

# BUSINESS STUDIES

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Paper 7115/11

Short Answer/Structured Response

## Key Messages

This was the first November paper for the new style examination paper. It was pleasing to see the many candidates who had made effective use of the examination time to plan and fully develop their answers. It was clear that many candidates had been instructed to apply their answers to the skills being tested by the question. As a result very few candidates provided lists of unapplied knowledge within the answers to parts **(d)** and **(e)** of each question. Candidates should be reminded that future examination papers follow this format.

Candidates must apply their knowledge to the business identified in the stem of the question if they are to do well in parts **(c)**, **(d)** and **(e)** of each question. The allocation of marks for each skill tested by the questions is shown within the mark scheme for the examination paper.

## General Comments

Candidates were generally aware of the knowledge required for the examination. There was some evidence that candidates did not fully understand some aspects of the syllabus. This was clearly shown in **Question 1** of the paper, in particular **Questions 1a**, **1c** and **1e**. Batch production continues to be misunderstood by a number of candidates as does cash flow deficit issues. Centres would do well to spend time ensuring that candidates are fully confident in their ability to explain these concepts.

Application within answers was an improved area of candidate responses, but a number of candidates still struggle to demonstrate this aspect in their work. This is an area, which must be addressed by Centres when preparing candidates for this examination.

The lack of effective evaluation continues to be a problem within many scripts. Candidates would benefit from greater guidance in how to produce an evaluative answer to part **(e)** questions. Candidates should be reminded that an evaluation must be a justified decision that follows from the points raised in the answer.

Candidates should be encouraged to:

- Learn precise definitions for key terms.
- Show all working throughout calculation questions.
- Refer directly to the information within the stem of the question throughout their answers.
- In parts **(d)** and **(e)** of each question it is important to explain the effects of points raised on the business described in the stem of the question.

## Comments on Specific Questions

### Question 1

- (a)** Candidates were not secure in their knowledge of this calculation. Many candidates gained one mark for an understanding that this refers to cost per unit. Only the most able gave clear and precise explanations often supported by a formula.
- (b)** Generally very well answered. A small number of candidates made a mathematical error in their calculations.
- (c)** To gain high marks candidates were required to identify an advantage of batch production and then explain how this advantage applied to the business outlined in the stem, TWH. The best answers

selected relevant information from the material provided to illustrate a number of benefits, such as those outlined in the mark scheme. A number of candidates stated faster or cheaper, but did not state which method batch was cheaper than. Such answers could not be rewarded. A significant minority described the benefits of flow production rather than batch.

- (d) Most candidates were able to identify two appropriate methods, but few were able to apply this to TWH, or explain how the motivational method would work. Such candidates often simply stated that the employee would work harder with no explanation of why they would do so.
- (e) This question differentiated well between candidates. The most able recognised that this business wanted to reduce average cost and may not have sufficient funds for investment. Such candidates then analysed the merits of each method before making a justified decision on the best method for TWH. Weaker candidates gained only the 1 knowledge mark available by producing a list of general statements about the advantages and disadvantages of each method. Such answers did not explain how these could affect TWH. Evaluation points were frequently not awarded, as conclusions were not justified.

### Question 2

- (a) Generally well answered. A number of candidates identified the features of this organisation rather than giving a clear definition as required. Such responses were awarded one mark.
- (b) Well answered.
- (c) This concept was not always understood by candidates. A number of candidates confused diseconomies with economies of scale. Even the most able struggled to apply their knowledge to the business identified in the stem of the question by giving relevant examples.
- (d) This question was not well answered. A number of candidates lost marks by explaining which products should be kept not which should be removed from the product range. Such candidates were awarded only the two knowledge marks available.
- (e) The question allowed candidates the opportunity to show their understanding of financial ratios. The strongest candidates correctly identified problems within the financial data, calculated at least two ratios correctly and then explained why such information was or was not a problem for the business. Candidates who considered the positive and negative aspects of the financial information often produced fully justified evaluations. Evaluation for the majority of candidates was generally very weak being a repeat of the points stated earlier in the answer. A small but significant number of candidates were confused by the lack of figures for profit margin and ROCE in Table 2.

### Question 3

- (a) This term was not well understood by candidates.
- (b) Generally well answered. A common error made by some candidates was to confuse market share with the shares sold in a limited company.
- (c) Although candidates were able to identify a potential advantage only the most able candidates were able to explain why this would be an advantage to Grimshaw as a mobile phone manufacturer. Application marks were frequently not awarded in this part of the question.
- (d) This question differentiated well between candidates. Candidates, who recognised that developing new products allows risk to be spread and new customers approached, generally offered the better answers. Such candidates were able to use the information in the question stem to explain why these advantages would be helpful to this business. The weaker candidates identified one advantage that was then repeated in the second answer space.
- (e) Candidates clearly understood the benefits of attracting multinational companies into a country. The weaker candidates provided lists of the advantages and disadvantages of such a policy with no application to this particular business or explanation as to why these were advantages or disadvantages. Better answers discussed why employment might be increased, or governments more able to spend money with direct application to the information in the stem of the question. Only the very best candidates provided a conclusion that evaluated.

**Question 4**

- (a) This term was well understood by many candidates. A significant minority confused redundancy with being sacked and thus gained zero marks.
- (b) Generally well answered. The weakest candidates identified general tasks that could be performed by any employee. Adding the words “management of” in front of a task is not sufficient to gain the marks in this question.
- (c) This area of the syllabus was not well understood by candidates. A large number of candidates simply defined a cash flow deficit. The weakest confused cash flow with profit and loss statements. Even the most able candidates struggled to apply the points of knowledge to this business.
- (d) Candidates had a strong understanding of the factors that should be considered when choosing a location. The analysis of these factors was frequently detailed. Only the best candidates made use of the data provided to show how the factor could be applied to the business under discussion.
- (e) This was a question that many candidates were clearly comfortable with. Many were able to explain at least one benefit and cost of operating as a franchise. The most successful candidates selected information from the information provided, such as Tebo’s lack of experience and finance, and used these points to justify their decision.

# BUSINESS STUDIES

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Paper 7115/12  
Short Answer/  
Structured Response

## Key Messages

- It is important to remind candidates that they must carefully read questions to identify both the type of business and whom they are writing their response about. This will ensure responses are appropriate for each given situation. Information contained in the stem of each question will prove helpful in answering the questions set.
- Parts **(a)** and **(b)** of each question required the recall of knowledge or application of knowledge linked to a given context. These parts were generally done well. More precision is needed when using business terminology.
- Parts **(c)** and **(d)** require candidates to identify and explain points. To gain full marks development of each point in context is required.
- Part **(e)** requires candidates to include more developed explanations and a logical decision based on points made. Candidates should be encouraged to develop, rather than simply list a number of points, and when possible, a two-sided argument.

## General Comments

There was evidence that candidates did not understand certain parts of the syllabus. Some candidates struggled with concepts such as business plan, profit margin and liquidity.

The application and analysis marks were often not awarded. At times the answer given did not constitute an explanation of point identified but was simply another knowledge mark or a repetition of the initial point. Some candidates did not read the questions carefully and hence had the wrong focus so did not address the specific question asked. Candidates must try to use the stimulus information provided to link their answer to the business in question. Candidates should avoid using the same application and analysis point more than once in any given answer.

Part **(e)** of all questions continues to be the most challenging for all candidates. Only the best responses were able to suggest and justify decisions successfully. Other answers often provided a simple list of knowledge points. Of those who did attempt an evaluative statement, many were unable to provide reasoned statements to back up their choice.

## Comments on Specific Questions

### Question 1

- (a)** Some candidates knew that a focus group involved finding out consumers' opinions about a product. Few candidates were able to give a precise definition. There were two common errors. Some responses confused the term with target market. Others focused on the people who carried out the research.
- (b)** Well answered. Most candidates were able to identify at least one reason. A common mistake was to repeat the same answer for both reasons.

- (c) This question proved challenging for most candidates. Those who did well knew that a profit margin could be useful as a measure of success or allowed comparisons over time. A large number of answers discussed the importance of profit alone, which was not the question set. Application was limited or not attempted in most responses.
- (d) Most candidates were able to correctly identify at least one advantage. Better candidates were able to explain how the wholesaler providing distribution and buying in bulk might be useful to Walt's business. Many candidates did not link the points to the scenario. Weaker answers were not able to develop the points made as they simply repeated the knowledge point rather than offer any explanation. A small number of responses had the wrong focus and identified benefits to customers rather than the manufacturer.
- (e) This question proved to be a good discriminator. Good knowledge was evident in most responses. The best answers considered points both for and against different promotional methods, and then tried to make an appropriate decision based on their argument. These candidates made good use of the source material to support the points being made. Instead of development, weaker answers were characterised by simple statements such as this would increase sales without explaining how or why this might be the case. Evaluation in most responses was simple or not attempted.

### Question 2

- (a) This question produced a mixture of responses. Many candidates knew that a business plan included aims or objectives. Some candidates were able to give a precise definition. There were two common errors. A number of responses provided examples of possible objectives rather than elements of a business plan. Others confused the term with a budget or cash flow forecast.
- (b) Many candidates understood it showed the value of assets and liabilities. Better answers were able to give a precise definition.
- (c) This question was generally well attempted. Most candidates could identify at least one relevant benefit. Candidates who did well explained how points such as 'always able to meet demand' and 'avoiding supply issues' might be helpful to CLW. Weaker answers ignored the context of the question. A common misconception was to assume that higher inventory would automatically mean higher sales or that higher inventory would improve liquidity.
- (d) Most candidates were able to identify two factors with labour and access to sufficient supplies being typical issues. Better candidates attempted to explain why these factors needed to be considered. Only the best responses linked their answer to the scenario. Instead of development weaker responses just repeated the knowledge point or simply repeated that this would be needed to increase the scale of production.
- (e) This question proved to be a good discriminator. Better candidates also used the data well to support the points made. Weaker answers were characterised by simple statements such as current assets had increased. These candidates were not able to develop the points to show how such points might affect CLW's liquidity position. Evaluation in many responses was simple or not attempted.

### Question 3

- (a) Most candidates understood that it involved continuous production. Better candidates were able to provide a precise definition. The common mistake was to repeat the word flow in their answer or outline generic features of production.
- (b) Well answered by most candidates. Some candidates wrote the formula, but gave the wrong answer, so could still gain some credit.
- (c) Many candidates could identify at least one relevant benefit. Candidates who did well were then able to explain how points such as 'increased productivity' and 'familiarisation' were helpful to this car manufacturer. Weaker answers ignored the context of the question so their explanation focused on general points that could relate to any business. A common error was to identify different training methods or general advantages of training.

- (d) This question produced a mixture of responses. Most candidates could identify at least one relevant advantage. Better candidates developed points raised to show why points such as 'skills' and 'attitude' might be relevant. Only the best answers were able to link their chosen advantage to the scenario. There were two common errors. Some repeated the same point for both factors. A number of candidates had the wrong focus as they either discussed which employees should be retained or why redundancy might be necessary.
- (e) This question proved challenging for many candidates. Many candidates were able to identify points such as less access to capital or might be able to cater to a niche market. Better responses developed their answers to show how or why these points might help a small business survive or not before reaching an appropriate conclusion based on the points made. Weaker responses based their answers on a number of assumptions, which could apply to any business in a competitive market. For example a number of candidates incorrectly assumed that a small business would have to be a sole trader with unlimited liability. There was little attempt at application and evaluation in most responses.

#### Question 4

- (a) Generally well attempted. Most candidates knew it showed a rise in economic activity. Better candidates were able to provide a precision definition.
- (b) Well answered. Most candidates were able to identify at least one other stage of the business cycle with growth and recession being popular choices. The most common mistake was to confuse the term with product life cycle.
- (c) Most candidates knew that a rise in interest rates could lead to higher borrowing costs. Many candidates did well, as they were able to explain how this might affect this house building company. Weaker responses tended to make general statements such as lower profits but did not show how interest rates might have caused this change. A common misconception was to assume that interest rates were a type of tax.
- (d) Most candidates were able to identify at least one stakeholder. Many candidates developed points raised to show how or why they were important to a business. Some did well as they were able to link their answer to the scenario. Weaker answers were characterised by two common errors. Some candidates focused on the interests of the stakeholder rather than the business. Others repeated the same stakeholder group for both points.
- (e) To score highly on this question candidates needed to explain how the business might be affected by new legal controls. Many candidates were able to identify one way. Better answers recognised that there might be advantages as well which would lessen the impact of higher costs on the business. The best answers linked the points made to the scenario. An appropriate decision based on their argument was then offered. Weaker answers simply stated that profits would be reduced rather than explain how this would happen. A number of candidates had the wrong focus as they discussed how the environment could be affected or why the environment needed to be protected, which was not the question asked. Evaluation in most answers was simple or not attempted.

# BUSINESS STUDIES

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Paper 7115/21

Case Study

## Key Messages

On the examination paper, there are four questions, each of which is separated into two distinct parts. The first part of the question requires shorter, more straightforward answers reflecting good knowledge of business terms and concepts whilst the second part of the question requires more developed answers containing analysis and evaluation. It remains the case that throughout this paper candidates are expected to apply their business knowledge and understanding to an unseen case study or business scenario.

- To do well in this paper, candidates must make clear references, or application, to the case study which is issued at the start of the examination. 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 camping equipment manufacturer called Camper Companions. This would include mention of making chairs, cookers, water carriers and lights for camping, for example.
- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires 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 style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option which was chosen.

## General Comments

Candidates had been generally well prepared for this examination and most teachers had taken care to change their lesson planning to take into account the new business topics that candidates are now required to have studied. The strong performance of some individuals reflected this new focus and is to be commended. The context of Camper Companions operating a successful manufacturing business for twenty years in country X provided an accessible scenario for most candidates. No question appeared to be too challenging for most students. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in the first part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to the second part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

The layout of the examination paper provides side headings to prompt candidates in their responses. This seems to work well. As long as candidates take careful note of how many marks are awarded for each question they should be quite clear about the extent of developed detail that is required for each answer.

Many candidates showed good knowledge and understanding of the full range of the new specification which was tested, but in a handful of cases it was clear that some Centres have not yet recognised that some new topics must be taught. Candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of Camper Companions boosted their marks much further.

The standard of written English was, in most cases, very good. The majority of candidates made themselves fully understood and 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.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Knowledge and understanding of break-even calculations is part of the assessment in this subject and candidates should prepare for a question which will ask them about this topic. For example, **Show what happens to the break-even point for each of the following options by drawing on each chart on the opposite page:**

**Option 1 – Increase the price of the cooker to \$60**

**Option 2 – Decrease the variable cost of the cooker to \$10**

**Consider these two options for increasing the profitability of the cooker. Recommend which option the directors should choose. Justify your answer.**

The initial instruction is to draw a new TR line on the first graph and a new TC line on the second graph. Candidates would earn application marks for being able to successfully draw these lines. It is worthwhile for candidates to practise drawing such graphs as part of their learning. It helps their understanding of the topic.

There are three levels of response to this answer where candidates are expected to explain and analyse the financial information presented in Appendix 2 of the insert. It is important to recognise that the candidate is expected to undertake some calculations using break-even formulas. Answers which simply offer generic statements about higher prices being too expensive and lower costs being more profitable would only be rewarded with level 1 credit. Good answers show an understanding of specific methods of calculating the new break-even points using the new financial information.

In the case of option 1, the new break-even would be 500 cookers and in the case of option 2, 667 cookers. Such calculation earns level 2 credit. Using the context of the camping cooker market, a strong answer would contain analysis of how increasing the price of the cooker to \$60 would lead to breaking even more quickly. Only half of the previous level of production would need to be made and sold to break even. Given that there are many loyal customers in country X there is likely to be quite inelastic demand for CC's products so a rise in price would not cause too much of a decrease in demand.

In the case of option 2, reducing the variable cost would also result in a quicker break-even point, but this might mean at a loss of quality because cheaper materials might lead to a lower performance camping cooker. On the other hand, lower costs of producing the camping cooker would enable the selling price to be reduced to a more competitive level, hence increasing demand.

In the final part of the answer, candidates are expected to evaluate the two options of increasing profitability and to judge which would be preferable. This tests the candidates' ability to synthesise and requires a clear justification as to why one of the options might not be so effective and why the other is most likely to achieve a higher level of profit sooner.

- In part (a) of each question there is a line for making a point and then a space below to explain or develop the reasoning. Candidates should think carefully about the context of the business in the case study before making their point and should ensure they do not repeat themselves in the explanation section.

For example, *Identify and explain one advantage and one disadvantage to CC of employing skilled workers in the factories.*

Relatively easy marks will be given for demonstrating knowledge of two relevant points which would identify an advantage and a disadvantage of employing skilled workers. If the explanation restates the point in a few more words then no extra marks will be awarded. One suitable advantage to consider might be that the camping cookers produced by CC would be of higher quality. A weak explanation might follow with a comment that higher quality means better products. Instead, the explanation that follows should make clear that CC would earn an excellent reputation amongst their customers which might mean they would sell additional camping equipment such as camping lights and water carriers if customers had been pleased with good quality camping cookers. This would build important customer loyalty in this competitive market and ensure future sales increases.

A disadvantage of employing skilled workers would most likely be the additional cost of higher wages which would be demanded by the three hundred workers spread across three factories. Since CC are known to pay lower wages compared to their competitors this could mean the threat of existing skilled workers leaving if there is not an increase in pay rates. CC could be left with a recruitment problem.

### **Comments on Specific Questions**

#### **Question 1**

- (a) The majority of candidates made a good start by correctly identifying the advantage of a public limited company raising large amounts of capital through share issue. Good responses then went on to explain how extra capital would then facilitate the directors' ambition to further expand CC. The key disadvantage of being a public limited company that was mentioned by many candidates was the risk of takeover if shares were bought by a competitor. However, full marks were gained by only a minority of candidates because the response did not have sufficient application. Reference could have been made to the market potential to expand in other countries or a close competitor buying 51 % of the shares in CC so that their directors no longer had the power to make decisions about making and selling of camping equipment. There were a few candidates who mistakenly mentioned government interference as a disadvantage of a public limited company.
- (b) It was pleasing to see strong explanation and reasoning from some candidates as they considered each of the three communication options. The best level 2 responses were most often the ones offering a balanced analysis of each method of communication. Some good answers explained the importance of considering passing the information to so many workers in three different locations. Weaker candidates insisted that employees might be illiterate, yet the question was referring to skilled workers. Those candidates who gained level 3 credit were able to make a clear judgement about the most effective method of communication, bearing in mind the complexity of health and safety regulations and the need for workers to be reminded often and having the opportunity to seek clarification about the regulations.

#### **Question 2**

- (a) This question tested candidates' ability to identify and explain the reasons why market research might not be accurate. Good answers discussed the importance of using primary research methods with relevant questions about camping equipment in several regions of country X. Others wrote about the need to have up to date research so that current data would inform decisions about new camping products that CC might make to meet changing trends in the camping market. The highest credit for this response was, as always, given to candidates who successfully related to camping equipment rather than a generic good or service. Unfortunately, some weaker candidates wrote about methods of market research rather than the accuracy and missed out on valuable marks.
- (b) In this question, candidates were asked to consider three elements of the marketing mix. Most candidates were able to discuss pricing strategies quite confidently, referring to cost plus pricing as a key factor in ensuring survival and profitability. Good responses relating to competitive pricing often included analysis of the potential wider market and the importance of entering a new market in country Z with a strong pricing policy to beat existing camping manufacturers. However, there were weaker responses in the sections of the answer relating to promotion and place. Some answers mistakenly suggested that CC were retailers themselves and offered inappropriate suggestions for promotion, whilst a significant number of candidates showed very limited ideas about the channel of distribution.

### Question 3

- (a) There were some strong answers offered here which showed some good knowledge of trade unions. Many candidates mentioned the benefit of trade union membership in terms of union officials negotiating improved pay and better working conditions. Positive marking was applied to students who offered an answer in the context of current rates of pay being lower than many similar businesses and new health and safety regulations which might have been insisted on by union representatives. These were points raised in the insert material. Candidates should refer to such information in order to gain application marks.
- (b) The answer to this question tested candidates' financial knowledge and understanding. Although, most candidates had a foundation of knowledge of break-even, few were able to offer meaningful analysis of how a change in price or costs would impact on the number of camping cookers that CC would need to make and sell to break-even. To gain level 3 credit, candidates were expected to identify which option would have the most positive outcome for the profitability of the camping cooker and only a few answers considered this effectively.

### Question 4

- (a) The majority of candidates demonstrated sound knowledge of employing skilled workers. It was important to focus on the context of factory work and specifically Camper Companions. Some candidates wrote generically about skilled work and levels of production. Stronger answers explained about the advantage of high quality camping equipment being produced with little waste and in fast time so that camping shops could keep stock levels high for the camping season. The disadvantages of employing skilled workers were sometimes outlined as possible difficulties in recruitment, given that only a few workers in country X would possess such skills and the poor wage rates currently offered by CC being unlikely to attract them.
- (b) This question was concerned with comparing the possibility of a merger or setting up a new factory in country Z. Simple statements giving a summary comment about each of the options scored level 1 credit but many answers gained level 2 marks by offering more detailed explanation. For example, with regard to the merger with a competitor, CC would face reduced competition and lower start-up costs. Therefore there may be less risk in such expansion. The opportunity of setting up a new factory by themselves would allow CC to be more independent in decision making, keeping all the profits and also they would benefit from government grants. In recommending the best option, some answers gained level 3 credit by judging that setting up its own factory would have a long term benefit for profit levels at CC or the knowledge of the local market and the existing factory premises of the competitor would be preferable in the short term.

# BUSINESS STUDIES

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Paper 7115/22

Case Study

## Key Messages

On the examination paper, there are four questions, each of which is separated into two distinct parts. The first part of the question requires shorter, more straightforward answers reflecting good knowledge of business terms and concepts while the second part of the question requires more developed answers containing analysis and evaluation. It remains the case that throughout this paper candidates are expected to apply their business knowledge and understanding to an unseen case study or business scenario.

- To do well in this paper, candidates must make clear references, or application, to the case study which is issued at the start of the examination. 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 sole trader business called Rafael's Reliable Motorbikes (RRM). This could include mention of, for example, selling new and used motorbikes, importing some motorbikes and buying some from local manufacturers, 10 employees repairing selling and delivering motorbikes, keeping the business in the family and passing it on to his son, selling in a local market and the main customers being young men, employees are well paid and well-motivated and have worked for the business for many years, consideration of expanding the business by opening another showroom.
- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires 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 style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option which was chosen.

## General Comments

Many candidates had been generally well prepared for this examination and teachers had taken care to change their lesson planning to take into account the new business topics that candidates are now required to have studied. The strong performance of some individuals reflected this new focus and is to be commended. The context of the sole trader business, RRM, selling new and used motorbikes provided an accessible scenario for most candidates. No question appeared to be too challenging however, question 1b proved to be the most difficult question on the paper. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in the first **part (a)** of each question. They were then expected to offer analysis and reasoning in answer to the second **part (b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that candidates are developing a strong examination technique and clearly understand what is expected of them.

The layout of the examination paper provides side headings to prompt candidates in their responses. This seems to work well. As long as candidates take careful note of how many marks are awarded for each question they should be quite clear about the extent of developed detail that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the new specification which was tested, but in a handful of cases it was clear that some new topics were not well understood. Candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of RRM boosted their marks much further.

The standard of written English was excellent in many cases. Candidates made themselves understood and 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.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Knowledge and understanding of the advantages and disadvantages of location factors is part of the assessment in this subject and candidates should prepare for a question that will ask them about this topic.

*For example, Rafael wants to open another showroom in Main City. He has two options as outlined in Appendix 3. Consider the advantages and disadvantages of each option for RRM. Recommend which location Rafael should choose. Justify your answer.*

There are three levels of response to this answer where candidates are expected to explain the advantages and disadvantages of each of the locations and then recommend which one to choose. It is important to consider the information provided in Appendix 3 and not simply repeat it. For example, just repeating that in Option A the rent is low is not sufficient for level 1 credit, the answer must go on to say that this is a benefit as it will lower costs. Good answers were able to explain the advantages and disadvantages of each location in relation to RRM. Such development earns level 2 credit. Using the context of motorbike retailing, a strong answer would contain analysis of which location would prove to be most beneficial to RRM, such as by considering the low costs associated with Option A from lower wage costs due to higher levels of unemployment and lower rent costs as against the higher costs of rent of Option B but more sales likely due to the higher number of customers visiting the area attracted by competitors. This tests the candidates' ability to synthesise and for level 3 requires a clear justification of one location and why the alternative location has been rejected.

- In **part (a)** of each question there is a line for making a point and then a space below to explain or develop the reasoning. Candidates should think carefully about the context of the business in the case study before making their point and should ensure they do not repeat themselves in the second explanation section.

*For example, RRM is a small business. Identify and explain two reasons why RRM might remain small.*

Relatively easy marks will be given for demonstrating knowledge of the reasons why businesses remain small. If the explanation restates the point in a few more words then no extra marks will be awarded. One suitable point to consider might be the small market. Some candidates stated this without any explanation as to why this would keep the business small but a better answer applied the explanation to RRM, such as a small market would limit the demand for motorbikes as RRM sells in a town quite a long way from the Main City. Therefore this would restrict the ability of the business to increase sales or repair of motorbikes leading to an inability to expand the business in this town. A generic answer will only gain a maximum of 4 out of a possible 8 marks as the explanation must clearly be in the context of this motorbike retailer to achieve all 8 marks.

### Comments on Specific Questions

#### Question 1

- (a) Candidates seemed to be familiar with reasons why a business might remain small, giving answers such as: owner wants to remain small to reduce risk, lack of demand/small market size, not increase stress, owner lacks capital, owner wants to keep control of the business, wants to keep close contact with customers. Answers should contain explanation of why the point made was a reason for the business to remain small and also be applied to the business in the case. There were not many examples of application of the case material in answers, which resulted in some of the answers gaining lower marks. Most managed to score marks for why the business remained small but did not apply their answer. Candidates could have made reference to this being a family owned business which the owner wanted to keep in the family or that the market was just a local town and therefore sales are restricted.
- (b) Many candidates did understand market segmentation but were not always able to apply this to segmenting the market in the case. Quite a number of candidates confused this with increasing sales in general. Candidates who performed well explained how segmenting the market by age, income group or gender might lead to more people being attracted to the business therefore increasing sales, rather than simply listing points without developing them. A justified recommendation was then included which compared which method to segment the market was the best one to use and also justified why the other methods were less suitable for this particular business. Answers were not often applied to the case material. A number of candidates were confused and discussed why age, income group and gender were important when recruiting a new employee. Only better candidates gave advantages and disadvantages of segmentation, such as being able to price correctly, design products to meet customer needs, focus advertising campaigns more effectively but possibly have higher marketing costs as a result.

#### Question 2

- (a) Many candidates were familiar with the levels of Maslow's hierarchy of needs. They could correctly name four of the levels and could at least explain them, in most cases, adequately or well. The levels should be explained with reference to the business for full marks. A number of candidates, incorrectly, answered by giving four ways motivation could be increased and the spelling of physiological and psychological confused some others.
- (b) Better candidates could explain the importance of the 3 factors affecting employment of a new worker to repair motorbikes. Weaker answers only listed the advantages and disadvantages of each of the factors and these were not explained in the answer. Better candidates could justify which factor was the most important when choosing between applicants for the job. Candidates found explaining experience easier than age and reason for leaving the last job. Justifications often identified experience or the reason for leaving the last job as the most important. Often candidates did little more than state strength was an asset, experience meant one could work more quickly and that people left their jobs for many reasons. Better answers identified the costs of training, the need to satisfy customers, safety issues and the impact poor workers could have on the business. There was little evidence of application but a few did link experience to wage costs, even though high wages and health and safety training and loyal workers were identified in the case material.

### Question 3

- (a) Most candidates could correctly draw both forms of presentation – a pie chart and a bar chart. Better candidates explained why these forms of presentation were suitable for this data and made the interpretation of the data clear. Some of the plotting of the graphs was careless with the graph drawn using appropriate columns but the scale on the axis was incorrect, i.e. the gradations were irregular.
- (b) Many candidates could correctly calculate at least two if not three profitability ratios and then give some development in the conclusion to show a clear awareness of the relevance of the ratios to the business. Weaker candidates only listed what the information showed, such as sales revenue had increased or gross profit had increased, without any attempt to calculate the net or gross profit margin. There was little evidence of application of the answer to the case apart from the use of the figures provided in Appendix 2. Some candidates ignored the data altogether and discussed the business in general terms such as why profits are necessary or the need for expansion and hence gained little or no credit.

### Question 4

- (a) Many candidates did show knowledge of a quota and how it might affect the business in the context but a significant number confused this with a tariff and talked about a tax raising the price of the imported motorbikes. An appreciation of the currency leading to lower import prices was identified by a large number of candidates but the responses were not often applied to the business in the context. There were some candidates who got this the wrong way round and thought the appreciation would lead to an increase in import prices. Those that knew what a quota was often did well, but those that thought it was a form of tax or simply stated it caused costs to rise gained little credit. There were useful links made to local lower quality motorbike manufacturers and that prices were rising as demand would exceed supply. Some candidates applied their answers well in the first part but then repeated the application in the second part thus limiting their marks.
- (b) This was one of the better answered questions on the paper and often the best answered (b) part question. Candidates did use the case material well and thought about the information provided. Marks could not be earned by simply copying out the information given in Appendix 3. It had to be used and applied to this business situation; for example, stating that the showroom will be near housing without any comment as to why this might be of benefit to the business would gain little or no credit. However, many candidates could correctly interpret the location information such as high rental costs will lead to higher expenses for the showroom and hence gain level 1 mark. Identifying the implications of these factors was where answers gained further credit. 'Low rent means lower fixed costs, consequently higher profits, but the area of high unemployment means that there will be fewer customers as incomes will be lower, so prices will need to be cut and higher profits may not then be gained' is an example of a good answer for level 2. Answers were well applied to the context and there were a large number of answers that included some justification in the recommendation. Fewer answers contained a detailed justification for the choice of location, which went beyond repeating points made earlier so only better candidates gained more than low level 3 for the recommendation.