

BUSINESS

Paper 9609/12
Short Answer/Essay

Key messages

- The key message for this paper is that there should be more attention paid to the skill of evaluation in the answers to essay questions in **Section B**. Most of the sound answers to **Question 5(b)** contained excellent analysis of the factors that explain the failure of a small car repair business but little or no evaluation of those factors. There were six evaluation marks to be awarded for this question. Access to these marks could have been gained with suggestions as to the relative importance of the identified factors and/or to some thoughtful review of any other factors that might have prevented or reduced the risk of business failure for a small car repair business.

General comments

- There was a lack of consistency of performance by many candidates in **Section A** of this paper. This is explained by a less than clear understanding by candidates of the business concepts of work force planning, and operational management activities and issues. These gaps in syllabus knowledge and understanding led to a relatively weak performance in **Section A** of the paper.
- In support of the key message set out above candidates should practise making evaluative comments on their analysis wherever that analysis occurs – not just in a summary concluding section of an essay. Strong evaluation occurs when judgements are made about the relative importance of analysed factors/issues and when rational defences or criticisms of assertions or assumptions are offered.

Comments on specific questions

Section A

Question 1

- (a) This question was not answered with precision by many candidates. Very often a tautological response, using the word 'random' without explanation, was presented. A definition that was awarded 2 marks was one such as 'random sampling is a method of sampling where all members of a population have an equal chance of being selected'.
- (b) While a significant number of answers revealed a distinct lack of understanding of quota sampling, strong responses correctly explained that a stratified sampling approach presented opportunities to obtain relevant and directed sampling data with savings in time and costs.

Question 2

- (a) The term 'workforce planning' was not well understood and some candidates appeared to guess at a meaning. Those answers that revealed sound knowledge and understanding produced definitions which referred to the human resource activity of analysing and forecasting the numbers and skills of workers required to enable a business to achieve its objectives.
- (b) Given the lack of understanding of work force planning, many answers gave very general and vague responses regarding the potential benefits to a business of engaging in work force planning. There was often discussion of benefits of enhanced employee motivation and team work without any connection to the concept of workforce planning. Strong answers recognised the potential benefits to a business of being in a position to prepare for future employee situations, to have and

prepare for requisite employee skill needs, and consequently being able to effectively respond to changing competitive and environmental scenarios.

Question 3

This question was confidently answered by most candidates. Strong answers used a framework of internal and external reasons to explain why the objectives of a business might change over time. Common reasons advanced included reference to businesses growing and moving from survival objectives to market share and profit making objectives. Ownership and management changes were also popular reasons given for internal objective changes. External reasons affecting objective change included a focus on changes in the competitive environment and changes in the economic environment such as recession and economic boom periods.

Question 4

- (a) Responses to this question were mixed. A significant number of answers revealed poor understanding of the term 'diseconomies of scale', with some simply suggesting that it was the reverse of economies of scale or bulk buying with no explanation. Strong definitions referred to the situation where average costs of production increased in consequence of an increase in the scale of production.
- (b) There were mixed responses to this question. Many answers did not understand that operations management refers to the production department of a business and mistakenly discussed the human resource management department or general organisation management. Strong answers were able to focus on specific operations management responsibilities such as inventory management, production methods, and measures to improve efficiency and control waste.

Section B

Question 5

- (a) **Question 5** was very much the most popular essay question. The knowledge and understanding of a franchise was impressively revealed in most answers. Weaker responses focused too much on descriptive material leaving little room for the analysis of advantages to an entrepreneur of purchasing a franchise. Strong answers were able to identify how the particular features of a franchise afforded advantages to an entrepreneur in starting up a business. The opportunity to invest in a developed branded business and so reduce the risk of early failure was the basis for effective analysis in many successful answers.
- (b) The challenge in this question was to apply the features of many small business failures to the specific context of a car repair small business. Weaker answers demonstrated good understanding of the difficulties faced by small businesses in terms of limited capital and resources to match competitors for example, and were able to analyse the impact of such deficiencies, but only in very general terms. Many candidates were unable to contextualise answers by, for example, referring to the cost of spare parts to repair cars, or the size of investment required to purchase sophisticated machinery for a car repair work shop. Even answers which produced relevant context and analysis were unable to gain evaluation marks. Many answers analysed a number of factors that could lead to failure for the failure of a small business car repair business but failed to prioritise these factors or suggest how there might be counter balancing factors that might strengthen the competitive position of a small car repair business. Such evaluative comments and observations would have significantly increased the mark awarded to many answers.

Question 6

This was not a popular question. However there were some good responses. A typical sound answer examined the assumed link in the question between financial incentives to improve employee motivation and a resulting improvement in performance and referred to relevant theorists. Strong answers produced an explicit contextualised answer and questioned whether there might be factors other than a lack of finance that might explain poor customer service. The nature and culture of a state owned loss making airline was analysed and evaluated to uncover some more likely explanations for poor customer service such as bureaucracy and/or lethargic management. Weaker answers simply identified relevant motivation theorists and examined their theories in relation to general motivation rather than making specific reference to the context of this question.

Question 7

- (a) There were few answers to this question. The majority of answers demonstrated a good understanding of the technique of break-even analysis. Fewer were able to focus on the use of the technique when making a decision to introduce a new product. Stronger answers were able to indicate and analyse how estimates of costs and revenues at different sales levels for a new product could be useful for business decisions.
- (b) There were very few strong responses to this question. Weaker answers discussed general accounting concepts such as profit or liquidity without mentioning or explaining accounting ratios. Better answers described the calculation of ratios and effectively analysed their significance for a business and its investors. Few however were able to apply this analysis to a food retailer. Some strong answers were able to contextualise, referring for example to stock turnover and competitiveness and to evaluate by reference to the potential importance of qualitative factors such as particular market conditions, customer trends, and environmental concerns.

BUSINESS

Paper 9609/22
Data Response

Key messages

- This examination contains two pieces of data, one for each question. This is the basis for all of the questions except **1(a)** and **2(a)**. Candidates must have a good understanding of these contexts so that they can gain all of the marks for each question. Generic knowledge and understanding is unlikely to gain more than half of the marks for most of the longer questions because it is not specific enough to provide a full answer. For example, **Question 1(d)** required candidates to evaluate possible promotional methods that Seojun could use. Most candidates knew what the main promotional methods are, but it was much rarer to read an answer where the candidate had thought, realistically, about what methods would be best for the context that Seojun found himself in.
- There is a tendency for candidates to tackle far too many points in their answers to the 11 mark questions. Once a candidate has gained the basic marks for knowledge and understanding (which can usually be gained through exploration of two points in an answer), further marks are gained through application, analysis and evaluation. Candidates should aim for depth in their answers as opposed to trying to tell the examiner everything they know about a particular topic.
- Evaluation continues to be the most elusive skill required in this examination, with few candidates able to pull together their analysis and make a judgement or evaluative comment that answers the question. Evaluation must be based upon good analysis and requires an answer to the question set. For example, in **Question 1(d)**, the command word is 'recommend' and yet it was relatively rare to find an answer which actually made a recommendation after putting forward a series of arguments. Likewise, in **Question 2(d)**, candidates were asked to evaluate the likely benefits and yet it was rare to find a candidate making any judgement or evaluative comment about the benefits that they had been analysing.

General comments

Both contexts were well understood by those candidates who engaged with the content. The differing contexts gave candidates the opportunity to apply their knowledge to a small business, in the case of Seojun and Quality Fencing and a much larger scale business with Candy Planet. Those candidates who recognised the very different nature of the businesses were able to adapt their answers well.

Comments on specific questions

Question 1

- (a) (i) This was a well answered question with most candidates showing knowledge of training in terms developing skills/knowledge. However relatively few candidates could show what that development was for. This is how training differs from simple teaching. Training should be to perform a specific task or job and many candidates did not include this in their definition.
- (ii) There are many ways to explain what an entrepreneur is, and candidates tended to use the characteristics of an entrepreneur. This was a good route into the question and allowed candidates to explain the term. However, some candidates become vague by using the characteristics of a sole trader, for example that they own a business, which are not always the same as an entrepreneur. Candidates also sometimes fell back on describing Seojun and quoting material from the data to explain the term. Simple repetition of the data is never enough to show understanding and, since this is not a contextual question, often resulted in low marks.

- (b)(i)** A four-mark calculation question is likely to require more stages in the calculation as compared to a two or three mark question. In this case candidates needed to calculate the profit in Year 1, the profit in Year 2, the difference between the two and then calculate this as a percentage change. Too many candidates did not calculate the difference between the two profit figures giving a range of answers. However, each step of the calculation can be rewarded as long as the candidate shows all of their working, even if the answer is incorrect.
- (ii)** This question asked candidates to explain why QF might have difficulty in measuring the market share of QF. Many candidates did not use the data in Table 1.1 which showed the market share of QF for the last two years and the forecast for the next. Many candidates focussed on the lack of data in the table to allow them to calculate this figure that had already been provided. This was not a difficulty (since it was already there). The focus should have been on how this figure may have been found. For example, was Seojun using the sales volume or the sales value? Where has Seojun found the figures and could they be trusted? How much of the fencing market is informal and therefore not reported? Candidates must differentiate between those questions, such as **1(a)(i)** and **1(a)(ii)** which do not require context and those, like this one, that do.
- (c)** This was a generally well-answered question. Candidates could see a number of problems with the job description and explain why this may be a problem to Seojun. By using the data in Table 1.2 this was usually contextualised to gain application marks, but it was relatively rare for candidates to be able to effectively analyse the effect that this problem might have on Seojun. For example, candidates often saw that looking for a ‘workman’ was discriminatory but the analysis of this could have been that Seojun may not get a wide enough range of applicants, leading to hiring a poor employee. Alternatively, Seojun might have faced a fine for discrimination or faced bad publicity, both of which would have affected his ability to perform his services for a profit.

There were plenty of potential problems that candidates could have analysed, and some candidates did not restrict their answer to only two. The best responses did not just analyse two problems but looked at the entirety of the data and choose the problems they could best analyse in context. This skill is essential to gaining high marks in this examination as there is often more data than is needed and candidates must be taught to selectively choose the best points to make.

- (d)** Most candidates knew what was meant by promotion methods and there was a good range of methods chosen. Again, there are plenty of promotion methods that could have been used and good responses choose the most appropriate ones to use for QF.

The achievement of objectives was part of the question so that candidates would have something upon which to base their evaluation. For example, which promotion method(s) would best help Seojun achieve these objectives? However, some candidates spent a lot of time defining what objectives are and writing about these in context. This should not have been where candidates spent their time. This tends to be a time-pressured examination for most candidates and wasting time not answering the question set is often a reason for poor performance.

Candidates had been taught promotion methods well and some candidates chose to go through far more methods than was necessary. Many of these were inappropriate for Seojun. For example, national TV advertising was sometimes mentioned which, to a local business such as QF, is highly unlikely to help Seojun meet his objective of a 20 per cent market share in city X.

The question clearly calls for promotion methods, so one would not be enough. However, a candidate who could effectively analyse two promotion methods in context and then evaluate which was most likely to help him achieve his objectives (or each objective) was able to gain all of the marks and not waste precious examination time.

Question 2

- (a)(i)** Definitions must define the whole term and be precise. In this case, many candidates gave tautological answers, explaining internal growth using the words ‘internal’ and/or ‘growth’ as part of the definition. The essence of internal growth is that a business expands using its own resources. Most candidates could define the growth element but struggled to show their understanding of using the businesses own resources, such as retained profit.
- (ii)** Most candidates had good understanding of the term capital intensive and could identify the use of machinery as opposed to a business being labour intensive and using workers. The third mark in

an explanation question is always for those candidates who show good understanding. In many cases an example, that has not been repeated from the data, is a good way to do this and any reasonable example of a capital intensive business or process was accepted.

- (b) (i) Most candidates could identify the relevant figures but there were many variations on how to answer this. As with **Question 1(b)(i)**, the need to be able to use percentages is vital in business. The most common error was for candidates to use the wrong base year (i.e. showing \$1.5bn as a percentage of \$61/5bn) or to calculate the 2017 figure as a percentage of the 2018 figure (i.e. \$60bn as a percentage of \$61.5bn).
- (ii) This was not usually answered well. Those candidates who started by understanding the data were more likely to give a good answer than those who were looking for a theoretical answer. This market is based on candy and there are likely to be many ways in which the marketing mix will differ between countries. Those candidates who explained how the product, price, product or place may need to change for candy in different countries gave good answers. However, too many candidates did not fully read or understand the question and there was a range of wrong answers that went no way towards a good answer.
- (c) Candidates were required to analyse one internal and one external source of finance which CP could use for the new machinery. The data had clearly stated that retained earnings and bank loans were not available. However, many candidates used both of these in their answers. This meant that generic knowledge and analysis marks could be gained, but not contextual marks. Again, this highlights the importance for candidates of fully reading and understanding the context before attempting an answer that may be unsuitable for the data given.

Some candidates did not know that, for a public limited company, selling shares is an external source of finance. This is clear in the syllabus and since it involves selling to potential investors who are outside the business, it will always be considered an external source. Many candidates stated that selling shares was an internal source and these answers could not be credited. A few candidates made it clear that they were referring to a rights issue to current shareholders. This is an internal source of finance, but the candidate had to explicitly state this to be given credit.

- (d) Those candidates who had read and understood the data, usually found specific reference to what CP was doing in terms of innovating their processes. Process innovation includes how a product is made, the equipment used and any technology involved. For CP this meant the reduction of their production lines from 20 to only 1, the move to mass customisation as well as replacing their old machinery.

Candidates who used the data and had a clear understanding of what process innovation actually involves were able to analyse at least two benefits to CP and could come to an evaluative conclusion of these benefits.

BUSINESS

Paper 9609/32
Case Study

Key messages

- Understanding of key terms is essential
- Include units for numerical answers
- Practise using financial ratios and analysing answers.

General comments

Candidates demonstrated knowledge of core concepts but there were areas of the syllabus for which understanding was incomplete such as the role of business planning. Candidate understanding of how to calculate and interpret key financial ratios was often lacking. Evaluation is essential in all questions other than **Question 1** and where possible should be developed throughout an answer. The need for this is most evident in **Section B** which remains challenging. Candidates should focus answers on evaluating the usefulness of relevant strategic management techniques in this section.

Comments on specific questions

Section A

Question 1

This was the most accessible question on the paper and most candidates were able to identify relevant government intervention from the case study and show an understanding of its likely impact on AEV. However, weaker responses did not focus on intervention specific to the car industry and gave more general answers typically about government fiscal policy. Some answers just considered changes in the economic environment such as country K's appreciating exchange rate. This was not related to government intervention in the case study. It is important that candidates sift through the case study information to identify relevant context for the question set. Knowledge of the impact of government intervention was occasionally inaccurate. For example, a few candidates mistakenly believed that country C's import tariff would increase costs for AEV to import materials from country C into country K. A few candidates also found the context challenging and thought that the proposed ban on new diesel cars applied to would negatively impact AEV.

Most candidates identified the relevant government policies from the case study and showed an understanding of the impact on AEV. However, for many candidates the analysis stopped short of linking policy effects on AEV's profit. This limited the award of analysis marks to level 1. There were some strong analytical answers that included a range of thoughtful links. For example, a few candidates explained how the ban on diesel cars could intensify competition within the electrical car industry as traditional manufacturers switched attention to this market.

Many questions set for paper 3 require candidates to consider the impact of internal or external changes on company profits. Candidates should understand that more sales and revenue do not automatically lead to more profits. Profit also depends on costs. Few candidates showed an appreciation of this.

Question 2

Very few candidates gained full marks on these financial ratio calculations. Knowledge of ratios was often absent. Some candidates correctly calculated the ratios but lost marks for not stating appropriate units.

- (a) (i) Many candidates understood how to calculate the accounting rate of return. However, a significant number of answers did not give their answer as a percentage figure. A-Level candidates are expected to appreciate the importance of not only accurate calculation, but also of using the correct units of measurement. Common errors included not calculating the annual profit or not subtracting the capital cost from the net cash flows.
- (ii) Statistically this was the most difficult question on the paper and was omitted by just over 20 per cent of candidates. Candidates were however able to access marks if they calculated the earnings per share within their answer. Some candidates benefited from the 'Own Figure Rule' when using the correct formula for the price earnings ratio but an incorrect figure for the earnings per share. This demonstrates the importance of stating equations to access marks.
- (iii) Although many candidates stated the equation for return on capital employed most answers did not know how to calculate capital employed. In preparing for exams, candidates should practise ratio calculations using data from a variety of scenarios. There was some confusion about the use of millions and billions which resulted in many candidates placing the decimal point in the wrong place in their answer.
- (b) Responses to this question often lacked development or effective use of results. However, most candidates demonstrated some understanding of their financial ratio results to gain knowledge and application marks. Many candidates included other financial concepts but failed to follow through with an analysis of their effects on shareholders' decisions. For example, some candidates identified that a high gearing ratio could be detrimental to the business but did not go further to explain how this may affect the choice of investors.

There was evidence that although some candidates had learnt how to calculate ratios there was only a limited understanding of their relevance to stakeholders. The meaning and application of ratios was frequently lacking. In particular, very few candidates showed an understanding of the price earnings ratio. One or two candidates correctly observed that a very high PER was not necessarily favourable to investors although it showed confidence in AEV's future profitability.

Any evaluation tended to consist of catch-all comments about possible 'window-dressing' and the need for other, often unidentified, information. A few candidates did not provide a recommendation.

Question 3

Most candidates were able to make relevant suggestions as to how AEV could address the capacity and supply problems. There were plenty of good answers that achieved L2 analysis marks. A significant number of candidates also demonstrated some limited evaluation.

Candidates covered a wide range of suggestions for AEV and frequently identified the approaches indicated in the mark scheme for knowledge marks. The most common recommendations included finding new suppliers, increasing labour efficiency, reducing labour turnover and outsourcing. Application was commonly developed by considering the use of new suppliers from country C where the rare earth materials were found. Weaker answers did not make relevant case links. For example, candidates referred to outsourcing without identifying what was to be outsourced. Better answers referred to the outsourcing of the car batteries and evaluation was developed by recognising that the batteries depended on rare earth materials which other manufacturers would also find in short supply.

Another popular suggestion was JIT and many students went on to discuss the benefits of lean production such as less wastage and therefore more efficient usage of the rare materials. However, a significant number of students considered the benefit to be relying on just-in-time stocks, and ignored the fact that the real problem was obtaining raw materials. Another very relevant issue covered by a few good answers was using Option 1 which benefited from being closer to supplies and also avoided country C's import tax on the finished product.

Most candidates made good use of the case and gained both application marks. However, it is worth noting that a significant minority of candidates appeared confused over country Cs import tax and incorrectly stated that it applied to country Cs exports.

Many candidates developed effective chains of reasoning regarding the benefits of outsourcing and other solutions and good answers gave balanced argument by considering however points. Most common was the problem of quality when outsourcing and the problem of cost. Only a few strong answers developed effective evaluation by identifying a weighting of argument or making a supported judgement about the effectiveness of solutions. For example, a few candidates identified that the key problems was supply because even if AEV were able to increase capacity it would still face the problem of getting the raw materials.

Question 4

As in previous sessions application of time series analysis proved challenging for the majority of candidates. In particular calculating the centred quarterly moving average for quarter 3 in 2018 and SWF's forecast sales for quarter 3 in 2019 proved difficult.

- (a) Most answers stated the equation for calculating labour turnover and the majority of candidates calculated labour turnover correctly for both years. Some candidates did not calculate the difference in turnover and therefore lost marks.
- (b) Most candidates showed a willingness to describe 'hard' and 'soft' HRM and there was often an extensive knowledge of the role of HRM. However, many answers did not link this knowledge to the effects on production. Most, however, did recognise that a well-trained and motivated work force would lead to greater efficiency and output and hence profitability. Candidates who gained marks for evaluation did this by referring to costs involved in training and understanding that other departments needed to contribute to the planned expansion of CellX for its success.

Question 5

A few candidates confused product development with the product life cycle and conflated market research with research and development. Knowledge of key terms is always the foundation for any answer.

There were two distinct approaches to answering this question. Some candidates referred to product development within the context of Ansoff's matrix. This approach tended to lead to analysis of the degree of risk of different strategies. Some answers drifted away from discussing the significance of product development into a discussion of the strategic choice between product development and the other strategies within Ansoff's matrix.

Most candidates focussed on the role of research and development in creating new products and discussed the potential benefits to AEV. Application was shown by using data from Figure 1 and referencing the development of battery technology by AEV. Good answers developed analysis of the benefits of product development in context, for example, linking the reduction in battery costs to competitive advantage and increasing sales. Many candidates recognised the importance of keeping up with technology in a dynamic market and the risk of failure and difficulties of financing research and development. The best answers provided a balanced discussion of product development and made a supported overall judgement.

Section B

Question 6

This question was answered by just under 30 per cent of candidates and proved to be the most difficult non-calculation question on the paper. There were very few strong answers. The clearest problem was that candidates wrote purely theoretical answers with little or no application. The functions of planning were well known such as giving direction, promoting co-ordination and links to motivation, but there was little application to AEV or the case study.

Weaker answers provided a broad definition of business planning but then went into detail about the role of departmental planning and typically focused on the marketing mix. By taking this approach these candidates tended to overlook the strategic nature of business planning.

Many candidates demonstrated understanding of the benefits of planning and the disadvantages of not planning were well-known but only stronger answers developed analysis that was related to the case history of the firm and its current plans.

Evaluation in weaker answers tended to rely on business planning being time-consuming and costly and some recognised the need for updating plans in light of a changing external environment but did not provide any context. In contrast, better answers focused on the case material to show that AEV operated in a dynamic market and therefore that plans would only be effective if they were updated and that contingency planning would also be important. Many candidates also recognised the importance of successful implementation. Frequently, however, the evaluation marks could not be awarded because of the lack of application. The candidates who struggled with this question just tended to repeat the points about objectives, providing direction and helping to secure finance throughout the entire response.

Planning questions do not always point candidates directly to the case data. In this case, candidates were simply asked to consider the importance of business planning to AEV's future profitability whereas in **Question 7** candidates, necessarily, had to consider the two strategic options. However, candidates must understand that this is still a case study question and the data given in the case must be quoted and, above all, used in their answer. Failure to do this will tend to disadvantage candidates and result in a much lower mark because evaluation marks, which represent 50 per cent of the marks for **Section B**, will be lost.

Question 7

This was a popular question and there were many outstanding answers that showed a thorough understanding of the use of strategic choice techniques and their limitations. Nearly all answers made a recommendation and in most cases some support was given for the judgement made.

Many candidates achieved reasonable marks without reference to the techniques at all, although this limited the award of evaluation marks. Marks for application were easily gained by using the information in Table 2.

If a response included an evaluation of strategic choice techniques, it was relatively easy to accumulate marks. Some candidates used the information to calculate the annual rate of return for both options and thus demonstrated an effective understanding of a strategic choice technique. However, candidates also made assertions about the payback period that were not supported by the data due to their being insufficient data.

Weaker answers tended to repeat the information in Table 2 without interpreting the data or considering its relevance or its reliability. These answers did not develop any analysis of the information and in some cases did not show understanding of the data. Better answers selected some of the information and identified the strategic choice techniques that were being used by AEV. This then led to a discussion of the different techniques and enabled the candidates to recommend which option was best.