section B** questions often contain important context scenarios, for example **Questions 6** and **7**. Answers must make explicit reference to these scenarios to gain high marks.

## General comments

There were many confident candidate performances on this paper with good evidence of a thorough knowledge of relevant business studies concepts. It was pleasing to note that more candidates are leaving time for meaningful conclusions, and some with evaluative comment, than in previous sessions.

A minority of candidates either revealed gaps in knowledge and understanding or confused concepts and ideas when answering some questions. This was most often evident in answers to **Questions 2** and **4** in **Section A**. In **Section B**, candidates need to apply their knowledge and understanding to an analysis of the specific question asked. Candidates who attempted to write down all they knew about a concept or theory rather than focusing specifically on the question could only gain limited credit. There was also a reluctance to apply relevant comment and analysis to a required scenario. This was especially true of answers to **Question 6** (a food processing company), **Question 7(a)** (a large business) and **Question 7(b)** (the recruitment of a hotel head chef).

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) Almost all candidates were able to score marks on this question. The most frequent private sector objectives given were survival, profit-making, and increasing market share. A minority of candidates confused private sector business with Government-owned business.
- (b) A number of answers simply listed two methods of measuring the size of a business without any supporting descriptive material. Such answers were awarded only 1 mark. The most popular methods described were market share and number of employees. Profitability was frequently proposed but this method was not accepted as a legitimate method of measuring the size of a business.

## Question 2

- (a) A majority of candidates were able to give the correct formula for the term 'net profit margin' in their written statements to score both marks. Some either gave an incorrect formula or defined 'profit margin', which could not gain credit.
- (b) This was not so well answered. Few candidates were able to explain confidently the usefulness of profitability ratios, for example in providing indicators of efficiency or in providing a means of comparative analysis of business and competitor performance. There are still many candidates who need a clearer understanding of the distinction between profitability ratios and liquidity ratios.

## Question 3

Most candidates understood the concept of penetration pricing and were able to explain its features clearly and accurately. Fewer candidates were able to put the answer in context and briefly explain the likely highly competitive nature of a mobile (cell) phone market. The transfer of generic concept principles to specific contexts is a skill many candidates find difficult to apply. A number of candidates confused penetration pricing strategies with skimming pricing strategies.

## Question 4

- (a) Many candidates found it difficult to understand and define 'batch production' and there were frequent confusions between 'batch' and 'flow' production processes.
- (b) The answers given by those who understood 'batch' were very good and many scored full marks. The strongest answers tended to be those that compared the benefits of 'batch' with 'job' and 'flow' production processes. Those who did not understand the concept were unable to answer this part of the question.

## Section B

### Question 5

There were many sound answers to this question, with candidates demonstrating a good understanding of the concept of segmentation. The examples of segmentation in part (a) were generally related to consumer sub-groups rather than product segments. Candidates seem to be much less aware of product segmentation.

In part (b) the benefits of market segmentation were clearly identified and discussed, often with a focus on profit potential and customer relationships. Only a minority of candidates were able to provide some evaluative comment and to suggest some possible limitations and disadvantages of a business strategy based on market segmentation.

### Question 6

This was not a very popular essay topic. Those candidates who attempted this question were generally able to discuss the relationship of cost information to business performance but then needed to give examples of how a focus on costs might lead to business performance improvement in order to reach the higher mark bands.

Very few candidates were able to contextualise the question and give examples of the significant costs associated with a food processing company, such as raw material costs.

### Question 7

Many answers to part (a) of this question simply contained a considerable amount of information about the human resource management activity but this material needed to be adapted to the specific context of the question – the importance of HR management to a large business. The result was that such answers became very descriptive and unstructured. Candidates missed the opportunity to emphasise the potential strategic interdepartmental role of HR management in a large company, dealing with issues such as workforce planning, staff training and development, and organisation culture issues.

Some candidates were more confident in thinking about and discussing the issues associated with the advantages and disadvantages of internal or external recruitment of a hotel head chef, as required by part **(b)**. Those answers that focused on very general recruitment and selection points of view rather than on the specific advantages and disadvantages of alternative recruitment strategies associated with the context scenario in the question only gain limited credit.



# BUSINESS STUDIES

Paper 9707/12  
Short Answer/Essay

## Key messages

- **Section A** answers need to focus precisely on the concepts in order to support definitions and explanations.
- Answers to **Section A** questions do not necessarily need to be short essays – concise answers can be awarded full marks.
- Questions need to be read very carefully in order to prevent misinterpretation.
- Particularly in **Section B**, candidates should note carefully the mark allocations and manage their time appropriately.
- **Section B** questions often contain important context scenarios, for example **Questions 6** and **7**. Answers must make explicit reference to these scenarios to gain high marks.

## General comments

There were many confident candidate performances on this paper with good evidence of a thorough knowledge of relevant Business Studies concepts. It was pleasing to note that more candidates are leaving time for meaningful conclusions, and some with evaluative comment, than in previous sessions.

A minority of candidates either revealed gaps in knowledge and understanding or confused concepts and ideas when answering some questions. This was most often evident in answers to **Questions 2** and **3** in **Section A**. In **Section B**, candidates need to apply their knowledge and understanding to an analysis of the specific question asked. Candidates who attempted to write down all they knew about a concept or theory rather than focusing specifically on the question could only gain limited credit. There was also a reluctance to apply relevant comment and analysis to a required scenario. This was especially true of answers to **Question 6** (the cabin crew of an airline), **Question 7(a)** (a new business) and **Question 7(b)** (a company planning to expand).

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) Almost all candidates were able to score marks on this question. The meaning of secondary research was understood by most (although a few did confuse it with primary research) and the vast majority were able to state its advantages in terms of cost and availability. Some candidates spent time giving a detailed definition of secondary research. This was not part of the question, so only specific accurate advantages of using secondary market research were rewarded.
- (b) Primary research was also understood by most candidates. Most were able to show that it is carried out first-hand by a business and is likely to be far more up-to-date and relevant than secondary market research. The best answers showed how this research can be tailor-made but not all answers were able to bring this point out. Some candidates correctly used the scenario of a new product or market segment to explain the value of primary market research. Candidates who stated the disadvantages of primary research could not gain any credit for this.

## Question 2

- (a) The majority of candidates were able to give the correct formula for the current ratio and/or statements to score both marks. Candidates who gave answers that were mathematical, incorrect, for example, giving the working capital or the acid test ratio, or who thought it was profitability ratio could not gain credit.
- (b) This question was not so well answered. Only a minority of candidates were able to explain how liquidity ratios enabled a business to measure its capability to pay short-term debts. Those answers which gained 3 marks added examples of relevant situations to their explanations. Many candidates scored only one mark for describing what liquidity is or for stating the acid test ratio. Candidates who talked about profitability or who confused liquidity and profitability could not gain any credit for their answers.

## Question 3

This question was not always answered well. Some candidates provided very good answers, using managerial theories to structure their answers and referencing Drucker or Mintzberg. Candidates who simply gave a list of managerial functions could only receive one mark. Many did better than this and were able to reach 3 marks by developing some of these functions, such as motivation, decision-making and objective-setting. There was a tendency for some candidates to drift away from the question and discuss the work of the various departments in a company (notably the HR department). Such answers could not be well rewarded. Centres need to ensure that candidates understand these theories of generic management functions.

## Question 4

- (a) Most candidates knew what job production is and were able to focus on the 'one-off' nature of production and the 'customer design' aspect of production. Candidates who did not highlight the production process or who suggested incorrectly that it has something to do with the finding of jobs for unemployed people could not gain credit for their answers.
- (b) The answers given by those who understood job production were very good and many scored full marks. They were able to discuss the high quality, high profit margin and motivation associated with job production. Those who did not understand the concept were unable to answer this part of the question.

## Section B

### Question 5

This was the most popular essay question.

Almost all answers to (a) included a correct diagram of the product life cycle. Some of the explanations were quite thin and descriptive and needed to include more examples and analysis of the stages in order to gain higher marks. Some candidates assumed that sales changes in a product life cycle are invariably attributed to a firm's own marketing actions but needed to consider factors such as competitive behaviour, market size, product configuration, or customer behaviour. There was considerable overlap in terms of explanation with answers to part (b).

Most answers to part (b) contained a satisfactory account of how the 4Ps would be used at different stages of the cycle. The better-organised answers considered each element of the marketing mix in turn and then discussed how changes in say promotion might occur at various phases in the cycle. There was a tendency to concentrate more on pricing and promotion than on place and promotion: candidates needed to ensure that their answers were balanced by considering each factor equally.

### Question 6

This was an essay question that required specific application of motivation theory to a well-defined context. Many candidates were able to set out a detailed explanation of a selection of motivation theorists but were less confident in applying the theories to the cabin crew of an airline. Some answers began with a discussion of the importance of motivation, which was not asked for but which provided a useful reference point to the later discussion. Weaker answers described one or two theoretical approaches to staff

motivation – usually Taylor and Maslow – but then did not develop this further. Better answers mentioned a number of motivation theories and described these quite well in general terms. To access the higher mark bands, candidates need to provide good application to the context of an airline cabin crew and there were a few answers where specific suggestions were made within the context of the airline sector.

Many average answers were rather mechanical, which shows that motivation is a well-known topic but that candidates need more experience in considering the implications in real-life situations.

### Question 7

This was not a very popular question and was attempted only by those who knew something about the accounting section of the syllabus.

Most candidates were able to explain that a cash flow forecast predicts future inflows and outflows of cash. Candidates then needed to look at the importance of the timing of the flows, which was a central issue here, and to consider the usefulness of a cash flow forecast for a 'new' business. Some strong answers recognised the uncertainty around a cash flow forecast for a new business given the lack of business environment experience of new firms. The importance of presenting a cash flow statement to a bank was brought out by some. Some weak answers confused a cash flow forecast with a profit forecast.

Answers to part (b) were often quite disappointing. The meaning of stakeholders and of financial statements was brought out but much more detailed analysis was required to access the higher mark bands. Only a few candidates were able to show what information stakeholders can extract from financial statements in their attempt to inform their future actions. Candidates needed to focus on particular segments of the accounts and recognise that the accounts relate to past performance and might have limited significance for future expansion. The three stakeholder groups chosen were not always relevant: the community as a whole may be an acceptable stakeholder but it does not have a direct financial interest in a company and therefore there was not much to say about it. Better choices were shareholders, creditors, managers and employees. The connection between these stakeholders and assessing performance in the context of business expansion then needed to be developed in detail.



# BUSINESS STUDIES

Paper 9707/13  
Short Answer/Essay

## Key messages

### **Section A:**

- Where a definition is required, candidates should give a clear and concise definition. This type of question does not require extended written explanations.
- When explanations are required, candidates should ensure that they do not merely list relevant factors but that they explain their significance, at the same time taking careful note of the focus of the question, e.g. 'to the business' or 'to the employees'.

### **Section B:**

- Essay questions require an evaluation to be made if the highest marks are to be awarded. This is usually in part **(b)** of the question, although the mark allocation should be used as a guide here. A 12-mark section will require a judgement to be made.
- It is important that candidates take note of the specific focus of a question and write their answers in that context rather than writing answers that could be answering a question set in a totally different context. The concepts being examined remain the same during the life of a syllabus but the contexts in which those concepts appear will vary from paper to paper and candidates need to practise applying their knowledge to a variety of situations in order to develop the skill of retaining focus and relevance throughout an answer.

## General comments

The majority of candidates were able to complete the required number of questions in sufficient detail, which indicated that there was adequate time for candidates to complete the paper in the time allowed.

A wide range of knowledge was demonstrated in all but a small minority of papers, showing that the majority of candidates were well-prepared for this examination.

It was pleasing to see that several candidates were attempting to incorporate the newer concepts of the revised syllabus into their answers and usually these were accurately applied to the question.

Overall, on this paper the majority of candidates demonstrated a good knowledge of a range of Business Studies concepts and the ability to explain their relevance in some detail. Future candidates should be encouraged to question the use of various concepts in a variety of situations and to acquire the skill of focusing their answers to the specific context indicated in the question. Also, the need for evaluative responses in the essay questions should be emphasised to candidates. Using **Question 7(b)** as an example, a good answer would culminate in the candidate identifying which method they believe would be the most effective means of increasing sales in a competitive market and why.

## **SECTION A**

### **Question 1**

- (a) Good answers included a clear definition referring to both the widening and deepening of the work and the candidates wrote about the increased responsibility and the higher level skills that would be achieved in job enrichment. Weaker candidates wrote generally about a mixture of job rotation and job enlargement and often concentrated on the need to remove boredom but did not refer to

the higher-level skills that would be included in the widened scope of the job. In such cases, where there was some relevance to the question, the response was too general and could have been improved by referring to job rotation or job enlargement, because it lacked a specific or precise definition of job enrichment.

- (b) Strong candidates correctly identified that a business would benefit from having more highly skilled employees who would be able to take on extra tasks. As these tasks often involved more responsibility, this could free up time for managers to devote to other matters. The need for less recruitment was also identified, as these more highly skilled and versatile workers would be able to cover more jobs than previously, thus saving recruitment costs.

Weaker candidates often restricted themselves to discussing the fact that workers would be less bored and therefore an increase in motivation would occur. Some candidates limited their answers to a discussion of motivation and were sometimes distracted by a prolonged discussion of motivational benefits. While some of these motivation aspects were relevant, they did not always relate directly to the question of job enrichment and could equally have been relevant to a discussion about the use of job rotation or job enlargement. Some candidates also wrote about the benefits to the workers rather than to a business. Candidates should be encouraged to identify the focus of the question and to ensure that their answer conforms to it throughout.

## Question 2

- (a) There were many concise and correct answers to this question, with many candidates giving the formula for gross profit margin. The formula alone showed a clear understanding of the term. Some candidates gave the formula and a lengthy description of how gross profit margin is calculated together with the components that influence the outcome of the calculation. In this way some candidates spent unnecessary time that could have been used elsewhere more effectively. Candidates should be encouraged to give a short and precise definition as required and then to move on to the next question.
- (b) Some strong answers to this question explained how it can be difficult to compare ratios over time or between businesses if the bases of the calculations were different or had changed over a period of time. Several candidates also introduced the idea of window-dressing and the potential effect that that could have on the accuracy of the information gleaned from accounting ratios. Weaker answers focused on the potential for errors in ratios due to an incorrect calculation which, while valid, was not fully answering the question, as the question required an explanation of two limitations.

## Question 3

The majority of candidates correctly identified several factors that could lead to the demise of a business within the first year of trading. The common factors were the lack of management expertise, lack of finance, the strength of the established competition and the lack of market research. Good answers enlarged on each of these points and explained in some detail just how such weaknesses could cause a new business to fail. For example, some candidates explained how a lack of finance would prohibit the purchase of large quantities of stock, which would mean that the business could not benefit from purchasing economies of scale and therefore was not able to offer prices low enough to be able to compete with the larger, more established businesses in the market. Several candidates explained how the lack of market research could lead a business to produce or provide a product or service that was not demanded in the market or to attempt to sell the good or service in the wrong market thus leading to failure.

A small number of candidates explained how any business might fail rather than focusing on a new business failing within the first year. Such answers often included factors such as not pricing their products appropriately or an inability to control costs that leads to higher prices. Such answers had some relevance to the question but, due to their general nature, were not focused on the new business aspect of the question and therefore could not be awarded high marks.

## Question 4

- (a) The majority of candidates gave a clear definition of flow production, referring to the continuous nature of such production and also that it involves the production of large numbers of identical products. There were some candidates who were not able to distinguish flow production from either batch production or, occasionally, job production.



- (b) The majority of candidates were able to offer a good explanation of benefits that can result from the use of flow production. The most common of these was the opportunity to benefit from production economies of scale and therefore reduce the costs of production, possibly resulting in increased profits or an ability to lower the price to the customer. Candidates who mentioned that a benefit would be gaining economies of scale without explaining how such economies could actually impact on the business could only gain limited credit for their answers.

Another popular benefit was that of labour-saving due to the extended use of machinery to complete products. This was often accompanied by an explanation of the savings in terms of recruitment and training costs, since workers would not need to be highly skilled due to the machinery doing the complicated aspects of production.

Weaker candidates either did not explain points that they identified or confused flow production either with batch production or, occasionally, with job production, so could not gain credit for their answers.

## **SECTION B**

### **Question 5**

- (a) A significant number of candidates took small businesses to be synonymous with sole trader businesses. While this is a narrow view of small businesses, it was deemed to be appropriate for the purpose of answering this question. Many candidates proceeded to outline the advantages and disadvantages of a sole trader and in doing so answered the question. Such answers often explored the problems associated with a lack of access to finance and to the fact that a restriction of the amount of available finance can constrain a business by not allowing them to develop or grow as fast as they might want to. Such constraints were correctly identified as limiting the ability of the business to compete with larger businesses. Weaker answers included those that were restricted to a list of advantages and disadvantages without actually explaining how they might actually affect the business's ability to trade.
- (b) Most candidates showed a clear understanding of what is meant by stakeholders and what stakeholders might reasonably expect from a business. The relationship between a business and various stakeholder groups was explored in some detail by stronger candidates. To access the higher mark bands, candidates then needed to discuss 'the extent to which' as required by the question. Very good answers included discussion of the need for a business to keep shareholders happy if, for example, there was a chance that they might be asking them to make a further investment in the business. Such answers also discussed the need for the workers to be kept happy and motivated, as without the workers the business could not produce goods and therefore would not exist. The need for a high quality of work was also identified by some candidates. A small number of excellent responses pointed out that both of these situations could depend on, for example, the alternative sources of finance that a business might have access to or the pool of appropriate labour that was available to the business. Such answers were worthy of high reward as they contained the evaluative approach that is required if top marks are to be awarded in such questions.

### **Question 6**

There were several sources of finance that were suggested in response to this question, with the stronger candidates recognising that the short-term sources were not likely to be appropriate for the building of a new factory.

Good answers focused on the fact that this was a large project and that the business involved was medium in size and that these two factors would have a bearing on the source of finance that would be most appropriate.

Several candidates made the assumption that a medium-sized business could be a private limited company and could therefore raise further funds from its shareholders but that this source would be limited as shares could not be sold to the general public. Such a response showed an understanding of the nature of a private limited company and the restrictions that it might face when raising finance. Several candidates suggested that a bank loan might be appropriate, with the stronger of these recognising that a medium-term or preferably a long-term loan would be most appropriate. Such answers often recognised the need to provide

the bank with collateral and the need to pay interest, which would add a burden to the firm's cash flow and the business. This was often contrasted with the issuing of more shares, which would not involve any further loss of control but did involve a further loss of control or dilution of control of the business. This type of answer was not adopted by many candidates. The examiner adopted an evaluative approach throughout as each suggested source of finance was analysed regarding its appropriateness. Occasionally this was done with reference to the projected profitability of the new factory, which demonstrated a clear focus on the question set.

Strong answers concluded with a recommendation and explanation of the reason why one particular source of finance was most appropriate. This is the type of response that such a question requires: a sound analysis of a variety of relevant sources and a conclusion that outlines the most appropriate source and that is supported by the preceding analysis.

Some candidates suggested that an overdraft might be appropriate, which would not usually be the case for the building of a new factory due to the large expense incurred and the high rates of interest charged on overdrafts. Candidates need to understand that the nature of an overdraft is that it can be called in at short notice, which could leave the business unable to repay the money or unable to complete the building of the factory.

Candidates should be encouraged to take note of the type of investment that is being undertaken and to restrict their answers to sources of finance that would be appropriate for that particular undertaking, rather than to explain all available sources of finance, many of which might not be relevant to the situation in the question.

### Question 7

The key to this question was that part **(a)** asked 'why' and part **(b)** asked 'how'. This was fundamental to the expected responses.

- (a)** In answer to this part of the question, it was expected that candidates would explain that product promotion is used to introduce a new product to a market, as without promotion consumers would not know of its existence. Many candidates also correctly identified that promotion is essential to build consumer loyalty and brand image. Several candidates also explained how promotion can be used to differentiate the products of a business from those of its competitors and how in some markets such differentiation is vital if a business is to survive and its products are to be successful. A significant number of candidates restricted their answers to an explanation of the 4Ps, of which promotion is only one, so their answers did not always retain relevance to the question as set. Some candidates linked the use of promotion to the various stages of the product life cycle which was a valid approach that was used with varying degrees of success, largely depending on the depth of knowledge of the individual candidate.
- (b)** This part of the question required candidates to explore methods that a business might use to increase sales while focusing on the fact that this was in the context of a competitive market. While the majority of candidates were able to suggest various means by which sales might be increased, a much smaller number were able to relate their suggested methods to a competitive market and to recognise the possible reactions of competitors. Most candidates suggested that a change in price might be appropriate, with the stronger candidates discussing any price change in the context of price elasticity of demand. Such responses often explained the impact of a price decrease or even price increase in varying circumstances. For example, a price might be raised to give the product an impression of quality and increased desirability, therefore increasing sales, whereas with a different product it might be necessary to reduce prices if there are many substitutes in the market. Many candidates used part **(a)** of this question as a stimulus to discuss the use of effective promotion in order to increase sales and the need to differentiate products from those of competitors, which is particularly important in a competitive market.

Weaker candidates often repeated the content of their answers to part **(a)** or listed the 4Ps and the role that each might play in business activity but such discussion needed to be placed in the context of a competitive market in terms of how each might help to increase the sales of a business rather than in general terms. Such answers showed a good understanding of the 4Ps but a limited ability to apply the concept to a given situation.

# BUSINESS STUDIES

Paper 9707/21  
Data Response

## Key messages

- As this is a data response paper it is very important that candidates use the context and data provided when constructing their answers.
- Candidates should attempt every part of both questions. This requires recognizing that 'some attempt' is better than none and that time must be managed carefully during the examination.
- It is important that candidates are taught to look for the command word in the question (e.g. 'explain', 'analyse', 'evaluate') as this indicates what type of response is expected.

## General comments

Performance by the candidates on this paper was consistent with previous sessions. There was some evidence that candidates were responding to the data rather than simply stating knowledge. Candidates seemed to be able to access both scenarios and there were no obvious problems with understanding the questions. There were a few instances of candidates missing out questions, in particular **Questions 1(b)(i)** and **(ii)** and **2(b)(i)** and **(ii)**. Both of these questions required calculation and analysis. Candidates should be encouraged to attempt all the questions, since there is always a possibility of gaining extra marks. There is also a tendency for some candidates to spend too much time on some questions which, in this case, resulted in **Questions 2(c)** and **2(d)** being rushed at the end.

On the whole the level of knowledge was good, with exception of **Question 2(a)(ii)**. There was more evidence that candidates were using the data in the case this session and there were some good answers to **Question 1(c)** in particular. Use of the case and the data remain an area for development for many Centres. This could be seen in the responses to **Question 1(d)** in particular where candidates would have been helped by understanding and using the different types of data and information regarding the management of inventories.

This year there seemed to be a distinct improvement in the ability to analyse but evaluation remains a problem for many candidates. Candidates should be encouraged to create a balanced argument of factors and to come to conclusions about their relative importance in the context of the data.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i)** Most candidates showed a good understanding of the term 'diseconomies of scale'. The best answers showed an understanding that unit/average costs would increase and create problems of poor communication, low morale and poor management.
- (ii)** Some candidates gained at least two marks on this question by quoting the formula for cost of sales. Candidates should be encouraged to develop such knowledge to show a full understanding of how cost of sales is used in the final accounts or by the business, for example, to calculate gross profit.
- (b) (i)** Most candidates were able to calculate the gross profit correctly and gained some reward. A common mistake was to use the formula  $(\text{cost of goods sold}/\text{sales}) * 100$ . But it was encouraging to see many more candidates gaining all the marks for showing their working and giving the correct answer.

- (ii) The best answers used the answer to **b(i)** to show how the gross profit margin had increased significantly and explained that this was due to reduced sales and increased cost of raw materials. There was plenty of information in the data for candidates to draw on to support their conclusions. Where candidates incorrectly calculated **b(i)**, most obtained a mark in **b(ii)** for referring to an increase or decrease and correctly explaining the change. The 'own figure rule' allowed reward for any correct analysis based on any answer in **b(i)**.
- (c) This question was generally answered well, with many candidates using the suggested reward systems to analyse the effects on the motivation of the workforce. The best responses identified the important point that all the suggested methods, such as flexible working, improved facilities and training, are non-financial and therefore of little motivational value in terms of satisfying basic needs. Others suggested that most of what was on offer was in the interest of LL rather than the workforce. To access the higher mark bands, candidates needed to apply the analysis in context. Some candidates did this well, showing the implications for both the workforce and to LL. Others were able to give a balanced argument in terms of the extent to which motivation would be improved. These candidates identified the balance between the benefits to the employer and the employee and were able to offer some appropriate evaluation of the merits of the contract.
- (d) A full range of marks was awarded for this question, which was a challenging question for many of the candidates, who tended to state what was on the diagrams rather than using the other information in the case to analyse the different approaches to managing inventories. These responses were able to gain some of the marks available. Other candidates offered excellent theoretical knowledge of inventories but then needed to use the context of the question in their answers. The best answers showed understanding of the diagrams in context and were able to offer some analysis of the advantages and disadvantages of both methods in context. For example, Bert keeps a number of engines in stock. Although this ties up money, there would be no disruption to the production process if there were any increases in demand. On the other hand, Fred keeps very few gearboxes and therefore although this reduces costs of storage, there could be problems of delayed orders or late deliveries to customers. This type of balanced analysis gains the highest reward.

Teaching Tip:

Questions that use the term 'analyse' require candidates to identify the implications of a course of action to a business. Candidates should be taught to identify factors such as age of business, type of business, product and service sold, target market etc. in order to inform such decision-making. The context of the business in terms of these factors can then be used to analyse different situations such as managing product portfolio, managing workforce, managing finance and managing inventories.

**Question 2**

- (a) (i) This question was generally well answered, with most candidates gaining full marks. It was encouraging to see that most candidates understood the concept of 'ownership' and did not confuse private sector with private limited company. Candidates should be encouraged to use examples to show understanding.

Teaching Tip:

When teaching a topic, knowledge is important as the basis for extended answers, therefore it is useful to quiz learners on ways in which they might achieve 3 marks on each knowledge point. This can also be reinforced through the use of practical examples.

- (ii) The concept of 'product portfolio' presented a real problem to the majority of candidates, the vast majority of whom believed it to be the 'description' of a product rather than the different products offered by a business. Some gained a mark for reference to a 'catalogue' of products but these answers were rare. Product portfolio analysis using tools such as the Boston Matrix is common in Business Studies since it informs the future decision-making of the business in so many areas.

- (b)(i)** Most candidates were able to gain the marks available by calculating the correct answer and showing how the calculation had been carried out. The majority of candidates were able to use the correct data and gain at least one mark.
- (ii)** This question required candidates to show knowledge and understanding of cash flow by using the answer from part **(b)(i)** and by applying the result to the decision-making capabilities of UC. The key word in the question is 'usefulness'. It was encouraging to see that candidates were able to gain application marks by referencing the table and that they understood the use that could be made of a cash flow forecast in terms of sourcing finance, creating a business plan and assessing liquidity.

Teaching Tip:

Businesses use different models and different tools to attempt to assess the financial health of the business quantitatively. One of these tools is the cash flow forecast, which gives a picture of the liquidity of the business. Candidates should understand that these tools have limitations in terms of their predictive accuracy but should also be aware that in some circumstances these tools can be very useful. This type of question is on every paper and in both sets of questions, so teaching should concentrate on encouraging the learners to carry out such calculations and analyse the implications of the answers in a specific context.

- (c)** Overall, this question was well answered, with few responses being over-generic. The majority of candidates offered two benefits of training with some analysis in terms of the implications to a business. Some candidates found it difficult to use the context of the case and therefore struggled to gain application marks in some cases. There were key points in the data which candidates might have picked up on in order to make the answer contextual. These included reference to motivation, introduction of new skills and management of change.
- (d)** On the whole there were some encouraging responses to this question, especially by those who had left themselves enough time to complete it. A minority of candidates frequently referred to stakeholders throughout their response without actually specifying which stakeholders they were referring to. This limited the number of marks which could be awarded. It was encouraging to see that there was much less confusion between stakeholders and shareholders on this occasion and that most candidates made a good attempt to analyse the impact of the change on stakeholders, in particular the community, employees and the Government. Although there were some good examples of analysis, many candidates needed to provide greater evaluation in their answers in order to access higher marks. This question requires candidates to come to a judgement about the relative impact on different stakeholders of the Cleancoal development. This requires a balanced argument regarding the costs and benefits to each, perhaps based on the long or short-term. The judgement should then arise directly from this analysis.



# BUSINESS STUDIES

Paper 9707/22  
Data Response

## Key messages

- As this is a data response paper, it is very important that candidates use the context and data provided when constructing their answers.
- Candidates should attempt every part of both questions. This requires recognizing that 'some attempt' is better than none and that time must be managed carefully during the examination.
- It is important that candidates are taught to look for the command word in the question (e.g. 'explain', 'analyse', 'evaluate') as this indicates what type of response is expected.

## General comments

Candidates generally found the case material and questions to be accessible and there seemed to be no significant issues affecting candidates' overall performances. In **Question 1** candidates generally made good use of the case material and in **1(c)** demonstrated the skill of synthesising two streams of ideas – motivation and production problems. This was a pleasing development in performance.

In addition, neither of the businesses related directly to final consumers and it was pleasing that candidates took these types of business 'in their stride'.

Evaluation remains an area that needs development and Centres would be well advised to spend time with candidates identifying opportunities to show evaluation skills and addressing the question 'What is the best way to show evaluation skills in this question?' Analysis of questions will always be part of an essential strategy in examination skills.

## Comments on specific questions

### Question 1

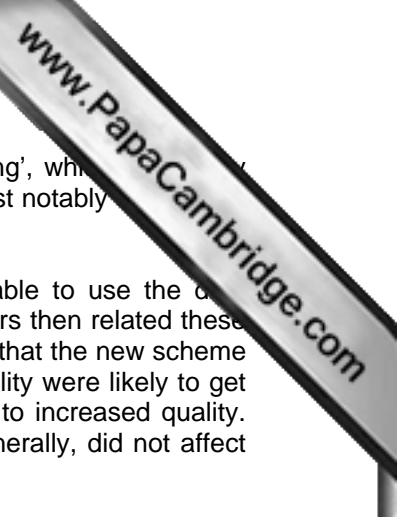
- (a) (i) Most candidates had some ideas about economies of scale. The best answers referred to decreases in the average (unit) costs as the scale of production increases and then gave examples of types of economies of scale. Common misunderstandings include mention of size of production rather than scale and mention of costs rather than average costs.
- (ii) Most candidates understand that revenue is related to sales and process. Better answers developed the notion that revenues measure the performance of a business and can be used as a target.

#### Teaching Tip:

Examinations from 2011 onwards contain the new international accounting terminology. It is important that candidates know the new accounting terminology. A useful list is given in the Appendix of the syllabus.

- (b) (i) Most candidates calculated the net profit margin correctly. Some candidates stopped once they calculated net profit, while others calculated gross profit. Candidates should be encouraged to show their workings as they can still be rewarded method marks if they use the correct method, even if they arrive at the wrong answer. It is also important that candidates remember to show units in their answers (in this instance '%'). In this subject numbers should have practical meaning and this meaning is lost without units.





- (ii) Many answers included simple statements such as 'net profit margin is falling', which would gain limited credit. Better answers related these falls to constituent parts, most notably sales and the fact that costs were not proportionate.
- (c) This question was generally answered very well. Most candidates were able to use the data relating to payment systems and discuss their relative benefits. Better answers then related these discussions to the two problems facing the business. Generally the view was that the new scheme may well solve the problem of late deliveries but the problems relating to quality were likely to get worse. Weaker answers assumed that increased productivity inevitably led to increased quality. Many candidates confused the term 'long service' with overtime but this, generally, did not affect the overall quality of their answer.
- (d) Most candidates had a clear understanding of just-in-time (JIT) and applied it well to the data given. Better candidates were able to discern those products suitable for JIT, those less suitable, and what JIT could do to improve the situation (better suppliers and so on). Most candidates used at least some of the context. Answers which needed significant development were those that showed understanding of JIT and the data in the table but could not bring together the two strands of the arguments.

### Question 2

- (a)(i) Candidates generally showed understanding of the term 'secondary sector'. Better candidates were able to give examples to explain their definition.
- (ii) The term 'add value' caused greater difficulty than most of the other part (a) explanations. Candidates' explanations generally lacked precision. Better answers defined value added as the difference between price and cost of inputs and then provided an illustrative example such as converting timber (low unit value) into furniture (high unit value). Weaker candidates gave a 'circular' definition – 'added value is the value that is added...' – which could not be rewarded.

Teaching Tip:

All the terms for explanation in part (a) of questions can be identified in the syllabus. Candidates should prepare their own dictionary of terms together with explanations.

- (b)(i) Most candidates were able to calculate the closing balance for 2016. A few candidates omitted the units (\$m). Candidates should be encouraged to write down their method as those who arrived at the wrong answer may still be awarded a mark for use of an appropriate method.
- (ii) There were a surprising number of very general answers to this part of the question, significantly limiting the marks available. The important feature of this situation was that the cash flow forecast related to a major investment decision and that the forecast could be used in decision-making relating to that project as well as identifying the need for at least \$64 million of finance for the project. The fact that the eventual outcome is forecast to be a large positive value makes the project seem attractive, but that depends on the assumptions and the quality of the forecasts.

Teaching Tip:

It is important for candidates to be able to analyse when business concepts are useful, such as cash flow or breakeven. Candidates should always attempt to relate the concept to the business. For example, is it a new business? Is this a new product? Is there any risk to the business? What will the business do with information such as a high breakeven point or a negative closing balance? Thus, candidates can address **how** a concept is useful, not just what the concept is!

- (c) Candidates found this question the most difficult on the paper. A significant number of candidates answered a different question – one relating to recruitment of new staff. There was little context to help the candidates, so it was important that they used what context there was – those to be made redundant were, largely, unskilled, and there was already high unemployment. There was also a somewhat negative attitude from the local newspaper, which would make management's actions more difficult.

Teaching tip:

Encourage candidates to read the question carefully and focus their answer closely on the question asked.

- (d) It was pleasing to see that virtually no candidates confused 'stakeholder' with 'shareholder'. Most candidates made some constructive comments about the impact on two stakeholders, with some candidates mentioning all stakeholders. Better answers gave an indication of the likely size of the impact, thereby gaining higher skills marks. The best answers were able to conclude which stakeholders were likely to be most affected and why. Weaker candidates tended to do little more than reproduce the information from the case material and needed to develop discussion of the likely consequences in their answers.

# BUSINESS STUDIES

Paper 9707/23  
Data Response

## Key messages

- As this is a data response paper it is very important that candidates use the context and data provided when constructing their answers.
- Candidates should attempt every part of both questions. This requires recognizing that 'some attempt' is better than none and that time must be managed carefully during the examination.
- It is important that candidates are taught to look for the command word in the question (e.g. 'explain', 'analyse', 'evaluate') as this indicates what type of response is expected.

## General comments

Candidates generally made effective use of the case study material in relation to both questions. It was noted that candidates performed particularly well in relation to both the calculation questions. **Question 1(d)** proved to be the difficult question as candidates did not relate to specific inventory control methods.

Candidates need to be mindful that when asked to discuss (**Question 1(c)**) or to evaluate (**Question 2(d)**), there is an expectation for them to come to a judgement, that is justifying what they feel the main impact is and why. It is important that any judgement should relate to the specific context of the businesses in the two case studies. Candidates need to show that they have read, interpreted and that they can use the data to inform their responses. To access the higher mark bands, candidates needed to present much greater evidence of evaluation in their answers.

The case material seemed generally accessible to the candidates and the quality of answers generally showed good use of business language and overall communication skills.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i)** Most candidates had some understanding of the term 'internal economies of scale'. The main element of average/unit cost was often included and backed up by a good example. Other responses often hinted at the term 'total costs' rather than referring specifically to average or unit costs.
- (ii)** Candidates understood that retained profit is the profit that is carried forward to the next year and that it can be used as a source of finance. Better responses were able to outline clearly how retained profit is calculated and what is deducted in order to arrive at retained profit. It is vital that candidates give good clear explanations. For example, some candidates wrote 'the profit after all the costs are deducted', which could also be interpreted as net profit.
- (b) (i)** Most candidates correctly calculated \$250 m for the revenue (sales turnover). A few candidates did not show the \$m in their response. It is important that candidates show units in order to gain maximum marks. Very few candidates were unable to attempt the calculation.
- (ii)** Most candidates performed well, identifying the trend and using the figures in Table 1 to comment. A few very good responses noted that the gross profit has risen despite a fall in sales and so the business has kept control of its costs of sales.

- (c) This question was answered very well by some candidates, who clearly identified the main problem facing QC, namely that the issue relates mainly to pay. The evidence in the case clearly showed that the wages are behind the industry average. Examiners were looking for candidates to focus on the fact that the main solution is likely to be financial. Good answers analysed the implications of this and made clear links to QC, the business in the case study. A few candidates described at length the main motivational theories. Enrichment, job rotation and job enlargement were all common responses but these were too generic and could apply to any business.

Teaching Tip:

When answering a question about solutions to Human Resource problems, candidates need to identify what the main problem is. They can then be very specific about how they respond and can analyse more clearly. For example, if the main factor is pay, can the business afford it? Is profit already falling? Also, evaluation can be more secure as candidates are engaging with the case.

- (d) This question proved to be challenging for many candidates. Most candidates described the data in Table 2 without any reference to inventory costs. Weaker and descriptive answers struggled to identify ways in which QC could reduce inventory costs. Good responses focused on just-in-time (JIT) production and related this to aspects of information in the table. For example, Component D has high levels of inventories and high value, so JIT might help here to reduce the costs of stocks. It must be stressed to candidates that they should read questions carefully and avoid simply restating the information that is presented in the case study.

## Question 2

- (a) (i) Many candidates had a good understanding of the primary sector with links to extraction of natural resources the most common setting. Examples of mining, farming and fishing were the main examples used to support good understanding.
- (ii) This was generally well answered when candidates linked the market to 'buyers and sellers' coming together or 'producers and consumers'. There was a sense of trading and in very good responses examples were given of how the market determines the price of a product or service. Where responses were too vague, for example, 'place where products are sold' there was a lack of good understanding as to the nature or purpose of a market.
- (b) (i) Most candidates attempted to calculate the value of the sales of gold (X in the cash flow forecast). A significant number of candidates gained the two marks. The most common error seen by Examiners was for candidates to use the 10 (operating costs) and the 5 (opening balance) incorrectly to arrive at \$290 m rather than \$300 m.
- (ii) Most candidates were able to show some understanding of a cash flow statement, usually through a definition and/or outline of what a cash flow forecast does. Better responses used the data in Table 3 to link to usefulness, for example, there is a negative closing balance up until 2014 so the cash flow allows EG to prepare for this or for them to attempt to reduce outflows and increase inflows. For the few candidates who gained more marks, they stated the fact that as EG is entering a new market this is risky and as such the cash flow forecast helps assess that risk.

Teaching Tip:

It is important for candidates to be able to analyse when business concepts are useful, such as cash flow or breakeven. Candidates should always attempt to relate the concept to the business. For example, is it a new business? Is this a new product? Is there any risk to the business? What will the business do with information such as a high breakeven point or a negative closing balance? Thus, candidates can address **how** a concept is useful not just what the concept is.

- (c) Answers to this part of the question were a little disappointing considering the focus was recruitment. The two main aspects of context that Examiners were expecting candidates to use in their responses were the levels of skills that might be needed and the wages that might need to be

paid. Most candidates gave very theoretical responses about the recruitment process, such as drawing up job descriptions and person specifications.

- (d) Examiners were expecting to see more solid use of the context in this question, especially considering the amount of context that could be taken from the case study. Candidates understood how some stakeholders might have been affected. In better responses, candidates then used the case material to help build their answer. For example, what is the risk involved for shareholders if the price of gold fluctuates, as this is a long-term investment? Also, in terms of the local community, who are the winners and losers when jobs are created but there is no compensation for the land? Some candidates overlooked the context and made statements like 'shareholders want dividends and high profits and this might happen' without considering whether this might happen in the context of the case.

**Teaching Tip:**

It is very important that candidates are clear which stakeholders they are referring to. Some responses did not specify a stakeholder but constantly used the word 'stakeholder' when they were in fact talking about shareholders. When candidates are very specific about the stakeholder, they should read the case study and pick out the main ways that that stakeholder is affected, from a positive and negative perspective. This then allows the candidate to analyse and then evaluate by judging overall whether the stakeholder stands to gain or lose from the issue being examined.

# BUSINESS STUDIES

**Paper 9707/31**

**Case Study**

## **Key messages**

- Calculation questions often lead to full marks but candidates need to be clearer about what their results mean for the business.
- Time management is often very good on this paper.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions.
- Recent changes to the syllabus were often not fully appreciated by candidates.

## **General comments**

There was a wide spread of marks on this paper, with a small number of well-prepared candidates being awarded high marks. There was no evidence of the case study material or the questions having been misread or misunderstood.

There was further evidence that some Centres continue to impress upon their candidates the important principles behind examinations based on case studies and prepare these candidates with much past paper practice. It is probably true to say that the best way to prepare A Level candidates for the academic challenges offered by this paper is to set several 'mock' examinations using past papers and for these to be marked to the standards indicated in the mark schemes made available to teachers. Such exposure to previous 9707/31 examinations helps build the key skills of application and evaluation.

Candidates from some Centres did not appear to be so well prepared. In some instances there appeared to be some significant gaps in subject knowledge evident from some candidates' answers. Candidates should be familiar with the entire syllabus in preparation for the examination. They also need to use selectively the data provided to support their responses.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess Cambridge's Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language.

It is encouraging to report that not only is the international popularity of this A Level subject increasing but also that the quality of some scripts continues to be most impressive. For many schools both the quantity and the quality of candidates seem to be improving. The best scripts read by Examiners were outstanding, not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## **Comments on specific questions**

### ***Section A***

#### **Question 1**

This proved to be a very accessible question. Most candidates were able to make suggestions for specific applications of electronic methods of communication and, generally, these were applied to the company featured in the case study. Nearly all candidates attempted to analyse both advantages and disadvantages of electronic methods of communication.



## Question 2

- (a) (i) The calculation of payback often causes problems for candidates and so it proved on this question. There were many correct answers but a significant proportion of candidates were either unable to start the calculations or were unable to determine the precise month in which payback occurred. These candidates would have been helped by writing down the formula that is used to make this calculation.

Teaching tip:

Always encourage candidates to write the formula being used in their calculations – the correct formula will gain at least one mark even if the calculations are completely incorrect.

- (ii) Most candidates were able to attempt this calculation. Often, though, the discount factors were correctly used but then no further progress was made in calculating the net present value. This is still an important topic on the revised specification and it was notable that candidates from some Centres were very well prepared for this question. The most common problem was that candidates did not subtract the initial capital cost from the total discounted cash flows.
- (b) Some candidates seemed surprised by this question, with a few not answering it at all and others writing a very long answer for a question that carried only 4 marks. The question was testing candidates' ability to understand what cash flow data means and how it was likely to have been obtained. One factor, in the context of this business, that suggested some inaccuracy in the cash flow data and that candidates could have explained was the possible uncertainty of the returns from a takeover if it resulted in culture clashes and no synergy gains.
- (c) This question led to some very good answers and this illustrates that, at the end of a Business Studies A Level course, most candidates are able to explain and weigh up a range of qualitative and quantitative factors before coming to a final strategic decision. This is what Business Studies education should be aiming to achieve! To gain marks for evaluation it is not adequate for candidates to conclude that 'there are therefore many factors that should be taken into account by the company before making the final decision'. There should be a clear decision stated by the candidate following a consideration of both sides of the debate.

Teaching tip:

Where questions demand a clear decision, candidates should be encouraged to give a definite answer in support of one option or another. This decision should, of course, be supported by preceding analysis of the key factors influencing it.

## Question 3

- (a) There were many correct answers to this question and the main cause of difficulty was an inability to identify the difference between an adverse and a favourable variance.
- (b) There were some excellent answers to this question, with most candidates using the case study effectively. There was considerable variation regarding the analytical and evaluative comment provided. Some candidates did not realise that the question was asking for a brief assessment of the likely consequences of the suggestions made. For example, if cheaper materials were proposed, how would this impact on product quality and brand image for the business?

#### Question 4

Many candidates found this the most difficult question in **Section A**. There were many instances of candidates misunderstanding what the economic data showed. Common misconceptions were that 'the economy is entering a recession' and 'the price level is falling', which limited the quality of the resulting analysis. In addition, there were too few references to the business case study when analysing and evaluating the impact of the economic changes. For example, the forecast exchange rate movements could have been analysed from the viewpoint of this business being both an importer of cloth and an exporter of finished products. Evaluation was also weak. Candidates needed to come to an overall judgment and identify the economic factor that could be most important for AC's future profitability.

Teaching tip:

'Economic data' questions will continue to be set on AS and A Level Business Studies papers so candidates are encouraged to think very carefully about how to interpret economic trends, the context of the business featured in the case study and the precise demands of the question before analysing the potential impact of the major changes.

#### Question 5

In contrast to **Question 4**, this was answered with much greater assurance by most candidates. There was very good understanding of corporate social responsibility (CSR) and the issues involved in this case. The clear indicators provided in the case study were identified and developed in most responses. Arguments were clearly expressed and both sides of the debate were well covered. It was very encouraging to read answers that showed such a secure grasp of this very important current business topic.

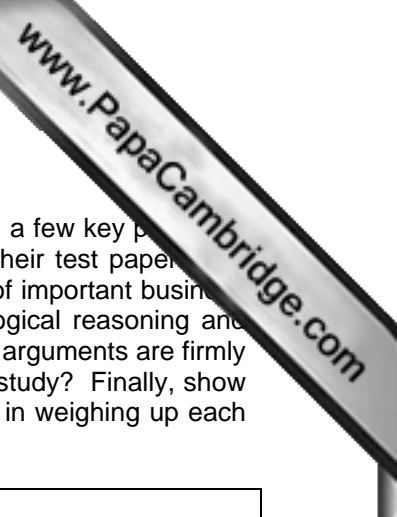
#### Section B

#### Question 6

There was a clear distinction in the answers to this question between those candidates who had been well prepared for the demands of the revised specification and those who had not. There were a few excellent answers from those candidates who understood what was meant by 'strategic analysis' and were able to explain at least two appropriate methods, such as SWOT, PEST and Porter's Five Forces model. Many candidates were limited in the marks they could gain because they found it difficult to develop their answers beyond undertaking SWOT and PEST analysis for this business. Although this was not specifically asked for by the question, it was an approach that was awarded some marks by Examiners as it could – indeed in some cases it did – lead to a discussion of the usefulness of such analysis. The best answers identified the real purpose of the question, which was to assess how effective, in a rapidly changing business world, such techniques of analysis were likely to be for the company referred to in the case.

#### Question 7

Compared with **Question 6**, the exact requirements of this question were understood more fully by the candidates who answered it. Some responses were very complete, containing good details of the purpose and scope of contingency planning, applying it to the specific examples quoted in the case and developing an effective line of evaluative arguments concerning its significance to AC. Less effective answers clearly demonstrated a good grasp of contingency planning but then needed to include an evaluative approach as well. For example, many candidates suggested that contingency planning was so important that it should always be undertaken by AC for every possible risk situation faced by the business with no judgement made about the cost of contingency planning or the likelihood of the risks being planned for actually occurring. A few responses gave generalised arguments for and against planning rather than contingency planning.



## Overall

In order to gain high marks in this well-regarded Business Studies A Level qualification, a few key points have to be established with candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 31. Firstly, demonstrate knowledge of important business terms and concepts early in the answer – perhaps by means of a definition. Use logical reasoning and appropriate theory to explain and analyse the arguments to be used. Ensure that these arguments are firmly put into context – how do they apply, in particular, to the business featured in the case study? Finally, show judgement in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.

### Teaching tip:

Evaluation skills can be demonstrated in a number of ways: prioritising factors, assessing their relative importance, giving a justified conclusion or decision, questioning the data used or the techniques that have been applied. Where relevant, it might also be useful to explain how a particular decision might be further influenced by data that are not provided in the case, explaining how it would have been useful to this particular strategic choice.

# BUSINESS STUDIES

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Paper 9707/32  
Case Study

## Key messages

- Calculation questions often lead to full marks but candidates need to be clearer about what their results mean for the business.
- Time management is often very good on this paper.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions.
- Recent changes to the specification were often not fully appreciated by candidates.

## General comments

There was a very wide spread of marks on this paper, with a large number of well-prepared candidates being awarded high marks. There was no evidence of the case study material having been misread or misunderstood and this observation applies to the questions too, with the exception of **Question 7**.

There was further evidence that some Centres continue to impress upon their candidates the important principles behind examinations based on case studies and prepare these candidates with much past paper practice. It is probably true to say that the best way to prepare A Level candidates for the academic challenges offered by this paper is to set several 'mock' examinations using past papers and for these to be marked to the standards indicated in the mark schemes made available to teachers. Such exposure to previous 9707/32 examinations helps build the key skills of application and evaluation.

Candidates from some Centres did not appear to be so well prepared. In some instances there appeared to be some significant gaps in subject knowledge evident from some candidates' answers. Candidates should be familiar with the entire syllabus in preparation for the examination. They also need to use selectively the data provided to support their responses.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess Cambridge's Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language.

It is encouraging to report that not only is the international popularity of this A Level subject increasing but also that the quality of many scripts continues to be most impressive. For many centres both the quantity and the quality of candidates seem to be improving. The best scripts read by Examiners were outstanding, not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## Comments on specific questions

### Section A

#### Question 1

This question proved to be very accessible and allowed candidates to show both appropriate knowledge and a good awareness of the case study business. Candidates' knowledge of technology use within business was often excellent, although some needed to make specific reference to the case study business and how it might benefit from technology applications in order to gain full credit. The other occasional omission was reference to both functional areas mentioned in the question when analysing technology benefits.

#### Question 2

- (a) (i) The calculation of average (annual) rate of return often causes difficulties for many candidates as at least one of the stages in the calculation is frequently omitted. On this occasion, there were many correct answers but also many responses that gained just 3 marks because the candidates either forgot to calculate the average annual profit before calculating the rate of return or did not subtract the initial capital cost before calculating the average profit. The best answers were not only correct but were often very carefully laid out with easy-to-follow calculations at each stage.

Teaching tip:

Always encourage candidates to write the appropriate formula being used in their calculations – the correct formula will gain at least one mark even if the calculations are completely incorrect.

- (ii) Most candidates were able to attempt this calculation. Often, though, the discount factors were correctly used but then no further progress was made in calculating the discounted payback period. This is an additional topic on the revised syllabus and it was notable that candidates from some Centres were very well prepared for this question.
- (b) Some candidates seemed surprised by this question – with a few not answering it at all and others writing a very long answer for a question that carried only 4 marks. The question was testing candidates' ability to understand what cash flow data mean and how they were likely to have been obtained. In the context of this business, one factor that could have been explained, which suggested some inaccuracy in the cash flow data, was the company's lack of experience in operating production facilities. How, then, were the cash flow data estimated?
- (c) This question led to some very good answers, which illustrates that, at the end of a Business Studies A Level course, most candidates are able to explain and weigh up a range of qualitative and quantitative factors before coming to a final strategic decision. This is what Business Studies education should be aiming to achieve! To gain marks for evaluation it was not adequate for candidates to conclude that 'there are therefore many factors that should be taken into account by the company before making the final decision'. There should be a clear decision stated by the candidate following a consideration of both sides of the debate.

Teaching tip:

Where questions demand a clear decision, candidates should be encouraged to give a definite answer in support of one option or another. This decision should, of course, be supported by preceding analysis of the key factors influencing it.

### Question 3

- (a) (i) There were many correct answers to this question but some candidates had problems identifying the data needed to calculate liquid assets (current assets less inventories). A correct formula for acid test would have been awarded one mark, even if the incorrect data had then been used to calculate it.
- (ii) The majority of candidates were able to calculate this correctly.
- (b) There were some excellent answers to this question, with candidates using their previous results very effectively – the ‘own figure rule’ applied to incorrect results. A good number recalculated the gearing ratio, assuming that all of the finance was raised from using long-term loans, and they used this to support their conclusion that another source of finance – or a combination of sources – should be used instead. Many candidates correctly identified that this was a public limited company so a further sale of shares to the public could be considered – this was good application to the case.

### Question 4

Many candidates seemed to enjoy writing their answers to this question. They found the data very accessible and the Boston Matrix was well understood by a large majority of candidates. There was some confusion between the different categories of the matrix and only a few candidates took their analysis further by actually calculating the market shares for each shoe range. The best answers suggested marketing tactics in the context of a shoe retailing business – such as adding brighter colours to the shoe ranges for children – and then went on to assess the likely effectiveness of their suggestions as well as the potential weaknesses inherent in making important marketing decisions based on the Boston Matrix alone.

### Question 5

The main purpose of this question was to encourage candidates to think about how staff motivation can be increased within a business in a cost effective way – without increasing unit costs. This point was often overlooked by candidates, who tended to give a standard ‘theory driven’ answer to the question, often without a shoe retailing context. Better answers tried to address the issue of unit costs, for example by suggesting that, even if financial methods of motivation such as commission were employed, an increase in labour productivity or sales per employee could cancel out the costs incurred from its implementation.

#### Teaching tip:

‘Motivation’ questions will continue to be set on AS and A Level Business Studies papers and candidates are encouraged to think very carefully about the context of the business featured in the case study and the precise demands of the question before selecting the relevant motivational theorists.

## Section B

### Question 6

There was a clear distinction in the answers to this question between those candidates who had been well prepared for the demands of the revised syllabus and those who had not. There were a few excellent answers from candidates who understood what was meant by ‘strategic choice’ and were able to explain at least two appropriate methods, such as decision trees, Ansoff’s matrix and force field analysis. Examiners were also asked to credit effective use of other decision-making techniques that feature on the Business Studies syllabus, such as investment appraisal and break-even analysis. Unfortunately, many candidates struggled to address the question in any meaningful way, although even those who focused on techniques of strategic analysis, such as SWOT, could still be awarded some credit if they explained how the results from this could assist with the process of taking this particular strategic decision.





### Question 7

This was slightly more popular than **Question 6** but it led to the only instance of misreading and misunderstanding on the paper. Many candidates wrote exclusively about 'effective management' and 'effective management of change' - this suggests that they were not aware of this inclusion in the syllabus. However, Examiners were still advised to award some marks to answers that made a clear case for effective management within FitsU being a determining feature of its long-term success. The best answers identified the changes that had been made within the company and that were planned for the future. These responses then developed arguments about how effective change management – involving clear vision, leadership, communication and involvement – could make a significant impact on the company's future success. Evaluation was often then further developed by a consideration and weighting of the other factors – internal and external – that could influence FitsU's future profitability and success.

### Overall

In order to gain high marks in this well-regarded Business Studies A Level qualification, a few key principles have to be established with candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 32. Firstly, demonstrate knowledge of important business terms and concepts early in the answer – perhaps by means of a definition. Use logical reasoning and appropriate theory to explain and analyse the arguments to be used. Ensure that these arguments are firmly put into context – how do they apply, in particular, to the business featured in the case study? Finally, show judgement in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.

#### Teaching tip:

Evaluation skills can be demonstrated in a number of ways: prioritising factors, assessing their relative importance, giving a justified conclusion or decision, questioning the data used or the techniques that have been applied. Where relevant, it might also be useful to explain how a particular decision might be further influenced by data that is not provided in the case, explaining how it would have been useful to this particular strategic choice.

# BUSINESS STUDIES

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Paper 9707/33  
Case Study

## Key messages

- Calculation questions are typically followed by a question that requires the candidate to make use of the calculation.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions.
- Copying text from the case study is not, in itself, evidence of application.

## General comments

There was a wide spread of marks on this paper, with evidence of a significant number of well-prepared candidates being awarded high marks. Most candidates understood the case study material and applied it when answering questions. However, there was evidence of weak understanding of the link between globalisation and marketing strategies in answers to **Question 5** and of difficulty in presenting reasons for undertaking strategic analysis in answers to **Question 6**.

There was further evidence that many Centres continue to impress upon their candidates the important principles behind examinations based on case studies and prepare these candidates with appropriate practice. It is probably true to say that the best way to prepare A Level candidates for the academic challenges offered by this paper is to set several 'mock' examinations using past papers and for these to be marked to the standards indicated in the mark schemes made available to teachers. Such exposure to previous 9707/33 examinations helps build the key skills of application and evaluation.

Candidates from some Centres did not appear to be so well prepared. There were gaps in knowledge of basic business concepts, such as organisational structure, and where knowledge was evident candidates often needed to use information from the case study more selectively to demonstrate an understanding of why the information was relevant.

Although there was variation in the quality of written communication, generally candidates with a weaker command of English were able to access a full range of marks. The Examiners assessing Cambridge Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language.

It is encouraging to report that not only is the international popularity of this A Level subject increasing but also that the quality of many scripts continues to be most impressive. For many schools both the quantity and the quality of candidates seem to be improving. The best scripts read by Examiners were outstanding, not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## Comments on specific questions

### Section A

#### Question 1

This question proved to be the most accessible question on the question paper. Most candidates demonstrated an understanding of the terminology and gave an accurate definition of either full capacity or capacity utilisation. Stronger candidates used the text effectively to develop analysis of the advantages and disadvantages of full capacity operation. Many candidates explained that fixed costs would be spread over a greater output at full capacity and therefore average fixed and total costs would decrease, enabling FPC to set more competitive prices and gain custom. A small number of good answers calculated capacity utilisation for the three years given. This provided evidence of knowledge and enabled candidates to access application marks. A common misconception was to refer to the benefits of economies of scale. Candidates should be reminded that economies of scale refer to falling average cost as the scale of production increases not simply as a result of an increase in output. Weaker answers were characterised by a tendency to repeat extracts from the case study without demonstrating understanding of the material.

Teaching tip:

Encourage candidates to use the case material but to avoid copying the text without any further development. Wherever possible, candidates should use calculations to support their arguments.

#### Question 2

- (a) This was also a highly accessible question for candidates. There were a large number of candidates rewarded with 8 or 7 marks. Candidates frequently increased total sales revenue, rather than just sales of wood, by 15%. It was pleasing that many answers included detailed working for each stage of the income statement. This enabled Examiners to award marks where there was evidence of a partially correct approach.
- (b) Candidates were typically able to identify that a forecast Income Statement provided a forecast of future profit, although many found it difficult to explain why a forecast was useful to the directors of FPC. Better answers recognised that the forecast would help directors plan for the future and that it would be instrumental in making a decision about whether to proceed with expansion of FPC's activities in the Lotus Forest.
- (c) This question led to some very good answers and this illustrates that, at the end of a Business Studies A level course, most candidates are able to explain and weigh up a range of qualitative and quantitative factors before coming to a final strategic decision. There were some very good answers that discussed the short-term and long-term consequences of FPC continuing to extract wood from the Lotus Forest. Some very strong answers considered the likely response of FPC's customers and observed that as the majority of customers were other businesses, price might be more important than ethical considerations. Some good analytical answers were let down by weak evaluation in the conclusion. To gain marks for evaluation it is not adequate for candidates to conclude that 'there are therefore many factors that should be taken into account by the company before making the final decision'. There should be a clear decision stated by the candidate following a consideration of both sides of the debate.

Teaching tip:

Where questions demand a clear decision, candidates should be encouraged to give a definite answer in support of one option or another. This decision should, of course, be supported by preceding analysis of the key factors influencing it.

### Question 3

- (a) (i) There were many correct answers to this question but some candidates were unable to calculate the LFT correctly. A common misunderstanding was to focus on activity H and Node 8, which provided an answer of  $10 - 2 = 8$ . However, the LFT of activity E is determined by the need to complete activity G by the end of 8 weeks.
- (ii) The majority of candidates correctly identified the number of weeks taken by activities on the critical path.
- (iii) Candidates often gained full marks by providing the correct answer. Candidates should be reminded to state the formula for a calculation question, as this will be rewarded with a mark where correct, even if the calculation that follows is incorrect.
- (b) There were some excellent answers to this question, with candidates demonstrating a thorough appreciation of the usefulness of CPA in assisting the successful completion of the sawmill. These answers recognised that CPA was a useful planning technique for coordinating resources and, for example, ensuring that building supplies were delivered on time. Candidates typically observed that external factors, such as the weather, could delay completion of the sawmill. Some candidates misunderstood the question and provided an answer that focused on CPA's usefulness as a planning tool for the production process within the sawmill rather than the building of the sawmill.

### Question 4

There were some excellent responses that contained detailed arguments about possible changes to the organisational structure of FPC. Most candidates demonstrated knowledge of organisational structure and recognised that FPC's structure was tall with a long chain of command and narrow spans of control. Weaker answers needed to develop the suggested changes in more detail and with more appropriate application to the case study. For example, as FPC was considering further expansion abroad, this might suggest that separate divisions for different countries should be considered.

Some candidates did not focus on organisational structure but discussed leadership style and motivational techniques. These answers scored very few marks, if any, as they did not answer the question set.

### Question 5

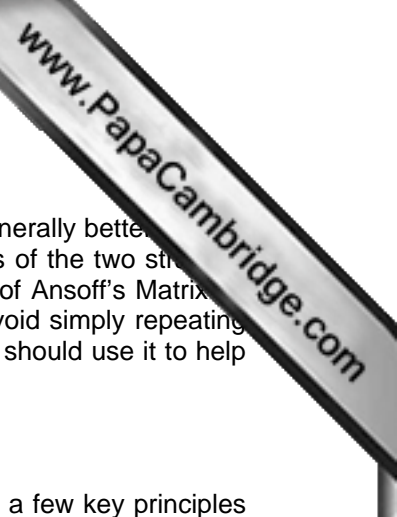
This proved to be a challenging question for candidates, with the focus of many answers being inappropriate. Many candidates confined their discussion to considering the advantages and disadvantages of globalisation for FPC, rather than considering how FPC's marketing strategy might need to adapt in response to globalisation. This misinterpretation of the question resulted in a large number of low marks.

Better answers used the case study evidence on FPC's current marketing strategy and the impact of globalisation on their market, such as increasing levels of competition, to suggest an appropriate development of marketing strategy. The best answers contrasted pan-global with global localisation strategies.

## Section B

### Question 6

Most candidates identified correctly the meaning of SWOT and PEST analysis in simple terms. A few very good answers recognised that these techniques were part of strategic analysis to identify the current situation and the macro-environment faced by a business. These answers went on to develop an applied analysis of FPC's current internal strengths and weaknesses and then to match the firm's resources to the two strategic options, while also considering the likely impact of the macro-environment on decision-making. Good candidates avoided simply listing the advantages and disadvantages of the two options. Many candidates gained full marks for knowledge and application but needed to develop an analysis of the importance of SWOT and PEST to directors in considering the two strategic options.



### Question 7

This was a more 'popular' question than **Question 6** and the quality of answers was generally better. There were many good answers that provided a balanced consideration of the relative merits of the two strategic options before reaching a supported judgment. Some candidates made effective use of Ansoff's Matrix as part of their consideration of the relative risk of the two options. Candidates should avoid simply repeating the case material. Instead, they need to demonstrate that they have understood it and should use it to help them develop the issues under discussion.

### Overall

In order to gain high marks in this well-regarded Business Studies A level qualification, a few key principles have to be established with candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 33. Firstly, demonstrate knowledge of important business terms and concepts early in the answer – perhaps by means of a definition. Use logical reasoning and appropriate theory to explain and analyse the arguments to be used. Ensure that these arguments are firmly put into context – how do they apply, in particular, to the business featured in the case study? Finally, show judgment in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.

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