

BUSINESS STUDIES

Paper 0986/11
Short Answer/Structured Response

Key messages

This was the first examination paper for this variant following the introduction of the new syllabus. There have been slight changes to the way some questions are marked which was not always clearly understood by candidates.

Candidates should be made aware that there are application marks available in most **part (c)** questions, in this paper, **Questions 1, 2 and 4**. Stating the name of the business in the question is a signal that points should be applied to this business. **Part (e)** of each question has two knowledge, two analysis and two evaluation marks available. Candidates will not gain credit for application points in **part (e)** questions.

The lack of effective evaluation continues to be an issue in many scripts. Candidates should be reminded that evaluation must include a justified decision that follows from the points raised in the answer, not a repetition of points already explained. The mark scheme for each **part (e)** question gives an example of how this may be displayed in the answer.

General comments

It was good to see an increasing number of candidates attempting to apply their answers to the relevant business.

There was some evidence that this question paper tested areas of the syllabus that candidates did not fully understand. Areas of confusion include:

- the business cycle,
- levels of hierarchy,
- quotas and tariffs,
- takeovers and mergers,
- stakeholders and shareholders.

In some cases, candidates needed to carefully read the question to have the correct focus in their answer. Issues were seen in **Question 2b** where candidates discussed technology, and **Question 4d** where internal rather than external stakeholders were often explained.

Candidates should be encouraged to:

- Learn precise definitions for all key terms in the syllabus.
- Practise developing points of knowledge to show the possible impact on a business.
- Refer directly to the information within the stem of the question throughout answers to ensure that points raised are appropriate for that organisation.
- Ensure that a different point of application is used for each separate point made.
- Provide a conclusion in each **part (e)** question justifying the decision made with a point that has not been discussed earlier in the answer.



Comments on specific questions

Question 1

- (a) Precise definitions were provided by many candidates. Some less successful candidates referred to a group of people rather than workers. Weaker candidates identified this as a union of different businesses.
- (b) For many candidates this was one of the most challenging questions. Only the most successful gained both marks by providing a precise definition. An error made by many was to explain a hierarchical organisational structure, rather than one level of that structure.
- (c) A small but significant number of candidates did not attempt this question. The most frequently presented correct answers included the reduction in workload for managers and possible motivation for workers. Many candidates then needed to apply their answers to a bank to achieve application marks. Some candidates stated, incorrectly, that delegation would lead to improved communication.
- (d) Many candidates were able to identify two factors. Some then needed to explain why these factors should be considered. Candidates who focused on the skills/performance of the manager and the amount of time they had been employed were most successful in achieving analysis marks. The strongest candidates linked their point to the banks need to save \$1 m when faced with increasing competition.
- (e) Candidates clearly understood this topic and showed strong knowledge particularly of advertising. Many applied this knowledge to the material provided, although no application marks are available for **part (e)** questions. The strongest candidates explained a benefit of each option before making a justified choice by explaining a disadvantage of the option not chosen. The weakest answers provided lists of knowledge. Some candidates explained in detail the type of advertising a business might use. These answers could gain no credit as they did not answer the question set.

Question 2

- (a) Many candidates were aware that the flow production method leads to high output but needed to show that production is continuous. Some candidates confused flow with batch production.
- (b) The majority of candidates were able to identify two correct methods. Several candidates lost marks by ignoring the instruction to identify methods other than technology. A common error was to state that employing more staff would improve efficiency.
- (c) This question clearly differentiated between candidates. Most candidates were aware of appropriate sources of finance. Only the most successful achieved full marks by using two different pieces of application. The weakest candidates stated short term sources, which would not be appropriate for purchasing new technology.
- (d) This question was divided into two parts. Candidates showed better understanding of the lack of local knowledge than of import quotas. A significant number of candidates concentrated upon the general problems of entering new markets rather than problems caused by lack of local knowledge. These candidates often discussed the problems caused by language difficulties which was not rewarded. Quotas were often confused with tariffs.
- (e) Many answers consisted of lists of knowledge with no appropriate development of points. Candidates generally did not attempt to provide evaluation. Those that did attempt to conclude often repeated points made earlier in the answer. The strongest answers explained how gaining local knowledge and reduced competition would benefit a business. Common errors were to explain in detail how language barriers could be avoided or confused a joint venture with a merger.



Question 3

- (a) The majority of candidates provided a precise definition. Some candidates confused a sole trader with an entrepreneur.
- (b) Generally, a well answered question. A small number of candidates correctly calculated the figures but placed them next to the wrong letter in their answer. Unfortunately, the Examiner could not award marks to these answers.
- (c) This question was the only **part C** question which did not require application. Many answers were awarded two marks as candidates struggled to identify four different factors. Candidates who lost marks often repeated costs or stated the size of the market.
- (d) Candidates clearly had a good understanding of niche markets. Many answers contained a definition of the term which could not be rewarded as candidates needed to explain an advantage or disadvantage. The most successful answers explained the benefits of possible higher prices and problems of lack of economies of scale. Candidates did not always develop their answers sufficiently to gain the application and analysis marks available. Application was often limited to stating the type of products sold. A small, but significant, number of candidates discussed higher or lower profits rather than profit margins. These answers were too vague to be credited.
- (e) Candidates found this question straightforward. Many were able to demonstrate analysis with a wide range of correct calculations. The strongest answers used the advice in the question and calculated the gross profit and profit ratios. Only the very strongest candidates were able to make an evaluative conclusion answering the question set. To gain knowledge marks candidates were required to show understanding of whether the figures had improved or worsened over the period shown. Weaker candidates often either repeated the figures from Table 3.1 or presented calculations without comment. These answers gained no credit as the candidate had not shown understanding of what the figures meant.

Question 4

- (a) This question was the most challenging on the paper for many candidates. A large number of candidates confused the business cycle with the product life cycle or simply listed the terms used in the business cycle chart.
- (b) Many candidates gained full marks on this question by stating two distinctly different reasons. A common error was to repeat the same point, for example, stating two changes in economic conditions. Some candidates did not understand the question and stated two possible objectives rather than the reasons why they may change.
- (c) The advantages of a takeover were understood but candidates often struggled to explain any disadvantages. The strongest candidates were able to explain points such as those listed in the mark scheme. The weakest candidates simply stated that the business would gain more customers after the takeover. Application was noticeably weak in this question. Some candidates were able to gain one application mark by stating that the business produced building materials.
- (d) Stakeholder groups were not well understood. Several candidates did not attempt this question. Some candidates confused internal and external stakeholders and a significant number thought that stakeholders were shareholders. Candidates who could correctly identify two external stakeholders often struggled to fully develop their answers. The best candidates explained the impact on customers, suppliers, and banks. Even the most able candidates struggled to provide two distinctly different points of application.
- (e) Candidates found the analysis and evaluation part of this question particularly challenging. The effect legal controls and interest rates would have on business were not always fully understood. This made evaluation difficult for candidates. The strongest candidates recognised that legal controls would limit what a business would be allowed to do, and interest rates would add to the cost of loans. The weakest candidates confused interest rates with taxes and thought that legal controls could be ignored.



BUSINESS STUDIES

<p>Paper 0986/21 Case Study</p>

Key messages

This is the first November paper for the new syllabus. The style of the question paper has remained broadly the same. However, the differences in the weighting of the assessment objectives have resulted in small changes to the mark scheme. This has meant the **(a)** questions have more analysis marks awarded and fewer application marks. The **(b)** questions have had no change to the weighting of the assessment objectives but have had the level descriptors amended slightly. This has not changed the awarding of marks on the 12-mark questions. These small changes have not made any significant difference to the marks achieved; in fact, for some candidates, they may have raised their marks.

Candidates should still be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is except for one of the **(a)** questions that will now usually be generic. This will ensure responses are appropriate for each given situation.

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

General comments

Candidates had generally been well prepared for this examination. Many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of GJ, a jewellery retailer, provided an accessible scenario for candidates. Those who applied their skills to the context of GJ were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a minority of cases it was clear that some topics were not well understood. These included the purpose of business objectives, recruitment, the concepts of liquidity and profitability, sales promotion and external influences on business operations. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn marks by using business terms confidently.

Overall, many good scripts were seen; very weak ones were less common. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and the conclusion/recommendation in the **(b)** questions should also be applied. Candidates should aim to consider the consequences/implications/long-term/short-term/balance issues of the decisions to secure Level 2 and Level 3 marks.

Comments on specific questions

Question 1

- (a) The majority of candidates demonstrated good knowledge of the purpose of business objectives. Strong responses focused on discussion of goals and giving the business a sense of direction. There were several ways of developing the answer, for example, making links to strategy and decision-making. Application marks were awarded to candidates who referred to the case study, noting Gemma's aim to increase sales and market share. Weaker candidates tended to describe business objectives rather than explain the reason for them.
- (b) Many candidates were confident in their knowledge of franchise operations. They were able to explain benefits such as a well-established business reputation and support from the franchisor with regard to advertising and training. The best answers then gave a balanced discussion about the disadvantages of not being able to make significant decisions or operate independently. Candidates who achieved Level 3 marks were able to make a supported decision about using a franchise agreement, often mentioning that Gemma would be the only business in the area selling Beautywise jewellery and that the help from the franchisor reduced the risk of business failure.

Question 2

- (a) This question required candidates to consider the job specification for the new shop manager. Relevant points included experience of selling jewellery, communication skills to ensure excellent customer service and product knowledge appropriate to the jewellery business. The strongest answers identified these requirements and then applied them to the context of selling high-priced rings and bracelets and knowledge of gem stones. Some candidates confused job specification with job description and listed the shop manager's responsibilities.
- (b) The information in Appendix 3 provided the data needed to compare the three possible locations for a new shop in Town A, B or C. Too often there were detailed answers merely copying figures from the case study for rent, running costs and estimated gross profit. Candidates needed to use the data to make comparisons and calculate potential net profit. Better responses not only included net profit calculations for each location but also concluded that by choosing Town A, Gemma would make nearly twice as much net profit as Town B and over five times as much as Town C. Successful calculations in this response produced effective analysis and given candidates access to Level 2 and then Level 3. Candidates should always prepare for a question that tests numeracy skills using data from the case study.

Question 3

- (a) This was a generic question testing candidates' knowledge of liquidity and profitability as well as their ability to explain their importance to a business. No application marks were available in this question. Good responses explained that liquidity was important to enable short-term debts to be repaid to avoid selling business assets. Sometimes reference was made to calculating current and acid test ratios to judge the liquidity position. Amongst the responses about profitability, the best answers identified how to calculate profit margins or ROCE and then explained the importance of being able to use these to analyse business performance and hopefully secure bank loans or attract investment from new shareholders.
- (b) Many candidates found this question accessible at the lower end of the mark range. They could explain that reducing the price of a second purchase or offering a discount of 10% on all stock would likely increase sales. The majority of candidates then needed to develop their analysis to discuss the impact that such price reductions would have on gross profit and the quality image of the jewellery being sold. Candidates were generally more successful in considering the advantages and disadvantages of paying a celebrity to open the new shop. Well-balanced answers mentioned the expense of inviting a famous celebrity to be offset against the extra sales revenue that might be earned from increased numbers of customers. Responses which judged the most effective promotion to maximise revenue over the longest time period achieved Level 3.



Question 4

- (a) This question required candidates to consider the external influences of exchange rate depreciation and increases in income tax. Better candidates could explain that a depreciation in the exchange rate would result in higher costs for importing the jewellery. This might require prices to be increased to maintain profit margins which would, in turn, cause demand for Gemma's Jewels to fall. On the other hand, export prices would become more competitive so GJ might experience increased sales from overseas customers, especially now that Gemma has a website for online ordering. The discussion about the impact of an increase in income tax most often referred to decreases in disposable income, reducing spending power and a consequent fall in sales of luxury items like jewellery.
- (b) Many candidates realised that GJ's jewellery is ethically sourced so stating the country where the product has been made would likely improve the reputation of GJ and boost sales and profit. Features of a boom phase include higher levels of income and increased consumer confidence, both of which would make higher sales of jewellery more likely. There would be an opportunity to raise prices and hence increase profit at the same time. The impact of increased mobile (cell) phone usage was discussed effectively by many candidates, mentioning Gemma's new website and phone app for ordering items from GJ across a wider market. Better candidates explained the disadvantages of each of these changes and included a conclusion that made a judgement about which change resulted in the greatest effect on GJ's profit without simply repeating earlier points, and then went on to justify why this would have a greater effect than the two other changes. Application, particularly in the conclusion enabled candidates to achieve higher marks.

