

BUSINESS STUDIES

<p>Paper 7115/12 Short Answer/Structured Response</p>

Key messages

Candidates should try to use the information contained in the stem of each question to help answer the questions set, especially as this provides the basis for application. Application marks could not always be awarded because candidates did not refer to the scenario for **parts (c), (d) and (e)**.

The lack of effective evaluation continues to be an area of weakness. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up their choice. Candidates would benefit from greater guidance in how to produce an evaluative answer to **part (e)** questions.

General comments

The questions requiring definitions and knowledge, such as **part (a) and (b)** of each question were generally well attempted. However, a number of candidates struggled to provide a precise definition to **Question 4(b)**. There were areas of the syllabus with which some candidates were less familiar, particularly the role of pressure groups and diseconomies of scale. A significant number of candidates had clearly misread **Questions 3(c) and 4(e)**.

Candidates should refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate to the business.

Candidates must ensure that a different point of application is used for each separate point made. In **parts (d) and (e)** of each question, it is important to link the point made to the business or context described in the stem of the question.

Candidates should be reminded that for evaluation there must be a justified decision that follows from the points raised in the answer. It should not be a repetition of points already made.

Comments on specific questions

Question 1

- (a) Many candidates understood that there was some government involvement in a public corporation. Better responses were able to provide a clear and precise definition of the term. A common error was to confuse the term with public limited company. A number of candidates simply stated it was in the public sector but this did not define the term.
- (b) Generally a well answered question. A common error was to identify business rather than government objectives. Some candidates included more than two answers. Candidates who do this should be aware that the Examiner will only mark the first two responses.
- (c) This question caused some confusion. Some candidates explained possible external costs and benefits the pipeline could create. Others incorrectly assumed a pressure group had the authority to introduce legal controls or financial penalties. The most common correct answers given were protests, create negative publicity or boycott the business products. Stronger responses were able to relate their answer to the context of an oil business.
- (d) This question proved challenging for some candidates. Candidates generally understood the idea of business objectives. Better responses used the information provided to link their answers to the

context. Many candidates struggled to provide relevant development of objectives identified or explain the difference between the private and public sector objectives. For example, maximising profit was the most common correct answer however instead of development, a common mistake was to explain how this objective would be achieved through higher prices or lower costs. Others confused a public corporation with the government so focused on government objectives such as job creation or restricting imports. Such answers could not be credited as they did not answer the question set.

- (e) Candidates clearly understood this topic and were able to provide detailed answers that often showed good knowledge and analysis. Stronger responses made good use of the information provided to explain the possible benefits of creating new jobs for a country such as lower unemployment or higher standards of living. A supported judgement usually focused upon the likely long-term benefits of additional tax revenue gained which could help offset negative aspects such as pollution. Weaker responses identified knowledge points but did not develop them. A number of candidates had the wrong focus. These answers incorrectly discussed possible advantages and disadvantage to the business rather than the country.

Question 2

- (a) Generally well attempted. Many candidates recognised that a franchise involved using the brand name of an existing business to sell products or that it involved a need for payment to use the brand name. A common error was to assume the franchisee bought the brand rather than the right to use it. A number of candidates confused franchise with setting up another branch of the main business in a different country.
- (b) Generally well answered. Many candidates included a correct revenue calculation. A common error was to calculate profit. A number of candidates did include 900 as part of their answer rather than as their final answer. Such responses were only awarded one mark as the final answer was incorrect.
- (c) This question differentiated well between candidates. Most candidates could identify at least one reason with pay expenses or profit being the most common answers. Only the best responses gained both application marks available by using different points from the scenario to support their answers. A common mistake was to identify two different day to day costs which could only be awarded once. A number of candidates confused revenue with profit.
- (d) The majority of answers focused on factors such as demand, competition and the various costs associated with starting up a new service. Most candidates were able to identify one relevant issue that this food business would need to consider. Most candidates struggled to develop points identified so were unable to gain the analysis marks. Instead of analysis, candidates tended to repeat the knowledge point. A number of candidates had the wrong focus so identified factors such as infrastructure and location which were relevant to a new business rather than an existing business looking to expand. Such responses could not be credited.
- (e) This question was poorly answered. Most of the responses were descriptive as candidates offered only points of knowledge but did not develop them to gain analysis. Judgements repeated earlier knowledge rather than supported evaluation. The most common answers were that secondary market research was cheaper but could be out of date while a focus group was more expensive but would provide more detailed information. Only the strongest responses were able to explain why issues such as relevancy of information may be important factors for a business to consider when looking to expand. For example, cost may be an issue for a business whose revenue was falling as they may not have sufficient funds to pay for primary research. A number of candidates made vague statements about accuracy of different methods. Others incorrectly discussed whether the business should use any market research. Such answers could not be credited.

Question 3

- (a) Many candidates were able to give a clear and precise definition of this term. Most understood that it involved new employees. Incorrect answers often focused on a general definition of training or confused induction training with on-the-job or off-the-job training.

- (b) Generally well answered with most candidates able to identify points such as customer loyalty, increased revenue or improved brand image. A common incorrect answer was to make a profit. Some candidates included more than two responses. Candidates who do this should be aware that the Examiner will only mark the first two answers.
- (c) This question caused some confusion. Weaker candidates did not take note of the fact that this business was an online retailer. Some misread the question and answered it from the viewpoint of customers so focused on the issues such as too much choice which would make it difficult to decide what to buy. Such answers could not be credited as they did not answer the question set. Most correct answers focused on the cost of storage as a larger space would be needed or recognised that as the products were clothes they could easily go out of fashion and therefore be left unsold.
- (d) This question differentiated well between candidates. The strongest responses made good use of the information provided to explain possible advantages and disadvantages to this online retailer of opening its first shop(s). These answers recognised that having a shop could provide access to a wider customer base but at the same time lead to additional costs such as rent and hiring more employees. Weaker responses identified issues but did not develop them. Others restated the same application point for both answers. A number of candidates misread the question and incorrectly assumed it was a new business start up rather than the expansion of a current business.
- (e) This question proved challenging for most candidates. Good knowledge and analysis were evident in the stronger answers. Such responses made good use of information such as the 25 per cent increase in revenue or the fact the business plans to add 3500 new styles of clothing each week to support their answers. Only the strongest candidates were able to identify more than one appropriate source of finance. This made it difficult for most candidates to access the evaluation marks as they did not have two options upon which to base their decision. Weaker candidates struggled to identify appropriate sources of finance that could be used to purchase inventory such as overdraft or trade credit. The most common incorrect answers were bank loan, selling shares or selling fixed assets which are more appropriate as long term sources of finance.

Question 4

- (a) This term was generally understood. A common error was to assume that it was the goods and services being exchanged between the two countries rather than the respective value of each currency.
- (b) Most candidates struggled to provide a clear and precise definition of capital employed. A common error was to define other terms such as working capital or revenue. Others confused non-current liabilities with non-current assets. A number of candidates correctly provided a definition from the endorsed textbooks. While some of the definitions are not considered 100 per cent accurate they were accepted as BOD due to them being in the textbook.
- (c) This was one of the most difficult questions on the paper as it focuses on a topic that is not well understood by candidates. Weaker responses incorrectly assumed that financial accounts are used for day-to-day decision making. The most successful candidates recognised that the information contained in the accounts could help make investment decisions as well as calculate appropriate ratios which would allow the business to analyse its performance. Weaker responses were often able to identify general reasons why a business might use such documents but did so without any reference to the context of this brick making business which was necessary to access the application marks.
- (d) It was clear that many candidates were unfamiliar with the concept of a diseconomy of scale. The most common correct answers were low morale and poor communication. These candidates made good use of the fact that this business operated in 18 countries and had 400,000 employees to support points made to show how these diseconomies could result in problems such as increased cost or lower productivity. Weaker responses attempted to switch what they knew about economies of scale into a negative rather than identify actual diseconomies of scale. A number of candidates incorrectly focused on the fact this was a multinational company so answered it as a relocation question and discussed issues such as the cost of labour or access to resources. Such responses were not credited as this was not the question set. A significant number of candidates did not attempt this question.

- (e) This question confused a number of candidates. Although some candidates were aware of relevant advantages or disadvantages only the stronger answers were able to develop points, such as increased competition and potential access to new technology to show how these issues might impact other businesses in country B. Often evaluation marks were not awarded as candidates offered an unsupported decision or simply restated previous made points from their answer. A common error was to answer the question from the wrong viewpoint. For example some discussed the benefits and limitations to the country or Government, while others considered whether NBV would benefit from opening a brick factory in country B or not.

BUSINESS STUDIES

<p>Paper 7115/22 Case Study</p>

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a) and (b)** for application. In this particular case study, candidates were expected to refer to a company that provides catering services for various events.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

The context of QC, a catering services business, provided an accessible scenario for candidates. Those who applied their skills to the context of QC boosted their marks much further.

The standard of written English was generally good. The majority of candidates are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation.

Comments on specific questions

Question 1

- (a) In this question, candidates were asked to identify and explain two ways QC can create added value for its new service. Those candidates who clearly understood the ways a business could create added value, such as by raising the price or reducing input costs, scored higher marks. Better responses contained an explanation of how the price could be raised with popular answers being improving the quality of the service or providing extra services. However, where full marks were not awarded for a good explanation it was because the answer given was generic and not applied to the business in the case. If answers had referred to the case study such as providing additional services to catering for weddings and birthday parties or changing to buying locally produced ingredients that were cheaper, then answers would have been clearly in the context of this business and the marks achieved would have been higher. Quite a large number of candidates confused added value with profit and so their answers focused on how to increase profit or even increase sales rather than added value. Weak candidates gave repetitive answers for Way 1 and Way 2 meaning they lost half their marks.
- (b) Many candidates showed a clear understanding of the three ways to research the market for wedding catering and their advantages and disadvantages. The best answers explained that carrying out their own questionnaire would provide focused responses but that QC was

inexperienced at carrying out market research and therefore the information collected may not be accurate. The advantages and disadvantages of using a market research agency were often clearly explained by many candidates as they recognised that the agency would be more experienced in carrying out primary research and hence focus on the target market but would too be expensive to use. Government statistics could be out of date but it would be cheaper and quicker for QC to collect the information. Stronger candidates ended with a justified conclusion of which method would provide the most accurate results. Answers that did not justify why the alternative methods did not result in accurate data scored less well. Weaker answers just repeated earlier points in the conclusion without commenting on the accuracy of the data gathered by each method and therefore were not answering the question.

Question 2

- (a) Many candidates identified and explained objectives that are likely to be the same for the two stakeholders but found conflicting objectives more difficult to identify. Where these answers made good use of the case material, including points such as wanting to maintain a good reputation or wanting to expand the business, responses were rewarded. However, quite a number of answers were generic and only explained why both stakeholders would share the same objective or would have conflicting objectives. The most popular shared objectives were to increase profit, increase sales or to expand the business and these enabled shareholders to gain more dividends and employees to receive higher wages. The most popular conflicting objectives were for employees to want higher wages, job security or work more sociable hours and these may conflict with the owners wanting to expand the business, reduce costs and increase profit. Weaker candidates found it difficult to explain why it would be the same for Neil and for the part-time employees and made general statements that were too vague, for example they both wanted high profit because they both wanted money. Candidates should have commented on why Neil wanted the objective and then why the part-time employees wanted it.
- (b) Leadership styles were well understood by the majority of candidates and the advantages and disadvantages of each of the styles were often explained, although some candidates were less familiar with *laissez-faire*. However, many answers were generic and not applied to this business in the case. Those that did apply their answers most often referred to there being 100 employees or stated that the catering services were for either weddings or birthday parties but there was little reference to anything else from the case. Recommendations usually did contain some justification for the chosen leadership style but often did not include discussion of why the alternative styles were rejected as less suitable for this business. Weaker recommendations simply repeated earlier points when justifying the chosen style to use. Weak candidates focused on a definition of the leadership style and not the advantages and disadvantages of the style. There were also a minority of candidates who confused autocratic with democratic leadership styles.

Question 3

- (a) Many responses correctly identified an advantage and a disadvantage of using email for communication between the owners and the employees. Most popular advantages were that it was quicker and cheaper than many alternative forms of communication or a written record was provided that could be referred back to later. The most popular disadvantages identified were that the message might not be understood particularly if there were language problems, there may be no internet access or the internet may not be accessible at all for some employees or there was no certainty that the message had been received. However, the majority of answers were generic and there were few examples of answers that made use of the context of the catering company expanding and providing the new service of catering for weddings or birthday parties. Stronger candidates applied their answers for example stating there are 100 employees, 90 of which were part-time, making communication more difficult and that email may be a good way of communicating with so many employees at once by only sending out one message to them all.
- (b) Many candidates correctly calculated total revenue, total cost and profit for the two options and found it relatively easy to score marks on this question. Some candidates could calculate all the relevant figures but they did not understand what the figures meant. However, weaker responses forgot to add fixed cost to total variable cost or did not multiply variable cost per person by the number of people attending the event. There was often good application as the answers did make reference to the options being catering for weddings and birthday parties and a few made use of the information in Appendix 1 about average spending on weddings and birthday parties. Strong responses calculated the profit for each event and for each month for the two options. It was then

clear that while the profit was higher for each wedding when the number of such events per month was taken into account the profit was greater for birthday parties. Weak responses just repeated the information provided in Appendix 3 without any comment and hence scored no marks or they gained limited marks for stating the differences between the two options, such as the price per person is \$30 higher for weddings than birthday parties. Only better answers contained an evaluation of the figures and went on to fully justify the conclusion of which option to choose.

Question 4

- (a) Many candidates showed knowledge of suitable ways to improve cash flow. The most popular answers were arranging trade credit for ingredients, changing to local suppliers that are cheaper or reducing the credit terms for clients. However, only better responses explained how the way would lead to an increase in cash inflows or a reduction in cash outflows and hence improve the cash flow for this business. Some answers were totally generic and hence lost opportunities to gain application marks. Common mistakes from weaker candidates related to the use of long-term solutions and also a failure to differentiate between profit and cash flow. Many suggested a bank loan, with no clarity that this needed to be a short-term loan. Also 'reduce cost' was used often as a method, but it was not made clear how or which costs were to be reduced.
- (b) This question posed a challenge for quite a number of candidates. There are still many who confuse income tax with corporation tax and therefore related their answers to profit of the business paid to the government rather than reduced disposable income for employees and consumers. The appreciation of exchange rate was answered well by many candidates, understanding the effect on the price of imported raw materials. However, some failed to use the case study and talked about the impact on the business as if it exported goods, which this business did not do. Better candidates recognised that a boom would lead to an increase in sales due to higher incomes in the economy. Strong candidates developed their explanation of these three changes to give a chain of reasoning as to how they would be likely to affect the profit of QC. Better responses were applied to the case, identifying that the ingredients were imported or there might be reduced spending on weddings or birthday parties as a result of higher income tax. Strong responses included a well justified conclusion of which change was likely to have the biggest impact on the profit of QC. It was possible to argue that any of the changes could have the biggest impact but arguing why the alternative changes would have less effect on profit was only seen in the best answers.