

# BUSINESS STUDIES

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Paper 0986/11  
Short Answer/Data Response

## Key messages

This is the second year for this new version of the syllabus. Small differences in the weighting of the assessment objectives since 2020 have resulted in some changes in the mark scheme.

**Part (c)** of each question continues to have four marks. However, one of the **part (c)** questions each session is a generic question, **Question 4(c)** in this paper. The remaining **part (c)** questions continue to be applied questions which assess knowledge and application.

**Part (e)** of each question no longer includes marks for application. Many candidates continue to try to apply their answers to the case study which uses valuable time.

Questions which require application refer to the business in the scenario by name. Candidates should be reminded to use information from the stem to help answer **parts (c)** and **(d)** when appropriate as this provides the basis for application.

## General comments

Questions requiring definitions and knowledge, such as **parts (a)** and **(b)** of each question were not well answered this session. Many candidates were unsure of the terms or needed to be more precise when defining them. This was a particular issue in **Questions 1(b)**, **3(a)** and **4(a)**.

Weak understanding of business terminology was also an issue in a number of other questions notably, **Questions 1(d)**, **1(e)** and **2(c)**. Understanding the usefulness of business documents requires further study for many candidates. This was an issue within **Question 1(c)**.

For most **part (c)** and all **part (d)** questions, candidates are required to link each point made to the context outlined within the stem of the question. Candidates should be reminded to use a different point of application and analysis for each point of knowledge. Each application point can be credited only once within any question.

Effective evaluation is an area which requires development. Candidates should be reminded that evaluation should include a justified decision that follows on from the points raised in the answer, not a repetition of points already explained. The mark scheme for each **part (e)** question includes an example of how evaluation may be demonstrated in the answer.

## Comments on specific questions

### Question 1

- (a) The majority of candidates were able to identify two distinct features of this type of business organisation. A common error was to confuse a sole trader business with an entrepreneur. Some candidates therefore incorrectly stated characteristics that an entrepreneur may possess such as risk taking.

- (b) Candidates were sometimes unsure of the meaning of this term. Some candidates provided the formula. Although a formula is not a precise definition, as required in the question, candidates were awarded for showing awareness of the term. A common mistake was to define starting capital rather than working capital.
- (c) This question required application to the business stated in the stem. Candidates needed to clearly understand the topic of break-even as many struggled to explain how the information would be used by a business. A common error was to state that break-even would show the profit made, rather than the potential profit at any level of output.
- (d) The concept of added value was not well understood by many candidates. Most candidates struggled to explain how changing packaging would add value to a drink, instead they explained how this would attract more customers. These answers could not be credited. The best responses explained that changing packaging would improve perceived quality allowing a higher price to be charged therefore increasing the profit margin on each drink. The impact of cheaper materials was better understood although candidates struggled to fully develop their answers to gain the analysis marks available.
- (e) The strongest answers recognised that free samples are most appropriate for food items where customers may be persuaded to purchase by the taste. Very few candidates were able to provide an effective evaluation for this question. Most offered simple decisions without justification, or repeated points previously stated in the answer. Some candidates confused methods of sales promotion and methods of advertising. They often stated that free samples were not appropriate and then discussed at length the methods of advertising that might be suitable instead. These candidates showed no knowledge of the concept of sales promotion and therefore their answers were not credited.

## Question 2

- (a) Well answered by many candidates. Some candidates needed to show awareness that these companies have production or service operations in many countries.
- (b) Generally, a very well answered question.
- (c) This was one of the more challenging questions for candidates. The strongest candidates explained how JIT could reduce the space needed to store stock of car parts, but it requires a reliable supplier to ensure production continues. Many candidates stated incorrectly that no warehouse space would be required or confused inventory control with JIT production. This question also required application to the business in the question stem.
- (d) Although candidates showed awareness of the concept of economic growth, the focus of their answers was frequently incorrect. Only the strongest responses were able to explain how the decision to build a new factory would be affected by this situation. Even the most successful candidates struggled to develop their points sufficiently to gain analysis marks. A common error was to describe how economic growth would benefit the local population with no reference to NSN's decision to build a new factory.
- (e) This was a very challenging question for candidates. Although candidates were aware of the issues surrounding the introduction of technology many needed to address their answers directly to the question set, in this case the benefit to (all) employees. Some candidates discussed the impact on the business rather than the employees. The strongest candidates discussed the benefits of safer working conditions and the risks of redundancy. Very few were then able to make effective evaluative comments. A significant number of candidates gained one mark only for knowledge that workers may lose their jobs.

## Question 3

- (a) This was the most challenging question on the paper for most candidates. Very few were able to offer a clear and precise definition of the term. A significant number of candidates did not attempt the question.

- (b) Candidates were confident in their understanding of this term. Many provided clear and precise definitions. A small but significant number of candidates confused stakeholders with shareholders.
- (c) Good knowledge of this topic was evident. A variety of different correct answers were provided. A common error was to give imprecise answers such as 'for growth'. To gain credit for this point the candidate would need to state that profit could be used as a source of finance for growth. Some candidates missed out on the application marks available by not referring to the business in the question.
- (d) The strongest answers identified delegation and team working as ways to involve employees in decision-making. Many of these answers were effectively applied to the business in the stem of the question, a paint factory. However, some candidates repeated the same point of application which could only be credited once. Even the most successful candidates often struggled to explain how the identified ways would work. Many candidates misunderstood the question and incorrectly explained a list of different decisions that employees could be allowed to make such as the colour of paint.
- (e) Candidates who explained that wholesalers buy in large quantities and advertise the products on behalf of manufacturers scored highly on this question. Even the most successful candidates struggled to fully develop their answers to make an effective decision and gain evaluation marks. A mistake made in the weakest responses was to confuse wholesalers and agents. These candidates often explained in some detail how the wholesaler would help a business to sell in a foreign country. These answers were not credited.

#### Question 4

- (a) This term was not well understood. The weakest responses frequently repeated the phrase stating that cost of sales is the cost of making sales. Several candidates provided the method by which cost of sales would be calculated. Although this is not a precise definition of the term it was credited in this instance as showing understanding of the meaning of the term. Candidates should be encouraged in future sessions to learn precise definitions rather than methods of calculation.
- (b) Many candidates provided correct calculations for both figures. Weaker responses were unsure of the calculations required and a wide variety of incorrect answers were provided. The correct answers were revenue of \$900 000 and expenses of \$320 000.
- (c) Many candidates showed good knowledge of the stages in the recruitment process and gained all marks available. Some candidates stated incorrectly that training was part of the recruitment process. Candidates often lost marks through imprecise use of language such as stating 'applying' rather than 'application forms sent/received'.
- (d) There were many good answers to this question which made effective use of the information provided in the question stem. The strongest answers explained how clear communication would ensure employees completed their tasks correctly and would be motivated. Candidates who identified speed of communication as a point often did not link this to decision-making and therefore did not gain the knowledge mark. A significant number of candidates discussed the importance of feedback but did not link this to customer preferences in this cinema chain. These answers could not be credited.
- (e) Many candidates demonstrated appropriate knowledge but were unable to fully develop their answers to show analysis. The most common knowledge shown was that shares would be a permanent source of capital and loans would need to be repaid with interest. The strongest responses recognised the effect on the business of increased debt or limits to decision-making. The weakest responses focussed on the issue of limited liability which would not be an important factor in this decision.

# BUSINESS STUDIES

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**Paper 0986/21**  
**Case Study**

## Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **part (a)** questions that is generic. Applying answers to the case 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 business that manufactures soap powder.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. 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 repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

## General comments

Candidates were prepared for this examination and understood what was expected of them. The context of SSM, a soap powder manufacturer established twenty-five years ago, provided an accessible scenario for candidates. Those who applied their answers to the context of SSM were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, to make sure they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of many of the topics from the syllabus that were assessed, but in some instances, it was clear that a few topics were not as well understood. The weakest understanding was apparent in the topic areas of economies of scale, ways in which a business can grow and the economic environment in which businesses operate.

There were a few examples where candidates had continued an answer to a question in the extra space provided on the blank pages at the end of the question paper. Candidates should make it clear that there is a continuation of the response and where the answer can be found.

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

### Comments on specific questions

#### Question 1

- (a) Candidates demonstrated good knowledge of the benefits and drawbacks of specialisation. The most common answers focused on the benefits of highly skilled workers who were able to produce high levels of output with fewer mistakes. Drawbacks included the boredom from the monotony of performing the same task repeatedly. Weaker responses confused a discussion about specialisation with points about flow production. Stronger responses achieved full marks because they made a valid point and then developed it with reasoning. This was the only question on the paper that was generic so there was no need for application to the case study.
- (b) Candidates were required to consider the problems rather than the benefits of entering new markets in other countries. Stronger responses noted that cultural differences presented a problem of different traditions regarding the use of soap powder and then developed their explanation of how this would affect the marketing strategy for SSM. Lack of knowledge would make it difficult for the business to compare its product to that of the competition and may make it hard to know which retail outlets would be appropriate to use. Some weaker responses were more confident in discussing the problem of import restrictions due to tariffs and quotas. Stronger candidates included a justified conclusion about the most serious problem faced by SSM, and also justified why the other problems were less significant. A minority of candidates wrongly assumed that SSM was going to manufacture rather than market soap powder in other countries.

#### Question 2

- (a) Many candidates were able to outline methods of both internal and external growth. Some responses explained about the process of a takeover or merger which would allow SSM to remove some of their competition and provide access to new ideas and customers. Strong responses often suggested developing new products aimed at a different sector of the market, thereby resulting in diversification in the business. Weaker responses considered the options of new sources of finance rather than growth of the manufacturing business. Two of the available marks were awarded for application to the case study so it was relevant to refer, for example, to the decision to expand the factory and to sell soap powder in other countries.
- (b) Many candidates were able to access Level 1 marks by explaining that the main advantage of primary research was to acquire first-hand, relevant, and comprehensive data about the specific market. The key advantage of secondary research is to obtain data about the whole market quickly and without too much expense. Weaker candidates tended to stray away from the question and discuss disadvantages. Stronger candidates linked the benefit of the research method to an appropriate sales strategy to achieve Level 2. For example, data from secondary research would allow SSM to learn about their competitors' range of soap products and consider their own advertising and pricing strategy to maximise sales. Answers were often applied by including reference to the customers' habits of washing clothes and the soap powder market. Stronger responses included a recommendation that justified one method of research, giving a reason for this choice without simply repeating earlier points, and then justified why the alternative method was rejected. The recommendation also needed to be in the context of this business which manufactured soap powder. Weaker recommendations simply repeated earlier points without any further development of the answer to justify why a particular method was chosen.

#### Question 3

- (a) This was a well-answered question. Motivation was a topic that was clearly understood by many candidates and a wide range of suitable answers were offered such as increasing wages, paying a bonus, using job rotation or job enrichment. Four marks were awarded for identifying the motivational factors, but candidates were then required to apply each point to the context of SSM to earn the remaining four marks. For example, the increase in wages would be given to all sixty production workers and job rotation would help to solve the problem that they often complain their jobs are boring. Some responses lacked this development.
- (b) This proved to be a difficult question for candidates. Some stronger responses stated that large scale production would bring the benefit of buying in bulk with a discount. This would have earned Level 1 credit but further development of the point to explain that average or unit cost would therefore be lower was needed to achieve Level 2. For financial and managerial economies of

scale, it was important to link the point made to how it would result in reducing average cost. This would access the higher levels. Some candidates used the case material well, referring to ingredients for soap powder, the need to obtain \$15 m for expansion and the management of factory workers on many different production lines. Stronger answers included a conclusion that explained the greater benefit of one economy of scale and then justified, in context, why the other two economies of scale would have less benefit.

#### Question 4

- (a) Many candidates demonstrated sound knowledge of how to overcome cash flow problems. There was some very useful information in Appendix 2 to help candidates apply their knowledge to this business context. Better responses mentioned reducing the number of debtor days from the current level of 60 to the previous levels of 40 or even 20. This would increase cash inflow. Similarly, using the case study, strong answers suggested increasing creditor days from the current level of 20 to the previous level of 30 or 40. This would reduce cash outflow. Weaker responses wrongly entered into a discussion about profit rather than cash flow.
- (b) This question was answered by many candidates in a simple way, showing limited understanding. Increases in the overall level of employment in Country Y would make it more difficult for SSM to fill job vacancies if fewer people were seeking work. Employers may have to pay higher wages to attract more skilled workers. An increase in inflation would result in higher prices for the ingredients to make soap powder which would push up the selling price of the product, thus possibly reducing demand. Stronger responses identified more than one consequence of each economic change and were able to make a link to the level of profit earned by the business. In the conclusion stronger responses explained which economic change would have the most impact and justified why the other would have less impact, making relevant use of the case study material to support their decision.