BUSINESS

> **Paper 9609/11**
> **Short Answer and Essay**

Key messages

- Many candidates are not accessing evaluation marks in the **Section B** essays. Answers must address the specific question asked as well as examining and evaluating the relevant business concepts associated with a question. Answers should address the specific question as an essay progresses as well as presenting a final section where supported judgements and evaluative conclusions are made.
- Some candidates do not make the best use of time. Too much time is often spent on description of business concepts and too little time spent on the application and analysis of those concepts

General comments

- In **Section A**, many answers are giving too little explanation in answers to **Questions 1(b)**, **2(b)** and **4(b)**. Some answers to these questions are little more than a definitional statement. Explanation requires some development or exemplification of the relevant business concept.
- While most candidates demonstrated an ability to respond confidently to most syllabus areas tested in this examination paper a significant number were much less confident in responding to the syllabus sections addressed in **Questions 1(b)**, **3**, and **7(b)**.

Comments on specific questions

Section A

Question 1

(a) This question proved to be accessible to most candidates with a good percentage scoring maximum marks. Strong answers defined a competitive pricing strategy as one which sought to match the price of competitors in a market or the setting of a price slightly below that of competitors.

(b) This question proved to be quite challenging for many candidates. A common problem was that many answers confused a price skimming strategy with a price penetration strategy.

Strong answers correctly explained that a business might use a price skimming strategy in pursuit of profit maximisation where its product had special features which created an inelastic demand. Such answers also often explained that this pricing strategy was often implemented for a new product in the market with prices lowered as new competitors entered the market.

Question 2

(a) A significant number of candidates were unable to accurately define the term 'retained earnings' and often confused the term with profits. A number of partial definitions recognised that some business earnings may be left after deductions but failed to explain how a business might use this surplus. Strong definitions explained how profits left after deductions are not distributed to shareholders but are re-invested in the business or used to build up reserves.

(b) Only a minority of answers contained a precise distinction between short term and long term sources of business finance. Strong answers explained that short term financing usually spans a period of less than a year, while long term financing spans a longer period of time from over one year up to 30 years. These answers then went on to explain the nature and features of specific

examples of short term (overdrafts) and long term(shares) sources of finance. Weaker answers confused sources of finance with resource expenditure options.

Question 3

This proved to be a challenging question for many candidates. Strong answers recognised the link between the scale of operations and the size of a business and were thus able to identify and explain factors which could influence the scale of operations of a business. Common factors explained included capital available for expansion, the size of the market available to a business, the objectives of the owners of a business, and the state of internal/external economies. Weaker answers failed to recognise the connection between the scale of operations and the size of a business and as a result explained issues and concepts such as economies of scale which were of only marginal relevance. This lack of precision in understanding the term 'scale of operations' prevented many candidates from accessing relevant business concepts to effectively answer this question.

Question 4

(a)   A considerable number of candidates were able to accurately define key features of a private limited company. However there was a significant minority of answers that gave only a partial definition or confused a private limited company with government controlled organisations.

(b)   Strong answers identified and explained two relevant disadvantages to a sole trader of changing to a private limited company. Common disadvantages discussed included the loss of complete control of the business and more specifically loss of influence over key business decisions such as profit distribution and future growth policies. Weaker answers often demonstrated a poor understanding of the two types of business and/or failed to recognise the potential implications for a sole trader in changing to a very different form of organisation.

Section B

Question 5

(a)   **Question 5** was a very popular essay and **part (a)** proved to be very accessible. Strong answers set out clearly the features of each leadership style and then applied each to real business decision making situations. These situations were then analysed in terms of the appropriateness and relevance of autocratic and laissez-faire leadership styles. Weaker answers tended to focus on descriptive information rather than application and analysis and the understanding of laissez-faire leadership was often rather limited.

(b)   Sound answers recognised the importance of the context to this question. After setting out the features of a democratic style of leadership, the potential value to any business was considered. Answers often emphasised the value in a competitive environment of a motivated and participative workforce. The context of manufacturing business then became the focus of strong analysis and evaluation. Potential disadvantages of a democratic approach were examined and considered including references to the possibility of slow decision making and to the relevance of regular consultation with manufacturing employees. The strongest answers then attempted to weigh up the advantages and disadvantages and made a judgement. Weaker answers limited their responses to describing a democratic leadership style and did not address the context of a manufacturing business in a very competitive industry.

Question 6

This was not a popular question. Strong answers unpacked the contents of income statements and statements of financial position and clearly related them to business performance measurement. They discussed how quantitative measures such as profit, sales levels and asset values could provide important signals to business observers and potential investors. These essays then progressed to a consideration and analysis of the limitations of quantitative performance measures and to a review of what might be missing. This approach to the question provided a very effective platform to evaluate the extent to which quantitative measures could be supported and strengthened with some more qualitative measures. Weaker answers revealed a quite limited understanding of the content of financial accounts. This gap in knowledge and understanding prevented any meaningful response to this question.

Question 7

(a) Most candidates revealed a good understanding of the advantages and disadvantages of using JIT as a means of managing inventory. Strong answers applied the analysis of advantages and disadvantages to the specific context of retail and recognised the particular challenges for example facing retailers of fresh food products. Weaker answers ignored the retail context and simply discussed the manufacturing of products. Such answers gained very few marks.

(b) Strong answers established a sound definitional platform by analysing the operational necessity and importance of flexibility and innovation. The ability to respond quickly to consumer demands through new products and new production processes was seen as a critical attribute of successful businesses. Examples were given of how flexibility and innovation could develop via adaptable workforces and technological advances. The context of a multi-national furniture manufacturer was then used to examine the significance of flexibility and innovation to meet the constantly changing trends and fashions of furniture items. The multi-national context prompted many to suggest that a successful manufacturer must recognise and respond to the different cultural needs and nuances of international markets. Weaker answers provided a very limited understanding of the concepts of flexibility and innovation and of the significance of these concepts at the operational business level.

BUSINESS

> **Paper 9609/12**
> **Short Answer and Essay**

Key messages

- Candidates are reminded that evaluation marks are awarded for evaluative comments made at any stage of *Section B* essays. Concluding sections to an essay provide an obvious opportunity to evaluate the evidence and arguments that have been discussed and analysed and to present an informed judgement. However it can also be productive to make evaluative comments during your essay as you conclude an analysis of an important stage of your developing essay.
- Frequent references to the essay title or statement during an essay can prevent candidates drifting into non relevant issues and also provide opportunities to make strong analytical and evaluative comment.
- It is important that candidates read the essay questions very carefully before deciding which essay to answer and how to answer a chosen essay. There were a number of examples in essay **Question 5(b)** where a complete misinterpretation of the question led to the production of answers containing very little relevant information or comment.

General comment

- In *Section A*, a significant number of candidates are giving too little explanation in answers to **1(b)**, **2(b)** and **4(b)**. There is no requirement to write an essay in response to these questions but answers should consist of some example or development of a concept. Some answers given were little more than a short definitional statement of a business concept.

Comments on specific questions

Section A

Question 1

(a) Strong definitions recognised that supply is concerned with businesses or individuals supplying/producing/delivering a quantity of goods/raw materials at a given price or at a given time. Weaker answers were unable to give such a comprehensive answer.

(b) Most candidates were able to identify two non-price factors that could affect demand. The most popular being a rise in consumer incomes, a change in tastes and fashions, seasonal weather conditions and the impact of promotion and advertising. Many, however, did not clearly explain how such factors might lead to an increase in demand. Without this explanation such answers gave only a partial response. A number of answers ignored the instruction in the question and included price factors such as the increased price of substitute goods or services.

Question 2

(a) This question was generally well answered by most candidates. A common definition of business leadership as the motivation of employees to achieve organisation goals and objectives secured both marks. Other strong answers wrote about vision, guidance, direction and strategy. A small number of weak answers did not understand the difference between business leadership and business management and simply set out business management activities such as 'controlling, organising and coordinating'.

(b) There were many sound answers to this question. Many candidates correctly identified and explained two styles of business leadership. The most common styles explained were autocratic

and democratic. A significant number of answers consisted of quite short definitions of such styles with very little development and explanation

Question 3

This proved to be a challenging question to a significant number of candidates. Many candidates appeared not to have fully understood the question. Many interpreted the question in terms of business decisions affecting stakeholders whereas the question sought for answers explaining the effect of stakeholder interests **on a business.**

Strong answers recognised the different interests of stakeholders in a business, giving examples of Shareholders seeking higher dividends, Employees seeking higher rewards, Consumers seeking higher quality goods and services, and the Local Community requiring environmentally friendly business activities leading to conflicts of interest. These answers were then able to give examples of how business decisions have to take account of these diverse and conflicting interests leading to compromise and change.

Question 4

(a)   While a minority of candidates were unable to give an accurate definition of 'job production' most defined the term accurately with an emphasis on the production of a 'one off' product or service produced according to specific customer specifications, with a highly skilled labour intensive production process.

(b)   Most answers recognised that 'flow production' involves manufacturing many standardised goods on an assembly line. However the explanations of why a business might choose this method of production were often not strong. Many answers simply described the features of flow production and explained little else.

Strong answers explained the advantages of flow production for specific businesses involved in mass production for large markets such as quality consistency, economies of scale and production efficiencies.

Section B

Question 5

(a)   Strong answers confidently explained crowd funding as the practice of funding projects or ventures by raising finance through many small monetary contributions from a large number of people. In analysing the advantages of crowd funding for small businesses there was often a focus on the difficulty for small businesses in accessing start-up and investment funding such as bank loans Crowd funding was seen as an alternative speedy, flexible, and cheaper way of raising capital. The added benefits of advice and potential purchasing from the crowd funders were also mentioned in these strong answers. Weaker answers limited their responses to describing the advantages of crowd funding without application and analysis.

(b)   A number of candidates misinterpreted this question and incorrectly and described different financial and non – financial methods of motivating employees.

Strong answers recognised that the question required an analysis of the strengths and limitations of measuring business performance using only quantitative measures such as quantitative financial results data. Examples of financial results data such as profitability levels and accounting ratios were given and their limitations discussed. Reference then was made to many businesses using a mixture of financial and non-financial measures to evaluate performance. Weaker answers referred to quantitative measures but gave few if any examples and did not consider any qualitative measures such as employee morale or business plans for expansion.

Question 6

This was not a popular question. Those candidates that produced strong answers often worked methodically through the constituent parts of the marketing mix and suggested how the provision of banking services through the internet could affect each of the 4Ps. An example often given was that of how the banking Product might change through online banking. Increased customer control on the one hand, and the

possibility of offering more comprehensive and more profitable financial services on the other were illustrations of the potential business benefits of internet banking.

However many candidates were restricted to Level 2 marks as no examples of banking services were given. The impact of internet service provision was discussed and analysed only with reference to a generic business with no application to any banking activity. The application and context of banking services to internet provision was a vital part of this question.

Question 7

(a)   This was a very popular question. The majority of answers to this part of the question correctly identified the distinctive purposes and objectives of social enterprises. Strong answers often used the 'triple bottom line' framework to explain how social enterprises use their resource (including profits) to maximise improvements to the economic, social, and environmental well-being of communities. A common example of the potential impact on the development of a country was the provision of employment opportunities leading to disposable income for employees, taxation for the government, and an increased GDP. Weaker answers lacked a detailed understanding of the work of social enterprises and consequently were unable to analyse how they might assist in the development of a country.

(b)   The strongest answers applied understanding and analysis specifically to fast food franchises such as McDonald's and KFC and produced a balanced discussion and analysis of the advantages and disadvantages of engaging in business activity using a franchise. This foundation of specific applied explanation and analysis provided a strong foundation for a well supported overall judgement with regard to the achievement of business success. The most thoughtful answers suggested that there could be a number of factors determining business success such as employee motivation and morale, business location and product quality. Weaker answers simply discussed franchise arrangements generally and were unable to analyse the particular features and challenges of purchasing fast food franchises.

BUSINESS

> **Paper 9609/13**
> **Short Answer and Essay**

Key messages

- Candidates are reminded that the 'briefly explain' command for **Questions 1(b), 2(b)** and **4(b)** requires enough detail and development to show clear understanding of the concept and its application. A brief statement is not likely to do this, nor is extensive writing required. Two or three developed sentences should be sufficient.

- Application marks in *section B* can only be awarded if candidates address the particular context given in a question. This can be specific such as for **Question 6**, examples of job roles within a hotel e.g. receptionist, cleaning staff, chefs or restaurant staff. But examples can also relate to more general business scenarios such as qualities required of a senior manager for **Question 7b.** Examples here might include strategic vision, leadership, people management or objective setting. Candidates must do more than merely repeat words that are in the question such as 'hotel' or 'senior manager' as this will not count as application and will limit the number of marks awarded.

- Analysis marks in *Section B* are awarded when candidates have clearly gone beyond making a brief statement or description and have assessed the impact of any point made. It is useful for candidates to develop the points they make by using key words such as; therefore, as a result, this leads to. This helps candidates to build a bridge in their response from being descriptive to having more depth and becoming analytical.

- Evaluation marks can be awarded for answers to **Questions 5(b), 6 and 7(b)**. In order to access evaluation marks candidates need to make a critical comment or counter argument rather than a summary that repeats what they have already said. It is important to note that candidates can be awarded evaluative marks throughout their response and it does not necessarily need to be made at the very end of an answer. Evaluation occurs when a judgement has been made on the evidence presented. In **Question 7b** for example a candidate may have developed their response analytically on the qualities required of a senior manager and the importance of understanding income statements and statements of financial position but then offered an evaluation by outlining how other factors are 'more' important such as the type of business they work for or the current state of the economy.

General comments

- Candidates showed a good understanding of theory but need to bear in mind that all parts of the specification can be examined therefore it is important to be able to define and explain all business concepts. Some candidates were unfamiliar with business concepts such as transformation process, Goleman's emotional intelligence competences or empowerment.

- Candidates need to ensure that when answering *section B* they focus on the specific demands of the question and move beyond a general level of understanding and knowledge by ensuring their answer is contextual or they express a view based on analysis.

Comments on specific questions

Section A

Question 1

(a) Most candidates were able to score 2 marks here as there are many points on market segmentation that could be made. The majority of sound answers made reference to both dividing the market into sub-groups and customers with similar characteristics. Answers that gave only partial definitions only referred to one factor such as an example of a sub-group or the fact the

market was divided up. Very few candidates failed to gain at least 1 mark for this question which suggests it is a concept that is well understood.

(b) On the whole, a well answered question with many candidates able to score at least 2 marks. Candidates were able to build on the definitions given in 1a to explain factors such as reducing risk, finding gaps in the market, or more focused marketing campaigns. Candidates often missed out on gaining 3 marks by not offering a more developed answer and need to bear in mind that brief statements are not enough.

Question 2

(a) Most candidates were able to score full marks for this question with the majority of candidates defining the term succinctly with reference to either 'inputs into outputs' or 'raw materials into products.' This tended to be a question where candidates either knew the full answer or did not, with very few partial responses.

(b) This response was generally very well answered with most candidates scoring 2 or 3 marks. The majority of answers tended to focus on explaining how technology (robots), motivating staff or staff training could lead to improved efficiency. Candidates tended to be able to develop these points sufficiently to show how efficiency was improved. For example; trained staff are more skilful and make less mistakes, or bonuses may motivate staff and lead to a willingness to work harder and produce more output. Again many candidates missed out on gaining 3 marks by not developing points made.

Question 3

This question was generally well answered with many candidates gaining at least 3 marks. Most candidates understood why cost information was important to a business with reference to points such as; price setting, budgets, break even, fixed and variable costs. Many candidates remained at 3 marks however as they were unable to make the next step to explain how cost information was then used to make business decisions. So business decisions could include where to locate your business, or how much to invest in a marketing campaign. Many weaker candidates simply did not write enough to warrant anything more than 2 marks.

Question 4

(a) Many candidates were able to answer this question correctly with a full definition of emotional intelligence. Candidates generally understood the two elements of understanding own emotions and that of others/employees. Weaker candidates confused this with motivation theory or talked about motivating employees.

(b) A significant number of candidates were unable to name both of Goleman's competences which resulted in many responses being very vague and not gaining more than 2 marks. The mark scheme does allow for candidates to gain full marks even if they do not name the competence so long as their answers are clear as to which competence they are explaining. When candidates tended to name the competence and then explain it in more detail they usually gained full marks.

Section B

Question 5

(a) This was a popular choice for candidates and was generally well answered. Most candidates understood what a small business was and were able to identify that they created jobs, provided goods and services to local communities and tax revenues to the government. Better responses also mentioned innovation and potential growth into a larger business. Analysis tended to focus on an improved standard of living if people gained jobs or better infrastructure if government gained tax revenues. Many candidates referred to the increase in GDP due to the increase in output in the economy. More insightful responses were able to look at the counter argument that many small businesses fail within a few years of opening. Weaker candidates understood what small businesses were but were unable to link this to the development of a country. Some candidates misunderstood the question and talked about the advantages of being a small business so could not progress beyond Level 1.

(b)   Overall this was a reasonably well answered question, however evaluative responses were in the minority hence many responses were limited to Level 2. The terms public limited company (PLC), stakeholder and shareholder were usually understood. Weaker responses confused public limited companies with being government owned or were unable to identify any other stakeholder groups.

Most responses were able to explain the importance of shareholders and why they should be prioritised due to the money they invest and how this enables the PLC to operate. Other stakeholder groups were identified, the most common being customers and employees and the conflict between these groups was usually well understood. Evaluation was often limited to a short sentence or two based on prior analysis which may well tip responses into Level 3. However, in order to access Level 4 responses need to demonstrate more depth than this. Candidates often fell into the trap of merely summarising what they had already talked about without making evaluative comments such as 'it depends on the objectives of the PLC' or 'if the country is experiencing a recession then priorities might change.'

Question 6

Candidates generally struggled with this question as they either did not understand what empowerment was or if they did they found it difficult to construct a full answer around this and would more often than not stray into a very general response about motivation. Many candidates failed to get into Level 3 by not placing their response in context. There are numerous ways they could have referred to a hotel such as room service, receptionist, restaurant, chefs, guests or cleaning staff. Candidates who clearly understood empowerment were able to construct a sound analytical response incorporating the pros and cons of this. There were numerous analytical points that could be made relating to improved productivity, less staff turnover, better customer service and repeat custom. Evaluative answers tended to focus on the appropriateness of empowerment to different types of staff/roles. More insightful answers and those that generally moved into Level 5 were able to discuss other factors that were more important than empowerment in improving the hotel performance. Examples here could include discussions related to brand image, marketing, financial performance or expansion.

Question 7

(a)   This question proved an unpopular choice for candidates. More astute responses understood that a significant amount of finance would be required and developed a suitable response around this. Examples referred to making realistic suggestions such as a share issue, bank loan or even government grants. Responses moved into Level 3 when they started to develop their answers to include the fact that being a multinational, they might more easily obtain finance such as bank loans at reasonable rates of interest or have significant amounts of retained profit. Weaker responses discussed sources of finance very generally with suggestions not appropriate to the question such as leasing, crowd funding or an overdraft.

(b)   Most responses to this question were in Level 2 with no evaluation evident. Candidates generally understood what income statements and statements of financial position were and made links to profit, liquidity, assets and liabilities and why this information might be useful to a business. Responses could only move to Level 3 if they were evaluative and in context i.e. the types of qualities a **senior** manager need. Candidates often failed to relate their answers to this aspect of the question and referred to the importance to a business in general. More astute responses were able to move into Levels 3 and 4 when they discussed the importance of other leadership qualities such as; emotional intelligence, strategic vision, operational efficiency and people management skills. Another approach by candidates was to discuss how it depended on the type of organisation the senior manager worked for.

BUSINESS

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│ **Paper 9609/21**   │
│ **Data Response**   │
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Key messages

- **Questions 1(c)**, **1(d)**, **2(c)** and **2(d)** require analytical answers to create arguments and **Questions 1 and 2(d)** require a justified conclusion. While there has been an increase in the overall ability to develop the analytical elements, a significant proportion of candidates are not providing a justified evaluation that draws together the arguments and answers the question when required. A good structure for an analysis question would consist of two good sized paragraphs with an additional paragraph where evaluation is required.

- Many candidates used too much data and then provided basic analysis which was not developed far enough to meet the requirements of the mark scheme. **Question 1(c)** for example, asked candidates to analyse two factors that affected the choice of location; there was often an abundance of context and factors which in turn led candidates to analyse a number of points to a basic level which were not developed.

- In other instances candidates failed to use data at all in their answers, for example **Question 2(c)**; while candidates correctly identified above and below the line methods of promotion, they were not related to the case study and were completely generic, which led to many answers only receiving half marks.

General comments

- Centres must prepare candidates better to respond at the right level to the command words. On this specific paper:

  ○ **Questions 1(a)(i)** and **2(a)(i)** both require definitions only. This is simple repetition of a learned definition with no application or development required.
  ○ **Questions 1(b)(ii)** and **2(b)(ii)** require explanations without any stimulus material. For a three mark question candidates should have a detailed definition plus an example not from the case, as tautological responses do not show understanding.
  ○ **Questions 1(b)** and **2(b)** did not require calculations in this instance, however required application to the data, which in both instances was often neglected.
  ○ **Questions 1(c)** and **2(c)** require analysis in context. Candidates should aim for two key points from the text well analysed. There is no requirement for any conclusion.
  ○ **Questions 1(d)** and **2(d)** both require an evaluation based upon developed analysis in context.

- There was a lack of basic knowledge shown, specifically in **Question 1(d)** where many candidates either had not revised or not learnt Mintzberg's management roles, which resulted in a large number of candidates failing to score even any basic knowledge. This underscores the importance of learning all key theories in the syllabus.

Comments on specific questions

Question 1

(a) (i)   Well answered on the whole although definitions of break even could have been more succinct.

   (ii)   Many candidates did not clearly explain that industrial markets sell to other businesses rather than the final consumer.

(b) (i)   A common error was to only use the final column when calculating the closing balance. Many candidates did not understand the process which was evident in answers.

(ii) The benefits of holding inventory were generally well answered with relation to the case study

(c) A significant number of candidates answered this well, although some candidates gave more than two factors, which often led to basic analysis f each point, rather than focusing on two strong, developed answers

(d) Mintzberg's management roles was not well answered. The mark scheme allowed for either the overall headers or specific elements to be identified, however there was a general lack of understanding or knowledge of Mintzberg.

Question 2

(a) (i) Mostly good knowledge and definitions of objectives.

(ii) Although a seemingly easy question, many candidates did not actually highlight that secondary market research involves the *collection* of *existing* data – this meant that the example could not be awarded. Stating that it is the opposite of primary research is not a sufficient answer.

(b) (i) Many candidates did not follow through with the answer and calculated only 78 per cent of the total market value. If calculations were shown, $31.2b was awarded 1 mark, however as it is the wrong answer, the figure without calculations was marked as 0, highlighting the importance of showing calculations in the exam booklet..

(ii) The syllabus clearly states that profit is not an acceptable measure of size. However, it was consistently given as a measure. Those that mentioned a correct method often did not use examples which limited the answer to 1 mark.

(c) General good knowledge and application of above and below the line promotional methods, however the development of the analysis needs to be highlighted as a learning point.

(d) A great many candidates highlighted market share as financial performance which is incorrect – the value of financial performance, however, is. While many candidates made comparisons between PI and its competitors, this was only application. Analysis on this question was weak, with very little development seen at all.

BUSINESS

Paper 9609/22 **Data Response**

Key messages

The skill that differentiates candidates is usually application. This is the ability to apply knowledge – in most cases this application to the given data (Job Shop and Too Tasty). If a question requires application to the data then the name of the business or a stakeholder is used in the question. On this paper **questions 1(b)**, **1(c)**, **1(d)**, **2(b)**, **2(c)** and **2(d)** all required application to the data.

The commands word of 'explain' is different to 'define'. A definition can simply be a learned sentence which makes it clear that the candidate knows what the term means. However, an explanation requires understanding beyond a simple definition. One of the easiest ways to do this is with an example. In **questions 1(a)(ii)** and **2(a)(ii),** this example should not be related to the data. However, on **questions 1(b)(ii)** and **2(b)(ii)** the business is mentioned in the question, so the application/example must be from the data given. Future papers are likely to utilise both command words and candidates should be given plenty of opportunity to practice both skills.

Candidates must answer the question they are given. Although this seems obvious, relatively few candidates wrote about concerns the factory manager might have for **question 2(d)**, often just giving generic concerns that any manager might have. Likewise, on **question 1(b)(ii)**, many candidates gave a paragraph or sometimes more defining labour turnover, but not explaining a disadvantage of high labour turnover.

Questions 1(c), **1(d)**, **2(c)** and **2(d)** require the skill of analysis, either as the top skill (**questions 1(c)** and **2(c)**) or as a route to full marks (**questions 1(d)** and **2(d)**). Good analysis requires a candidate to do a number of things. First is to understand what analysis actually is; the effect, reaction or consequence of something. For example, in **question 1(c)** it is the effect of an economy of scale. Secondly, the focus of that effect must be identified. In **question 1(c)** this is JS. Thirdly the effect must be put into context. So for JS the effect is unlikely to be on their profit as it is a public sector business, so probably on its ability to offer a good service. Lastly is to work out the 'chain' that will go from the economy of scale to the affect on JS's ability to offer a service. For example, a managerial economy of scale would mean that JS can afford to employ the best managers, which may lead to them having better leadership, which may lead to less employees leaving the business, which may lead to lower labour turnover, which may lead to lower recruitment costs, which may lead to more money being spent on customer service, which may mean that JS can provide a better service to the public.

General comments

The two pieces of data, Job Shop (JS) and Too Tasty (TT), gave candidates different context upon which to base their knowledge, analysis and evaluation.

JS is a public sector business, which is unlikely to have the same profit motive as a private sector business. This gave good candidates an opportunity to show their application within their analysis and evaluation, by making sure that their chains of analysis were about providing a service to the greatest number of residents of country X as possible. For example, in **question 1(d)**, where candidates needed to recommend a way to improve motivation, strong responses usually spoke of the improvements to customer service and how a motivated worker could provide more job opportunities, better chance of matching jobs to the unemployed and how this could help JS achieve its mission.

In contrast, TT is a private sector business, with the most likely objectives may be profit and expansion. Therefore, in answering **question 2(c)**, strong responses usually analysed how the market research could enable TT to achieve these objectives, or why the methods may be unsuitable because they could hinder achievement of these objectives (for example primary research is usually expensive).

Comments on specific questions

Question 1

(a)(i) Questions about the public section invariably solicit responses where candidates mix up a public limited company with the public sector. A simple definition was all that was required for full marks and many candidates identified that public sector businesses are owned and/or controlled by the government or state. Some candidates felt it necessary to write much more than this. Whilst this never negatively affects a candidate's answer, it can waste time that could be used later in the examination.

(a)(ii) To fully explain the relationship, candidates needed to have a good understanding of what business objective is and what a mission statement is. There are many ways to explain the relationship, but the most common approach was to explain that objectives helped the business towards meeting its mission statement.

Some candidates struggled with distinguishing between objectives and mission statements which made explaining the relationship difficult.

(b)(i) There were three departments' data to integrate in order to fully answer this question. Candidates often knew the formula but only applied it to one department. As long as the working was clear this could be rewarded with up to 2 marks. Sadly, some candidates did not set out their working and this meant that an incorrect answer could not be rewarded for the processes which were correct using a candidate's own figures. It is essential that candidates set out their working to numerical questions so that the examiner can follow their thinking and reward whatever is correct.

(b)(ii) Too many candidates wasted time defining labour turnover, when this was not what the question asked for. In this case the basis of the knowledge required was a disadvantage of high labour turnover. This then had to be applied to JS.

The most common answer was that JS would have increased recruitment costs from a high labour turnover. However relatively few candidates went on to apply this to the context of JS. Whenever a question specifically refers to the name of the business, a stakeholder or a piece of data, the answer must be applied to that to get full marks. So, for example, increased recruitment costs might be a particularly big problem for JS because of limited government funding, would be a good piece of application and likely to access full marks. No matter how in depth the explanation is, without application to the context it cannot gain more than 2 marks.

(c) Economies and diseconomies of scale were more difficult pieces of business theory for some candidates. However, those who could identify an economy of scale and diseconomy of scale were often able to apply their knowledge to the context of JS.

The most common misunderstanding was with candidates who thought 'economies of scale' were to do with the economy, GDP and other economic influences on a business.

Candidates were expected to either know the 'name' of an economy of scale or be able to explain the nature of the economy of scale in detail. For example, 'bulk buying' is not an economy of scale; it is part of an explanation of how purchasing economies of scale can benefit a business. This was the most common economy of scale chosen despite the context not giving candidates an obvious contextual way of applying this to JS. The most obvious economy of scale to apply was managerial, since the employees are skilled and JS is obviously large enough to be able to choose the best managers to employ.

Some candidates thought diseconomies of scale were the opposite of economies of scale (i.e. the increase in unit costs when a business gets smaller). However candidates who recognised that diseconomies of scale are about unit cost increases as the business grows beyond its optimal size usually chose communication problems as being the most likely diseconomy because of the spread of JS across the whole country.

Candidates must look to the context given to help them decide which the most obvious pieces of theory to apply are. They can then be rewarded with good analysis marks as opposed to limited analysis marks given for non-contextual answers.

(d)   Motivation questions always result in candidates spending a great deal of time outlining motivational theories which they would like to use. Whilst a good understanding of theory can be useful, unless the question specifically refers to motivation theory, a full outline of a theorist is not needed. Diagrams of Maslow's hierarchy, paragraphs outlining Herzberg's theory and Taylorism, were often wasted as the candidate had already been rewarded knowledge marks for simply showing that they know what motivation is.

        Good responses quickly went to applying their understanding of motivation to JS employees and using the pie chart in Fig 1.2 to understand what the issues might be. For candidates who took this approach, the issues suggested suitable motivation methods, such as increased pay (30% complained about poor pay), better leadership (25% complained about poor leadership) and a more interesting job (25% complained about the job being boring).

        Recommendations must be based on good arguments. In most cases this requires candidates to analyse one or more motivation methods before coming to a recommendation. This could be achieved by analysing what is potentially good and bad of one method or by analysing the strengths of more than one method and comparing the two as the most suitable method for JS. These approaches will always be a good way to maximise marks in 'recommend' questions and provide enough opportunities for analysis and evaluation, without wasting time on trying to make too many arguments.

Question 2

(a)(i)   Cash flow was a generally well understood term and most candidates could identify that it involves cash inflows and cash outflows in a business. Where candidates sometimes only gained one mark, it was by only recognising that the cash flowed one way (either in or out).

(a)(ii) Again brand was a well understood term and most candidates knew that this could be associated with a product, or a name, or an image that distinguishes one product or service from another.

        With three mark 'explain' questions that do not require context (if a question does not refer to the business or a stakeholder context is never required) it is important for candidates to do more than just a simple definition. This is usually the basis of the third mark and it is most easily gained by using an example. However, using TT as an example would not be appropriate because the data states that 'TT is a brand' so using this example is not showing any understanding because it is just repeating the data. Any relevant example outside of the data that shows understanding will be credited, for example the name of 'Coca-Cola' or the golden arches of McDonald's show that a candidate really knows what a brand is.

(b)(i)   Price elasticity of demand (PED) questions always cause a number of issues for candidates. The most common of which is when candidates invert the formula and come to the wrong answer. As long as working has been shown, these answers can still be credited for the steps that have been correctly followed.

        This calculation required a good understanding of PED because candidates needed to 'reverse' the calculation to find the change in sales when given the price change and the PED. It was obvious that some candidates has learned how to do a simple PED calculation, but then had little idea of how the apply the formula in a slightly different way. Centres should be encouraged to practice calculations in as many different ways as possible, so that candidates are well prepared to use them in different ways as the data requires.

(b)(ii) This question follows on from the previous question and asks candidates to apply their knowledge of the PED calculations to TT. Candidates should have been aware of the need to apply their knowledge to the business because it was stated in the question (i.e. '… useful to TT'). Therefore, context was required to gain all 3 marks in their question.

        Good responses often identified that TT could use the data in Table 2.1 to see which products prices could be raised (beetroot and parsnip) because they are inelastic and which could be lowered (carrot and potato) because they are elastic.

(c)   Candidates could generally identify one primary and one secondary market research method but many could not contextualise these to TT. The most common methods of primary market research were questionnaires and surveys. Candidates who applied these to TT often mentioned the target market who could be asked, such as parents.

Applying secondary research sources to TT proved to be more difficult, especially if candidates identified sources such as competitor's sales data and the internet, as there is no mention of these in the data. However, if candidates chose a secondary source, such as trade magazines focussing on healthy snacks, or demographic data about the number of parents in the area, then this was possible to contextualise easily.

(d)   This was a relatively poorly done question; not because candidates did not understand the question, but because candidates were not specific enough in their responses. The wording of the question was specific about the concerns the factory manager might have about the joint venture. Therefore the analysis and evaluation needed to be about the factory, not generically about the joint venture. This meant that candidates needed to identify operational issues (production, quality, flow production, the flavours produced, capacity of the factory, for example) and then analyse these as concerns about the joint venture. Many candidates were not specific enough about the issues and this left the answer gaining a maximum of 4 marks. Those candidates who did go on to analyse two operational concerns and turn these into arguments could easily contextualise these and often provided good arguments about the benefits and costs to TT.

When the command word 'evaluate' is used, it obviously requires evaluation to gain all of the marks. In this case there are many routes into evaluation, but perhaps the easiest route is to argue about two concerns the factory manager might have, analysing each arguments effects on TT (using a chain of analysis) and then weighing up which concern the factory manager should be most concerned about.

BUSINESS

Paper 9609/23
Data Response

Key messages

Encourage candidates to use the context, presented in the case studies, to support their responses
Advise candidates to use a calculator where appropriate.
In calculation questions, **1(b)(i)** and **2(b)(i)** advise candidates to always show their workings out
Candidates can reach application and analysis with a few well developed points
Remind candidates to be aware of the marks available for each question so that they spend the appropriate time on each question and devote adequate time to contextualised, analytical and evaluative questions especially in **questions 1(b)(ii)**, **1(c)**, **1(d)**, **2(b)(ii)**, **2(c)** and **2(d)**
Advise candidates that answers requiring the use of context, such as to **question 1(c)**, should integrate the information from the case study.
Ensure full understanding of the command words
Practice 'explain/definition' questions and get students to produce their own list of words/definitions/ explanations with examples

General comments

The case material for both questions seemed well understood. **Question 2** produced some interesting answers, in context, especially in **question 2(c)**. There seemed little difficulty with understanding the questions set although some candidates tried to answer **question 1(d)** by analysing the impact on the business rather than the local community.

Teaching tip: Answer the question in the context that it is set!

As in previous sessions, candidates should make full use of opportunities to:
Use the context
Identify opportunities to analyse – good analysis based on a chain of reasoning
Identify opportunities to evaluate – **question 2(d)** required a comparative discussion of the motivation methods referenced in the case study.
Answer the set question – **question 1(b)(ii)** only asked for benefits.

There was no apparent evidence of time being an issue with most candidates, and candidates, on the whole, have a good grasp of business terminology and are able to express themselves effectively.

Comments on specific questions

Question 1

(a) (i)   Most candidates could define 'mission statement' as distinct from business objectives although a minority confused the two terms.

(ii)   Many candidates gave a good explanation of a 'co-operative'. Good answers referred to ownership and financing with either an example, such as often formed in agricultural businesses, or a comment on either a benefit or a drawback of such organisations.

There is no need for context in answering part **(a)**

(b)(i) The correct answer to the calculation, $90 000, was competently answered by the majority of candidates. Some candidates calculated it as a negative figure or missed out an element in the calculation. It is advisable for candidates to show their working (including the formula).

(ii) Candidates could explain the benefits of cash flow forecasting but did not answer specifically in relation to the case study. Some candidates misread the forecast as relating to the existing business rather than to the purchase of another farm.

(c) This question required candidates to use the information in the case. Most candidates demonstrated an understanding of sources of finance. Good candidates analysed each source in the context of the case study and question related to the new purchase. A minority of candidates chose inappropriate sources of finance, which would be insufficient for a capital project.

(d) Candidates included some context in discussing the impact on the local community. Good candidates made a justified evaluation based on the preceding chain of analysis (reasoning) and demonstrated good analytical skills in the context of the case. Some candidates gave general, stakeholder-based, answers.

Question 2

(a)(i) Some candidates did not have a clear concept of 'unique selling point' and defined it as a brand rather that referring to a specific characteristic that differentiates the product from those of competitors.

(ii) Mass customisation was generally explained very well by referring to high volume/flow production with the ability to adapt a product to customer requirements with the aid of technology.

(b)(i) The correct answer of 96 000, for the new quantity demanded, was given by many candidates who appeared to have little difficulty with the calculation. Some candidates only calculated the percentage change in demand of 20% (2 marks) or the absolute change of 24 000 (3 marks). Other candidates added the 24 000 rather than subtracting. Candidates who arrived at a different answer and who showed their workings attracted marks for identifying the correct data/formula.

(ii) Most candidates could identify one factor affecting supply although not always using the context. A minority of candidates cited demand as a factor affecting supply.

Answer the set question in context.

(c) Many candidates demonstrated good knowledge of extension strategies but some did not develop their answers to apply those strategies specifically to the Tommy Turner. Those candidates who did apply suggested strategies to the Tommy Turner gave some interesting ideas with answers well executed in terms of good analysis based on chains of reasoning.

(d) Morale and welfare did not always appear to be well understood. Some answers did not explain the meaning of these terms. A few candidates confused 'morale' with 'morals'. Other candidates wrote about the impact on the business rather than on the employees. Good answers contained analytical chains of reasoning developed into a justified evaluation based on their arguments, in context.

BUSINESS

Paper 9609/31
Case Study

Key messages

Consider the focus of each question before answering
State units in numerical answers
Define key terms within answers
Aim to include evaluative comments in main body of answer – not just the conclusion
Follow instructions in multipart questions such as **Question 4(b)**

General comments

Candidates frequently demonstrated weaknesses in their understanding of a range of business concepts and techniques. Thus, although most candidates were able to give effective answers to some of the questions they lacked the relevant knowledge to tackle all of the questions. This problem was compounded in a number of questions by not giving sufficient consideration to the focus of the question.

Technique and understanding were frequently weak in **Section B**; these extended essays continue to provide a significant challenge. In **Question 6**, although candidates were familiar with the nature of strategic analysis, they were less able to develop arguments relating to its usefulness to BSJ in making decisions. For **Question 7** candidates should have clearly identified the impact of ineffective strategic implementation.

Comments on specific questions

Section A

Question 1

The majority of candidates demonstrated an understanding of corporate social responsibility and gave examples of its scope. Good answers focused on the direction to develop analysis of the benefits of implementing corporate social responsibility for the purchase of raw materials. Typically, comments included reference to sourcing materials such as gold from suppliers not linked to criminal activity or the need to meet expectations of retail customers overseas as a means of providing some context. Benefits were often well understood such as gaining a competitive advantage, increased sales and the potential for increased prices and profit margins. However, candidates often ignored the directive of the question and discussed corporate social responsibility including analysis of the potential costs to BSJ. This was unnecessary and grew no additional reward for candidates. Candidates should always focus on the specifics of the question as they face a time constrained exam and should ensure that all commentary can be rewarded with marks. Many candidates also developed very general analysis of the benefits of CSR without linking their answer to implementing a policy for the purchase of supplies. Other candidates evaluated the impact of CSR and occasionally did so at length. As there are no evaluation marks available for **Question 1** such an approach is not worthwhile.

Question 2

(a) Few candidates gained full marks for their network diagram. Candidates should understand that a critical path analysis includes nodes that connect activities and that these nodes are numbered from left to right. Many candidates had only limited knowledge of the rules of drawing networks. Common errors included: placing letters in the nodes, using more than one arrow to represent activity F and not placing the activities in the correct order.

(b) (i) Many candidates correctly identified the minimum time to complete the project as 24 weeks. The most common error was to calculate minimum project time based on completing the activities in a linear way and thus offering an answer of 26 weeks. Candidates were awarded a mark if the minimum time stated matched the information given in their network diagram for **Question 2(a)**.

(ii) Very few candidates understood how to calculate free float. Frequently, total float was offered as an answer.

(c) This proved to be a difficult question with many candidates demonstrating limited understanding of critical path analysis. A small number of candidates did not attempt to give an answer. Simple application was made by contrasting the minimum project duration with the time available to the deadline for the forthcoming trade fair. Thus, candidates recognised that there was a need to complete the project more quickly than the CPA suggested was possible. Some candidates thus concluded that for the forthcoming trade fair there might be little that could be done to meet the deadline. Context was developed by some candidates by referring to the free float of activity D or by commenting on other specific activities within the network. Often there was only limited focus on the question with analysis and evaluation centred on the general benefits of using critical path analysis rather than its usefulness in meeting deadlines.

Question 3

There is still a tendency for candidates to repeat, at length, sections of the text in their answers. Frequently, this receives no reward as points are not developed or the text interpreted. This was particularly the case with this question. Often the problems described in the case were simply repeated. Candidates should aim to use the case material in their answer rather than repeat it verbatim.

However, there were some good answers that focused on the issue of internal communication starting with an appropriate definition of the term and then linking case evidence to potential negative outcomes before suggesting and justifying solutions. Good answers recognised that quality problems, though partially linked to communication issues were unlikely to be solved by improving communication alone. The importance of training and the impact of using old machinery were frequently identified as non-communication issues that BSJ should address in order to improve quality. In some cases, although these issues were identified, there was no distinction made between communication and non-communication factors that were contributing to problems. Consequently, there was a lack of focus on the question asked.

The best answers included commentary on whether changing communication could be improved without a change in management approach for example the need to include workers in decision making.

Question 4

Candidates should be encouraged to learn the full range of accounting ratios in preparation for the exam. Many candidates did not attempt one or other of the calculations. Units are important for all numerical questions; marks were dropped by missing the percentage sign for both of these calculations.

(a) (i) Many candidates stated an equation. However, liquidity ratios were often calculated rather than gearing.

(ii) Many candidates did not know how to calculate capital employed from the data provided and therefore could not gain full marks for ROCE.

(b) The main issue with answers to this question was that many candidates did not consider the takeover offer from the perspective of shareholders. Most candidates discussed the advantages and disadvantages of the takeover to BSJ and did not recognise that shareholders and BSJ have separate identities and objectives. Good answers focused on the likely needs of BSJ's shareholders such as control and authority and used case evidence to evaluate whether their main interest was making a substantial return. The best answers made a clear distinction between the family shareholders and the bank as a shareholder identifying possible differences in needs.

Most candidates followed the instruction to use results from **4(a)** and were able to interpret the relevance of the ROCE and gearing to the decision. Some good answers used case information to analyse and evaluate whether BSJ would continue to be successful in the future given the level of competition and the current problems the business faced. This often led to the conclusion that shareholders might be better off accepting the offer from Gonfo. Other candidates focused on

evidence of growth in the market to justify their recommendation that shareholders should reject takeover as there was a potentially profitable future for BSJ. These different recommendations highlight that often there is no 'correct answer' rather it is how candidates use evidence to support recommendations that is important.

Question 5

The key focus of this question was to consider factors influencing the method of entry into international markets for Option A. However, a significant proportion of students analysed at length the factor that would influence the choice of country to enter. Consequently, most of their analysis was irrelevant and could not be rewarded. Candidates should take time to reflect on the specific wording of each question to avoid this type of error. It was also common for candidates to overlook that BSJ had already had some experience of selling through specialist jewellery stores in major world cities.

Candidates focused on the question considered a range of relevant factors. Most frequently cost and control were identified as key factors in the decision and these points were linked to BSJ's gearing and the role of quality in attracting jewellery sales. Reference to BSJ's high gearing often led to evaluative comment as different entry methods would require different levels of financing. Some of the best answers did not consider all the different methods of entry, choosing to focus on two or three at most and thus developing greater depth of analysis in their answer.

Section B

Question 6

Candidates have frequently favoured questions relating to strategic analysis in *Section B* and usually demonstrate a good understanding of SWOT and PEST in particular. This examination was different in that although this was a question about the usefulness of strategic analysis, candidates were specifically instructed to consider techniques other than SWOT. However, a number of candidates still engaged in detailed analysis of SWOT as a technique and/or conducted a SWOT analysis of BSJ. These answers did not make effective use of time as there were few marks that could be awarded for this approach.

Candidates who considered PEST analysis and Porter's five forces typically showed a good understanding of the techniques and their limitations and made effective reference to case material. Evaluation marks were gained by noting that strategic analysis techniques were subject to bias and therefore could result in strategic management decisions that were not effective.

A few candidate focused on strategic choice techniques highlighting again that there is still some uncertainty as to the categorisation of different techniques. The best answers showed good understanding of strategic analysis but identified that these techniques, whilst giving direction to the business, were insufficient to make strategic decisions. As part of their evaluation, these candidates made effective reference to strategic choice techniques in making the final strategic decisions.

Question 7

Many candidates found it challenging to develop their response to this question. The approach taken by candidates was often to describe how to implement the option rather than to focus on the importance of effective implementation. Thus, many answers lacked appropriate focus and could not gain high marks for analysis and evaluation. The best answers considered how the BSJ would be affected if it did not have effective strategic implementation. For example, the consequences of not recruiting employees capable of developing systems for BSJ's interface with customers. Where the question was understood, it was relatively straightforward to link implementation to the sales and profit of BSJ.

BUSINESS

Key messages

Define key terms.
Include units for numerical answers.
Focus on the specifics of the question set.
Understand strategic management techniques and how they guide strategic decision making.

General comments

Candidates demonstrated knowledge of core concepts but there were areas of the syllabus for which understanding was incomplete, such as time series analysis and quality assurance. Candidates typically show working for numerical questions and thus even when there are errors often access marks. Most candidates make effective reference to previous answers in multi-part questions. The skill of evaluation is least developed in the majority of answers and should be demonstrated where possible throughout an answer.

In Section B, there is still some confusion about the different elements of strategic management. Candidates should be able to distinguish between strategic analysis and strategic choice techniques.

Comments on specific questions

Section A

Question 1

This was a difficult question as many students did not demonstrate knowledge of Quality Assurance. Weaker responses confused Quality Assurance with Quality Control and thus referred to the role of quality inspectors checking quality either during or at end of the production process. This demonstrated a fundamental misunderstanding of the concept and so these candidates were unable to access marks. Other candidates did not define the key term and only referred to the benefits of improving quality in general terms. Without demonstrating understanding of the key term, candidates were unable to access marks.

The majority of students were able to demonstrate sufficient understanding of QA to access the mark scheme and then identify relevant benefits such as improved reputation and overcoming the negative effects of the bacteria incident. Most were then able to follow this up with analysis on how this impacted the company in terms of sales and profit. Overall, the benefits of quality in general seemed well understood.

A few candidates referred to the effect on employee motivation of having responsibility for quality. However, opportunities for developing analysis were missed by not linking improved motivation to the effect on productivity and therefore unit costs of production. Candidates should remember that questions are typically focused on how decisions impact the business.

Many candidates were able to earn full application marks for effective use of case material on the food poisoning incident, the crucial importance of quality for a firm operating in the food industry and the previous good reputation of SWF.

As in previous years, candidates frequently devoted time and effort to including unnecessary knowledge and analysis by offering chains of reasoning not related to the specific question. For this question there was no

need to comment on the drawbacks of introducing a quality assurance system as marks could only be awarded for consideration of the benefits of a quality assurance system.

Question 2

Many candidates gained full marks on this question with accurate calculations of accounting rate of return and net present value. It is important to state the formula being used, so as to access marks for the own figure rule. Units are also important and should be stated in all numerical questions.

(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, not only of, 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) Most candidates understood that the discount factors were to be used to multiply the net cash flows and gained at least one mark. Some candidates omitted the '$' sign from their answer and thus gained two of the three marks available. Some candidates did not subtract the capital cost.

(b) Candidates developed application by demonstrating an understanding of the relevance of their answers from **Question 2(a)**. A few candidates made effective use of the case material by, for example, observing that other farms were at a disadvantage because they lacked the scale to use automated milking machinery or by using other investment appraisal techniques such as payback or discounted payback. Others made good links to the possible impact of automation on quality. Analysis was often demonstrated in relation to the cost savings offered through automation due to increased productivity and how that could translate to lower prices or higher profit margins. Better candidates gave a balance of argument and outlined both advantages and disadvantages of automation. It was common to reflect on the possible impact on SWF of making 100 farm workers redundant and links were occasionally made to the damage already done to SWF's image by the infected milk. However, weaker candidates analysed at length the impact of redundancy on workers rather than on the business.

Evaluation was often evident but only limited in nature. The best candidates gave a clear weighting of factors identifying that pricing might be more important to consumers than protecting workers' jobs. A few candidates misread the case material and argued that SWF was too small to use automation when in fact it was other farms that were too small.

Question 3

Most candidates showed a good understanding of the external environment and picked out relevant facts and data from the case study to answer this question. Very few students achieved zero marks on this question, showing it was accessible to all abilities. Occasionally, some candidates did just lift information from the case study but offered no interpretation of the data and thus demonstrated no understanding.

The majority of students did not categorise the external factors they were discussing, for example saying a fall in birth rate was a social impact. This would have demonstrated a better understanding of factors that are included in the external environment and those students who achieved the highest marks did tend to add this in to their answer.

In better answers candidates developed analysis on their understanding of how changes in the external environment would affect SWF. For example, saying why a fall in birth rate would lead to lower profits, or how the impact of feed cost might affect the selling price or profit margin. Weaker answers tended to jump straight to the impact on profit. Some effective applied answers linked the fall in the birth rate to a decreasing population of school students and therefore less sales for SWF through their government contract. Higher ability candidates introduced evaluation by considering that as milk was targeted at all age groups the impact of a falling birth rate might not be that significant, especially as milk sales were forecast to fall at a slower rate in the future. Weaker responses only made reference to the fact that milk's main target market was children and therefore the sales would fall as there are fewer children.

A key misunderstanding was that many candidates describe d cheese and butter sales as decreasing. This was incorrect and resulted in inaccurate contextual analysis. Students should have identified they cheese and butter sales were increasing, but at a slower rate. Again, higher ability students who went on to achieve nearly full marks did successful identify this.

There was confusion regarding the impact of exchange rate changes with many candidates arguing that the appreciation of the exchange rate would boost SWF profits in country P. Stronger answers correctly observed that appreciation would make it more difficult for SWF to sell their milk in country P. The best answers gave balance to their analysis by considering how the appreciation could benefit SWF if they imported their raw materials instead, especially if their feed costs were lower than that of Country Q.

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) (i)   Very few candidates understood how to calculate a centred quarterly moving average. Many were able to gain a mark for a quarterly moving average by dividing the four period moving total by four to either obtain 36 250 litres or 36 750 litres. A very small number of candidates correctly summed the two relevant four period moving totals and divided by eight to give an answer of 36 500 litres.

(ii)   Nearly all candidates gained full marks for this question. There was a good understanding of how to calculate seasonal variation.

(b)   This discriminated effectively between candidates. Most candidates made some relevant attempt at the question by using the line of best fit on the graph to estimate sales for quarter 3 in 2019. However, relatively few candidates understood that average seasonal variation should be added to the trend figure. Some candidates calculated the forecast but omitted '000s of litres from their answer so gained only two of the three marks available.

(c)   Most candidates understood that a sales forecast was a prediction of future sales. Candidates often gave detailed explanation of the process of sales forecasting. However, many did little more than that and were thus limited to marks for knowledge. Some candidates discussed the usefulness of sales forecasting in very general terms referencing target setting, measuring success and motivating workers. However, only better candidates focused on marketing and operational decisions. Application was shown through use of the data in Table 1 observing that ice cream sales are seasonal or that there was an upward trend in sales. A few candidates connected the trend to enabling operational decisions such as the purchase of animal feed and herd size required to meet forecast sales. Analysis was developed in some answers by commenting on how forecasting would enable an efficient use of labour and help control costs and therefore ensure profitability.

Most candidates who understood what a sales forecast was were able to show basic evaluation through observing that forecasts could prove unreliable due to external factors especially as time series analysis relies on past data.

Question 5

Candidates generally took the approach of defining the term 'organisational structure'. Candidates obtained knowledge marks for this as well as demonstrating understanding of appropriate features of organisational structures including, for example, centralised structure, tall structure, channels of communication and chain of command. Some weaker candidates took the approach of simply restating the issues with the current structure without using these to inform their answer. Other candidates analysed the current problems without suggesting an alternative structure. Some candidates wasted time just describing the current problems. A small minority of candidates did not demonstrate understanding of the current structure and proposed changes that were features of the existing structure.

Candidates that did use the information from the case study to inform their answer focused mainly on the communication and coordination issues between departments and the delay in launching a new product. These references informed reasoning for changing structure, in particular, to a matrix structure. The matrix structure and a flatter (delayered) hierarchical structure were popular and appropriate suggestions for an alternative organisational structure.

Many candidates did not focus or connect their response sufficiently or at all to changing structure 'during periods of growth' which inevitably limited chances of scoring as well in terms of analysis and evaluation. Typically, candidates scored relatively low marks in terms of evaluation. Evaluation marks were mainly awarded for a judgement as to which organisational structure should be adopted, often supported by a simple reason. Some candidates went through the process of describing and analysing different structures

without making a final recommendation, or only offered simple assertions such as 'the structure should change'. Better candidates considered sequencing the changes that could be made, but this still often limited candidates to achieving L1 evaluation.

Some candidates confused delegation and leadership styles as part of organisational structure. Both of which are not organisational structures, but instead are wider considerations that could have formed an evaluative line of analysis.

Section B

Question 6

The focus of this question was to examine the uses and appropriateness of strategic analysis techniques in guiding strategic decisions. Many candidates did not realise this. Thus, they explained all the techniques in great theoretical detail with minimal analysis and only illustrative application. Most candidates could apply the techniques inasmuch as they could show examples form the two alternative schemes, but they did not emphasise how the techniques helped decision-making. Often they wrote at length about the two alternatives and then recommended one (a common error in this sort of question, which earned only NAQ). Candidates ended-up doing SWOT and PEST analyses of both projects rather than analysing how it would help decision-making.

The techniques themselves were well-known, though Ansoff's Matrix appeared too often, as did Force Field Analysis. The limitations of the techniques were well-known, especially when used in isolation and in changing economic circumstances. Indeed, the points in the mark scheme under 'evaluation' were seen in many answers and earned sound marks. The main weaknesses were in analysis (how are these techniques helpful to this business at this time?) and in getting bogged-down either in long expositions of theory (especially the Boston Matrix) or in discussing the two plans in great detail before choosing the better one and thus losing sight of the question. Considering a question on strategy is expected, many candidates were well-prepared but got carried away in showing their knowledge rather than answering the question in context.

Question 7

This question was answered by a very small percentage of the candidates. In contrast to previous years when contingency planning has been tested, most candidates did show a basic understanding of what contingency planning actually was and did not just write about planning in general. Many candidates understood the concept of a Plan B and many wrote about the potential impact of natural disasters or fires. Examples of good knowledge included: 'planning put in place for a firm in case of unexpected events at the firm, finance and resources set aside'. 'to avoid any issue that will impact the brand image'. 'reduce the insurance cost'. 'sudden calamities are not in the hands of businesses and cannot be accurately interpreted by businesses.'

Candidates developed application most effectively through reference to the milk contamination. Some candidates did little more than repeat what was in the text. Very few made the link between this and how contingency planning could have helped the firm if it had been in place. Better answers developed analysis of the consequences of the lack of contingency planning in terms of the muddled response of SWF to the crisis and how this would impact their reputation and long-term sales. Other application used included reference to the introduction of the automated machinery and the plans for expansion. However, many candidates found it difficult to develop application as these hooks were missed.

Most candidates gained full marks for knowledge and at least 1 application mark for making reference to the contamination of milk. Candidates often identified the costs of contingency planning as the time taken to create a plan and observed that resources would likely be wasted as the crisis might never happen. Evaluation of why contingency planning was a good thing centred mainly on the motivation of employees and confidence of shareholders and other investors. Candidates were able to gain a good mark by discussing the role of contingency planning within business plans as a means for SWF to prepare for and avoid crises.

BUSINESS

Key messages

Candidates should practise applying numerate and written theory concepts across a wide range of case study contexts. This can be best achieved through the use of recent past papers and mark schemes. Teachers should advise candidates to spend the first 15–20 minutes of time allowed reading the case study and then return to the relevant parts before answering each question. Line references given in the insert will help with this.

Answering questions in order is the best approach, as it allows an overview of the business to be developed. The booklet style paper makes it easy to return to an answer if candidates have more to add, or have moved on due to time planning.

The use of financial analysis, such as ratios and other calculations, should always be supported by an explanation of what the results or changes **mean** for the business or project in question. An integrated approach, that relates financial calculation from different parts of the case, should also be analysed in the context of the business financials in overview. Candidates should be encouraged to consider to what extent the business is a financial success, using a range of criteria.

A good evaluative answer includes detailed application, as well as judgments throughout and a well-supported conclusion at the end. Candidates should read the wording carefully and return to the precise question before writing their final conclusion to ensure that this is addressed, especially in the *Section B* essays where the longer answers sometimes lose focus on the case context and the question.

General comments

There remains opportunity for improvement in candidates' performance, especially in the Strategic Management area.

Many centres had prepared candidates effectively and as a result they knew what to expect in terms of skills to be demonstrated and how to structure responses. The best answers demonstrated excellent understanding of AS/A Level Business concepts and used data and information from the case study to support their answers. In contrast, there were some answers that reflected a more general approach, more inclined towards generic 'text book' knowledge and analysis. High marks in this case study paper depend very much on the candidate's ability to root their answers firmly within the circumstances and decisions outlined in the case study, as well as demonstrating wide subject knowledge.

It is also important for candidates to read the questions carefully and show judgment when required. Better evaluative answers make links between different parts of the case and take a strategic overview of the business, current position, objectives and future plans. When a comparison and choice is required, such as whether to close a factory, candidates should do more than just quoting from the case. There should be an attempt to analyse the advantages and disadvantages of choices, firmly in the specific company context. Candidates should also be encouraged to consider alternative views, such as, in this case, suggesting that 'fair trade' may not be a long term marketing advantage as more competitors adopt this approach.

Centres can improve candidates' skills of application, analysis and evaluation, by supporting them in working through past paper 3 examinations and assessing answers using published mark schemes. Candidates who are familiar with the structure of the mark scheme, for instance in knowing that there are no evaluation marks in **Question 1**, will not waste time in the examination. The importance of recognising the 'command' words and answering the exact question asked should be emphasised, as fine focus uses time effectively and is key to good results in the case study paper. Candidates also need guidance on how to choose the optional question in *Section B*, as there was occasional evidence of a choice being made and then changed, wasting time.

The area of strategic management remains challenging for candidates, especially the use of these techniques to answer questions in context. Centres can improve candidates' understanding by introducing the concepts from Section 6 of the syllabus early in the second year of the course, integrating them with the other A Level content.

Once again, in this series, candidates were required to show correct units in calculation questions in order to gain full marks.

Comments on specific questions

Section A

Question 1

This question was well answered by many candidates, who showed good understanding of economic indicators and their potential impact on a food processing business. Application marks were generally gained by linking economic forecasts with aspects of the AC operation, for instance the 3% interest rate increase making their past and potential bank borrowing more expensive. This, in many cases, led to analysis marks around higher costs and potentially, lower profit and less company growth. Generally, better understanding was shown of increasing inflation and unemployment, than slowing economic growth and stable exchange rates, with many answers confusing slowing growth with negative growth or even recession. Candidates who had misread the question and included opportunities of the forecasts did not receive credit for this part of their answer.

Question 2

(a) (i) Many candidates performed this calculation correctly, but a few lost one mark for missing out the % sign.

(ii) A significant number of candidates showed no knowledge of the contribution calculation. However, many other candidates received full marks or 3/4 due to one error, such as missing out the $ sign.

(b) This question was about AC's decision as to whether to close the factory in the North of the country and centralise operations at Factory S. Many answers demonstrated an understanding of the advantages and disadvantages and also used figures from the first part of the question, especially capacity utilisation comparisons. Application marks were also gained by further manipulation of the figures, such as calculation of the comparative contribution figures and cost differences. Other factors such as the location of the factories and impact on workforce were also mentioned. Application points often led to analysis marks, such as the impact on efficiency, profit and company image in the long and short term. The most common evaluation points were supported close/do not close judgements, but also linked to company ethical objectives, as well as questioning reliability of figures.

Question 3

This question was about the importance of the ethical 'fair trade' principle to the success of AC's marketing strategy for chocolate powder. There was a general lack of understanding of the business to business nature of the company's marketing, but many candidates showed an understanding of the above average 'fair trade' price paid to farmers for crops, as 'ethical' activity. Many candidates showed a good understanding of marketing strategy in theory, discussing objectives and different elements, including the '4 Ps' and '4 Cs'. However, there were also a significant number of responses that ignored the supplier relationships and instead focused on pay to workers, which may be ethical practice but not 'fair trade'. Application marks were gained by reference to the use of fair trade labelling on chocolate products and developments in the market for chocolate. Very few candidates questioned whether 'fair trade' may be less important than price for business customers in an increasingly competitive market. Evaluation often balanced 'fair trade' against aspects of the marketing strategy and better answers also questioned whether 'green washing' may be going on and the difficulties in assessing whether this type of product is, in reality, 'fair trade'.

Question 4

(a)   Many candidates correctly calculated the operating profit margin after the increase in raw material prices, with some losing 1 mark for an error, such as not including the % sign. There were also some marks for partially correct answers.

(b)   Many candidates carried out this gearing ratio calculation correctly. The most common errors were either working out the gearing before the new investment or failing to add the $8 m to capital employed. Some candidates also missed out the % sign.

(c)   This part of the question was reasonably well answered, even by some of those who had not correctly performed all parts of the calculations. There was plenty of information in the case, other than the figures, for candidates to use to gain application marks and support arguments for and against converting AC to a plc. Most commonly, the results from **question 4(a)** and **(b)** were commented on, especially the relatively low/high gearing. Either opinion could be justified in view of possible further expansion. Most candidates saw conversion in terms of sources of finance, or more efficient management, sometimes missing the disadvantages for the Lukwesa family of a possible loss of control of the family business. Analysis marks were usually gained by considering the future implications for AC and the family with and without the conversion to plc. Evaluation typically focused on reliability of forecast data, the importance of other factors such as desirability to potential investors of AC shares, conflict in stakeholder objectives and the percentage of control that may be handed over.

Question 5

This HRM question was quite accessible, with information given in the case as to the possible nature of flexible employment contracts, such as zero hours and part-time. However, a few candidates confused flexible contracts with flexible working in terms of multi-skilling, which was only rewardable if linked with workers on different hours, shift work or similar. Likewise, references linked to 'hard' HRM, could be used, as this is likely to be the case here although not inevitably. Application marks were easily gained by talking about the likelihood that labour will be unskilled, unemployment is falling and the present good employee relationships within AC. Analysis marks were gained by analysing cost and efficiency advantages and disadvantages, such as the impact on productivity of loss of job security or similar. A common comment was that falling unemployment may drive employees of AC to more secure positions with competitors and higher labour turnover. Evaluative comments were often limited, but better answers questioned the link with ethical objectives of the business and which objectives (cost versus employee relationships) would be more important in the long run. Further evaluation included comments that flexible contracts need a very effective HR department and managing this change will be challenging.

Section B (Option questions)

Question 6

This was by far the most popular question. Candidates needed to evaluate the usefulness of strategic choice techniques to decide between Options A and B. The text and appendices provided a range of information to be used with Ansoff's matrix, Force Field analysis and Decision Tree modelling, but candidates needed to do more than just repeat from the text to gain application marks. Confusion between strategic choice techniques also led to focus on SWOT and PEST, which could not be rewarded, except in terms of limited knowledge of strategic management and other information which could be useful. The two possible future strategies were important here, but candidates were not required to make a choice, just consider how the effective use of strategic choice techniques might prove useful.

A good start in some better responses was to link the appendix information to the techniques and proposed future strategies, such as comparing driving and constraining forces or decision tree quantitative information in detail and analysing how these factors could be used to compare the options. Better candidates also analysed why the data given was not sufficient or even very helpful, given the dynamic market conditions. However, there was generally too much focus on repeating the given appendix information in many answers, rather than an attempt to go beyond this and focus on the usefulness of techniques. Most candidates drew some justified conclusion as to the usefulness of one or more techniques, but these were generally not fully supported, although a small number of the best candidates did consider wider issues in terms of further information needed by AC. There was also often consideration of the limitations of strategic choice techniques and, in some cases, comparison between these in terms of which could be more useful in this case.

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Question 7

Strategic implementation is often an unpopular topic and this again proved to be the case. The question was slightly less broad than **Question 6** and invited a focus on business planning as part of implementation of one option – the production of luxury chocolate products. This change from producing a raw material to a final product to be sold to retailers and consumers offered plenty of scope for comment about how AC's business plan would need to change. However, a great many candidates wrote 'generic' answers and seemed unsure about how to use business planning concepts in the context of AC. Some also fell back on strategic analysis/choice techniques, less relevant here in that strategic implementation takes place once the decision is made. Some candidates also showed evidence of misunderstanding of contingency planning, as part of a business plan, seeing this as a plan 'in case sales do not go well' instead of a plan to deal with unknown or unexpected crises, such as a complete failure in raw material supply. Most candidates who attempted this question drew some conclusions, but often assertive, rather than supported. Limitation of business planning and lack of information were also cited, as well as lack of need for planning time to for such a major change, will this lessen chances of success? Is the production of luxury chocolate even a viable opportunity, given the high level of competition?