BUSINESS

Paper 9609/11
Short Answer/Essay

Key messages

- Candidates are reminded to pay particular attention to the command words and phrases in each question. This is especially important in the *Section B* Essay questions. Analyse means more than simply describe and list information points. Instructions to 'analyse why it is important', or 'discuss the importance', or 'discuss the best ways' are instructions that require considered analysis and evaluative comment.

- Candidates need to think carefully about which essay question to answer.

General comments

- A significant number of responses demonstrated gaps in knowledge and understanding in *Section A* of this paper, notably **Question 1(b)** and **Question 2(a)** and **(b)**.

- Candidates are reminded that most of the marks for knowledge and understanding are awarded in *Section A* of the paper.

Comments on specific questions

Section A

Question 1

(a) Most candidates were able to define strategy and tactics in terms of setting broad long term objectives and then taking decisions or making policies to achieve or implement those objectives.

(b) Many candidates found this part of the question challenging. Responses often lacked a business decision making model such as objective setting, planning, choice identification, option identification through to decision evaluation. Responses often did not include brief explanation. Product life cycles and leadership styles were not correct responses to this question.

Question 2

(a) A majority of responses did not demonstarte knowledge of marginal costs as the additional cost of producing one more unit of output. This is a key financial concept and was expected to be well understood.

(b) This explanation of other business costs was also not answered well. As with **Question 1(b)** many candidates demonstarted limited understanding of key business studies terms. Candidates need to have a strong understanding of the limited number of financial cost terms and concepts as set out in the syllabus.

Question 3

Candidates were more confident with this question. The term was generally accurately defined and many possible consequences of high labour turnover were identified and explained. Strong perceptive answers recognised that particular contexts might well determine the nature of the consequences and recognised that high labour turnover in, for example, food outlets is an expected and not necessarily negative feature of the industry.

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Question 4

(a)   Inventory management was generally well understood although some answers did not fully define the term in terms of appropriate stock levels and did not include the word 'management' in this term.

(b)   This was also well answered although some responses only explained one reason for high levels of inventory. The most common reasons given were to act as a buffer in case of future high demand, to insure against supplier difficulties, and to take advantage of bulk buying discounts.

Section B

Question 5

(a)   This was a popular option question. Most candidates had a basic understanding of equality and diversity, and most were able to discuss at a basic level why such policies are important. However there were a considerable number of relatively weak answers to this section where development and analysis of the terms was not strong, few examples were given and most significantly diversity and equality were not applied to the business workplace.

(b)   Most candidates understood the concept of work-life balance, although many responses remained at a descriptive level and did not analyse why a work-life balance is important. Strong answers referred explicitly to the tertiary sector and discussed specific and potentially important consequences for employee welfare such as the reduction of stress and burn out.

Question 6

There were some good answers to the provocative statement in this question. Strong answers analysed, and evaluated the tension between CSR and profit. Such answers often adopted a stakeholder analytical framework to distinguish between the short term and long term expectations of different stakeholders resulting in different attitudes towards CSR.

Question 7

(a)   This question proved challenging. Many responses demonstrated little or no understanding of elasticity generally or about price elasticity of demand in particular and simply listed general comments on demand factors. Those who understood elasticity were able to give good examples of how in a business context the concept could assist in the fixing or changing of a price to increase profits.

(b)   Most candidates were able to discuss the 4 P's, and most applied their commentary to a car manufacturer, gaining credit for application. However, many answers simply described the marketing mix in great detail with references to the car manufacturing industry. Strong answers focused on discussing the best ways and analysed and evaluated which specific parts of the marketing mix might be emphasised by a car manufacture and if alternative marketing frameworks or concepts might be applied.

BUSINESS

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

Key messages

- Candidates are reminded to pay particular attention to the command words and phrases in each question; this is especially important in the Section B Essays. Analyse means more than simply describe and list information points. Where there is little or no analysis it is hard to make evaluative comments.

- Candidates need to choose which essay carefully and ensure that they have a clear understanding and are able to interpret each question.

General comments

- Many candidates demonstrated a comprehensive understanding of the syllabus in Section A of this examination. Some answers however contained very little explanation or development, Simple statements no matter how correct cannot be given full credit.

- With regard to Section B essays there was often insufficient attention given to context, analysis, and evaluation. Candidates are reminded that most credit for knowledge and understanding is given in Section A.

Comments on specific questions

Section A

Question 1

(a) Almost all candidates were able to define an entrepreneur Most were able to give at least two points for full credit. Common answers mentioned at least two of the following points: financial risk takers, innovative and creative, setting up new businesses, and organising the factors of production. Weaker answers were vague expressions such as 'runs the business' which could refer to a shareholder or a manager.

(b) This question on reasons for the failure of new businesses was also well answered and most candidates gained some credit for relevant ideas. Weaker answers simply cited reasons but did not say more about them. The key here is to show how the factor leads to business failure. The lack of accounting records was a popular factor but candidates needed to show that this can lead to debts not being collected, for example. Other relevant reasons given included lack of capital, poor management skills, and the degree pf competition.

Question 2

(a) Many responses stated the difference between random and quota sampling but did not explain. Many defined random sampling as choosing people 'in a random way', which was not very informative. A correct definition identifies random sampling as a situation where the research subjects/items have an equal chance of being chosen as part of the sample. Quota sampling was better explained and many gave good stratified examples.

(b) Most candidates knew enough to give some limitations of sampling 'time-consuming' and 'expensive' were popular but needed an explanation of why this is so to gain further credit. However, there were many references to interviewer bias, small samples and unrepresentative samples.

Question 3

This question was very well answered, however, some responses went into detailed explanations of JIT rather than maintaining a focus on the costs and benefits of holding low levels of inventory.

Question 4

(a) Most candidates were able to explain the clear distinction between job description and person specification. These HR concepts appear to be well understood.

(b) There were many references to democratic leadership and quality circles which can create real opportunities for employee participation. Delegation, empowerment, share ownership, and laissez-faire leadership also featured prominently in many answers. Weaker answers concentrated on showing why it is good for employees to be able to participate, which was not answering the question. These answers mainly suggested putting forward ideas without any mention of a channel for such action.

Section B

Question 5

(a) Most answers gave good definitions of capital and revenue expenditure and outlined how these two types of expenditure differ in terms of sources of funding, entry in financial statements, and areas of business where these types of expenditure could be applied. Responses that explained the problems which arise when the expenditure types are confused in financial statements gained most credit. Weak responses included incorrect definitions, stating that revenue expenditure comes from sales and that capital expenditure is the money used to set up the business.

(b) Most candidates cited retained profits and sale of redundant non-current assets as internal sources of finance for a business. Some candidates thought that selling shares to the public was an internal source of funding. This is an external source of funding. A lot of candidates were able to gain full credit for analysis and application but did not get beyond this as they simply commented that internal sources were insufficient and that external sources would usually be needed. The best responses developed their evaluation by showing in which cases this might apply, or by showing that the perceived disadvantages of external finance might actually be an advantage in the long-run.

Question 6

Only a small number of candidates answered this question and many of those that did answer did not establish a link between the 4 Ps and 4 Cs of marketing. Many answers gave long explanations of 4 Ps, and sometimes 4 Cs, with only limited attempts to connect them. Some answers did not address the context of retailing at all. Better answers tried to show that retailers should be more customer-centred and therefore the 4 Cs could potentially be more useful to a retail business as they relate more to customer minded businesses like retail while the 4 Ps relate more to product oriented businesses.

Question 7

(a)   This question proved quite challenging. Many responses provided only examples of corporate objectives such as profit maximisation and growth without outlining the importance to a business of setting these objectives. Some responses described the 'SMART' framework and did not really answer the question. Strong answers correctly outlined and discussed how corporate objectives ensure that a business is focussed and does not drift, offer guidelines for management, and are a source of motivation for employees.

(b)   The question asked 'how corporate objectives could be communicated'. Communication methods such as meetings, briefing, training, website, and internet if well analysed and evaluated produced good answers that were given credit. There were some reasonable answers which did consider methods of internal communication within a retailer but there was very little in the way of evaluation of these methods. Weak answers looked at the importance of communicating objectives, which was really a repeat of **(a)**. Some answers centred around an MBO approach, which was credited.

BUSINESS

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│    Paper 9609/13        │
│   Short Answer/Essay    │
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Key messages

- Candidates should be aware that a question that carries only 2 or 3 marks does not require several paragraphs in response. The mark allocation should be taken as some indication of the length of answer required.
- Questions in **Section A** asking for explanation require more than a list of relevant facts. The importance or significance of relevant factors must be explained if full marks are to be awarded.
- Candidates must read all questions very carefully to ensure that they are answering the precise question set. This applies equally to **Section A** and **Section B** questions.
- When choosing to answer either, **Question 5** or **Question 7** candidates must ensure that they are able to address the issues in both parts of the question.

General comments

- Most candidates demonstrated a good range of knowledge of the syllabus content material indicating teaching and revision of the whole syllabus.
- A small number of candidates answered all three of the essay questions. This usually results in three answers that lack the insight and depth required to obtain marks in the higher mark bands.
- Referring to **Question 5 and 7**, a small number of candidates answered part **(a)** of one of the questions and part **(b)** from the other. Candidates must answer both parts of only one question.
- **Section B** requires candidates to demonstrate their analytical and evaluative skills. While there are a large number of candidates who offer effective and relevant analysis, it is a much smaller number who offer an evaluative comment. It should also be noted that any judgements made should relate specifically to the question set and, if appropriate, to the context given in the question.

Comments on specific questions

Section A

Question 1

(a) The majority of candidates showed a good understanding of the term 'market segmentation'. Some candidates simply used the words in the question e.g. 'market segmentation means to segment the market' which did not demonstrate a clear understanding. Strong answers referred to market segmentation as being when a market is divided into smaller parts or sub-groups of consumers with similar characteristics so that a business can target goods and services to a specific segment.

(b) Many candidates identified and explained two valid reasons why a business might segment the market for its products. Candidates were expected to explain reasons such as the fact that segmentation allows a more specific targeting of products and services; that gaps in the market can be identified and targeted thus realising more sales and profit for the business. Weaker answer to this question tended to identify possible reasons but then only give very limited explanation.

Question 2

(a) Many candidates were able to give a clear definition of the term 'workforce planning' as being the analysis and planning of the number of workers and the skills required by those workers that are required to allow a business to achieve its objectives.

Weaker answers referred only to the number of workers or to the skills required or, sometimes, referred only to 'suitable' workers which were too vague to be awarded 2 marks.

A small number of candidates reworded the question and defined it as 'planning the workforce' which did not demonstrate any understanding.

(b)   Candidates who did not accurately define workforce planning tended to carry their misunderstanding over into this part of the question. A small number of candidates explained the benefits of workforce planning in terms of organising the tasks of workers. This was too vague to receive reward.

Good answers frequently explained how a business could ensure that the right workers were in the right place at the right time; suitably skilled and sufficient number of workers would be employed so that business objectives could be achieved.

A frequently explained benefit was that a business could avoid the costs of having too many workers and therefore paying unnecessary wages; this would therefore reduce costs for the business.

It was important that candidates explained the benefits to a business and not to employees.

Question 3

The majority of candidates were able to show understanding of what is meant by efficiency with many candidates stating that efficiency is to achieve the highest ratio of inputs to output and almost all candidates were able to give some explanation of why this is important to a business. The strongest answers were developed by explaining the importance of efficiency in the context of a manufacturing business. This was often achieved by reference to the reduced wastage of raw materials if production was efficient and achieving maximum output using minimum input. This argument involved an explanation of how 'getting things right' meant that fewer mistakes would be made, thereby reducing the amount of raw materials used and the time needed to correct errors. Strong answers then developed this in terms of cost saving and a possible opportunity to reduce prices and increase competitiveness or to keep prices at the same level and enjoy higher profit margins.

Question 4

(a)   Most candidates accurately defined 'start-up- capital' as the finance needed to initially set up/start a business. Weaker answer recognised the financial aspect but did not relate to the beginning of a business and occasionally described it as 'running costs'.

(b)   Almost all candidates correctly identified two sources of start-up capital with the most common responses being a bank loan, the owner's savings or getting a loan from family and friends. However, to obtain 3 marks it was necessary to give some explanation of each potential source. For example, when obtaining a bank loan there is a requirement for repayment to be made and for interest to be paid to the bank. Bank loans can also be difficult to obtain due to the lack of financial records or business history.

A small number of candidates suggested that retained profit be used or finance be raised from the sale of old machinery. Both of these sources are inappropriate for a business start-up because they both imply an existing business and were therefore not rewarded.

Question 5

(a)   This question required candidates to demonstrate knowledge of a co-operative business as being a joint ownership organisation and which can commonly be worker, producer or consumer co-operatives. The most frequent advantages identified were those of members having an equal say in business decisions i.e. one vote per member, and the equal sharing of any profit. Other advantages might be the ability to buy equipment jointly e.g. agricultural equipment, thus giving members access to equipment that they might not have afforded individually.

Unfortunately some candidates misunderstood the meaning of a co-operative and described a joint venture between two businesses. Alternatively, 'co-operative' was sometimes misread as 'corporation' causing some candidates to write about private and public limited companies.

(b) This part of this question tended to better answered than part **(a)**. The majority of candidates accurately identified many of the factors that could influence the success of a small business, with the stronger answers being in the context of a fashion clothing manufacturer. Many candidates recognised that the nature of children's clothing is that it is usually chosen and bought by parents although there was also an awareness of the pester power of children. This aspect was incorporated in a discussion of the type of designs that would have to be produced in the business was to be successful.

The context of this being a small manufacturing business was also recognised in many answers with a large number of candidates correctly identifying that the amount of competition would be a factor influencing the success or even the survival of such a business. Frequently this line of argument was also developed to consider the size of business that constituted the competition, recognising that if this was from a large and well-established business then the smaller business would probably need to develop a USP.

Question 6

Candidates were expected to respond to this question by analysing and evaluating the effectiveness of high rates of financial rewards possibly by contrasting them with the effectiveness of other methods or reward. The focus was a manufacturing context which correctly lead many candidates to discuss the effectiveness of using a piece rate payment system. This was correctly linked to Taylor's theory of 'economic man' in the majority of cases. The effectiveness of such a reward was discussed in terms of whether piece rate payments would sustain the motivation of workers and it was generally accepted that this might only be a short-term incentive. Many candidates also recognised that if workers are already highly paid then additional financial reward is unlikely to motivate them. The final focus for this question was to link any form of motivational technique to the effectiveness of realising/unlocking the full potential of the workers. This was accurately linked to Maslow's 'self-actualisation' level in the hierarchy of needs pyramid. However, some candidates misunderstood the phrase 'realise human potential' and interpreted it as a managing 'realising' that a worker had some potential.

Analysis and evaluation for this question could be achieved by comparing and contrasting the effectiveness of financial rewards against non-financial rewards. Evaluation was not evident in many answers although strong answers did make a judgement about circumstances when some rewards were more likely to be effective than others. Another line of evaluation was to discuss the difficulty of applying motivation techniques to a workforce with widely varying needs.

A small number of candidates wrote all they know about motivation and did not address the specific question or apply knowledge to the context given in the question.

Question 7

(a) This was well answered with a large number of candidates demonstrating knowledge of profitability ratios. Many candidates gave the formula for relevant ratios. The majority of candidates referred to both gross profit margin and profit margin and showed a good understanding of how each of these would be calculated.

Analysis of their usefulness to two stakeholders was frequently in terms of shareholders or potential investors and managers. Accurate answers were expected to address the use of profitability ratios to help each of these two stakeholder groups to assess the performance of a business over a period of years and to identify any trends. They can also be used for comparisons between businesses, so that shareholders can judge the trends against other businesses that they might consider investing in. Managers can use the ratios to judge if any corrective action needs to be taken. For example, if the profit margin is falling then the managers would look at the expenses of the business to see if there are any cost efficiencies that can be made. They would examine the link between profit and the level of expenses incurred by the business.

Some candidates assumed that profitability ratios gave an indication of the actual amount of profit rather than the relationship between profit and sales turnover. In such cases the analysis lacked the precision required for the higher level marks.

Too many candidates assumed that employees would look at an improving profitability ratio and deduce from that that the business was enjoying higher profit levels, which is not necessarily the case.

A small number of candidates gave formulas for liquidity ratios but then discussed them as though they were profitability ratios.

(b) There were many strong answers to this question. Many candidates used the same two stakeholders that had been discussed in part **(a)** which was perfectly acceptable. The key limitations identified were the historic nature of published accounts and the fact that they cannot predict with any certainty what will happen next. The use of window-dressing was correctly identified as a strong limitation to their usefulness with many candidates explained the impact on the perceived liquidity and/or profitability of certain actions.

While many responses tended to be analytical rather than evaluative, there was evaluation in some of the stronger answers. This was often linked to the quantitative nature of published accounts and the fact that they cannot tell the reader anything about the level of motivation among the employees or the culture of the business, both of which can be the key to future business success.

BUSINESS

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Paper 9609/21
Data Response
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Key messages

- This paper is set at AS level and has a duration of 1 hour 30 minutes. It can be reasonably expected that candidates will write detailed and complete answers, especially to **Questions 1(c), 1(d), 2(c) and 2(d)**. A candidate who attempts to answer any of these questions in a paragraph is unlikely to gain many marks.
- There is a difference needed when approaching a definition question and a 'briefly explain' question. The definition can be a learned piece of knowledge, but the explanation requires some application and understanding. An example (that is not repeated from the case) is an excellent way to show this.
- Good application and analysis is the basis for the marks in **Question 1(c) and 2(c)**. This requires the candidate to show the effects on the business or stakeholder step by step. Do not jump to the end effect (for example on profit) without exploring all the steps in between.
- Evaluation must be based on good analysis. However that does not mean it must come at the end of the response. Candidates will often deal with one point at a time but never show how this point helps them to formulate an answer to the question. Good analysis is like building up a jigsaw, piece by piece. Good evaluation is about showing how the whole picture is developing and this can be done after each of the main pieces has been covered. The very best responses are ones where the candidate has already shown evaluation on more than one occasion before the conclusion is written.
- Centres must prepare candidates to respond at the right level for each question. On this specific paper:

  Question 1(a)(i) and Question 2(a)(i) both require a definition. This is a simple repetition of a learned definition, no explanation or application is required. A good definition (learned from a textbook) is usually a sentence with nothing else required. Vague, imprecise or unfocused definitions will not receive both marks.

  Question 1(a)(ii) and Question 2(a)(ii) both required an explanation without using the case study. Each part has three marks and candidates should aim for a detailed definition and an example, not related to the case as this will often show no understanding, especially if it is copied from the text.

  Question 1(b) and Question 2(b) both required calculation and then a question related to that answer. It is always advisable to use or refer to that answer in the second question. Candidates must answer the second part in context.

  Question 1(c) and Question 2(c) both required analysis in context. Candidates should aim for two well analysed points. A good answer to part **(c)** does *not* require a conclusion or any evaluation.

  Question 1(d) and Question 2(d) both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

- **Question 1(d) and 2(d)** now have 11 marks. This makes evaluation based on good analysis even more important.

General comments

Paper 2 has a piece of data on two separate businesses. Candidates must read, understand and use the data to answer the majority of the questions on the paper. This needs to be completed in 1 hour 30 minutes. This can be difficult for candidates to complete and Centres should practise timing with their candidates.

A high number of candidates did not attempt **Question 2**. This may have been due to timing, but could also have been due to not looking at the final page of the examination booklet. Paper 2 will always contain two full questions, each with a piece of data on which to respond.

The contexts of Peterson Manufacturing (PM) and Prestige Jewellery (PJ) were reasonably well understood by candidates and the mixture of a secondary sector business (PM) and a tertiary sector business (PJ) gave candidates many chances to show their skills.

Context is very important in this examination and is the basis for good analysis and evaluation. Without context a candidate cannot gain more than half of the marks available on the whole paper.

Centres should prepare and practise the use of unseen data before the examination. A good technique can be to read the data, read the questions and then to go back to the data again. This process is likely to take 5–10 minutes of the examination for both sets of data, but it will produce responses that are more likely to attain high analysis and evaluation marks.

Comments on specific questions

Question 1

(a) (i) Whenever a question is asked about public limited companies, there is often a confusion between these and public sector businesses. Those candidates who understand what type of business was being asked about tended to achieve well on this question. However, many candidates gave an answer about Government ownership. A few candidates tried to cover all the bases by giving a response which defined a publically owned business and a public limited company. This approach does not give a precise definition and is unlikely to be rewarded.

(ii) The term worker representative was reasonably well understood, but many cases candidates struggled to explain the term without giving a tautological response. For example it was fairly common to read that 'a worker representative represents the workers'. This type of answer shows no understanding beyond the wording of the question and will not be rewarded.

A good explanation requires candidates to go beyond a definition and show some application. An excellent way of doing this is through an example. However the example must not be repeated from the data given, otherwise the Examiner cannot know if the candidate has merely repeated a section of the data or really understood the term.

(b) (i) The key to this question is the word 'total' which required candidates to add up the revenue from all four oven types and then calculate the decrease from 2013 to 2015. Like most calculations on paper 2, the mathematics is not demanding but the understanding of a business term is the key to success on these questions. Candidates who understood what was meant by total revenue usually achieved high marks.

As with all calculation questions on paper 2, there are marks available for the stages leading up to a correct answer. If a candidate does not gain the correct answer credit can be given for each of the stages (including formula). To this end, if a candidate chooses to write down their answer and show no working, then they are risking gaining zero marks if they have made any mistake. It is highly recommended that all working is shown.

(ii) Words in questions (such as effect, cause or impact) are essential for a candidate to understand how to answer a question. Many candidates misread this question and confused what was required of them. A significant number of candidates answered this question in terms of the cause of the decrease in revenue, rather than the effect of it on PM. This gained no marks as it was not a valid response to the question and it wasted time that could have been better spent on other questions.

There are some obvious effects of a fall in revenue (profits, lack of finance, worker remuneration etc.) and good answers took one of these and explained it in the context of PM. Non-contextual answers will never gain full marks on a question which is focused on the specific business (or stakeholder) as this one was.

(c) Many candidates had little idea what the 4C's actually is. There were some good guesses, but this should be a well-understood and taught topic within the syllabus. Accessing higher marks on this question was difficult when a candidate struggled to define the 4Cs correctly.

For those candidates who did know what the 4Cs actually are, the most common route was to go through all four, sometimes in the context of PM and describe how PM could use each to improve customer relationships. However the question called for analysis, not description, and most candidates never got to the position of any actual analysis. Analysis is about impact, consequence and reaction and therefore there needed to be some impact on the business of using the 4Cs to improve customer service. A simple route to this analysis would have been to take one of the 4Cs and show how PM could use it and then link this, step by step, to the improvement in customer service. For example, if PM focuses on the customer solution, then they could introduce the new oven to make their customers happy and stay with PM rather than the competition. This could lead to more customers staying loyal to PM, stopping the decrease in revenue and making the business more profitable as well as improving the customer relationship. An answer that could go through this type of analysis twice (i.e. for two of the 4Cs) could gain full marks.

(d) The command word here was 'discuss'. A discussion requires a two-sided argument with some form of evaluative judgement. Data was given in Table 2 (and elsewhere) to support both advantages and disadvantages and these needed to be analysed and then evaluated to gain full marks. As there are 11 marks given to this question, it is not unreasonable for a candidate to be writing for 12–15 minutes on this response. As such it was very disappointing to see some answers which presented only a short paragraph.

Candidates do not have to go through every advantage and disadvantage. One on either side is just enough to gain full marks, but two would be better. Good responses that gained evaluation marks then came to a judgement over whether the proposed change was more of an advantage or a disadvantage to PM. However these responses were very rare.

Question 2

(a) (i) An Income Statement is a very important business document and as such it was disappointing to see so many candidates who had no idea what it is. Older textbooks may refer to this as a profit and loss account, but the 9609 syllabus uses the correct international term of Income Statement. Centres must refer to the changes in the syllabus and make sure that candidates are fully prepared for the examination.

The most common mistake on this question was for candidates to think that an Income Statement was a document that stated an employee's income, like a wage slip.

(ii) HRM is a multi-faceted term to explain and a good approach is to take each element, explain it and then put it together with an example. In this case 'human resource' could be explained and then the idea of 'management'. This approach would mean that a candidate avoided tautologies, such as 'it is about managing people'.

There were a significant number of candidates who confused this term with marketing to customers, or managing the customer experience.

(b) (i) There is a difference between gross profit and gross profit margin. Candidates who merely calculated the gross profit were rewarded with a mark, but a three-mark question is rarely going to be this simple. Candidates must fully read a question and answer appropriately and with an element of common sense. Three marks on this paper represents about 4 minutes of thinking and writing time. If a candidate appears to have the right answer in less time than this, then they should check their answer, re-read the question and be absolutely sure they have done everything that they can to gain the marks.

(ii) There are many benefits to having accurate cost data that most Business candidates should be able to identify. The good response to this question, however, placed this benefit in context, or better still used the context to identify the benefit. PJ have high unit costs, keeping these in check is important for the profitability of the business. Add to this that PJ make bespoke jewellery to order and there are a number of benefits that stand out as being important to PJ.

(c)   Analysis of advantages (or disadvantages) should be a skill that every Business candidate has. It requires the identification of contextual advantages (in this case to PJ) and then the analysis of these, showing the impact or consequence or reaction of the business to these advantages.

Most candidates had a good idea what job production was and some could go on to explain the advantages in context for PJ. However it was relatively rare to find an answer that went beyond a superficial analysis of these advantages. Good analysis on this question usually consisted of a response which took an advantage and showed why to this specific business it would increase sales, reputation, profits etc.

When asked for advantages (or disadvantages) two is always enough for full marks. Candidates should not spend time writing about as many as they can think about in the time available. Two quality pieces of analysis will attract more marks than many pieces of weak analysis.

There was some slight confusion between job production and human resource management for some candidates. Poor understanding of terms that should be well-known disadvantaged these candidates. Centres must make sure that candidates have the basic foundation of business knowledge before attempting this examination.

(d)   Selection is a term that is often tied up with recruitment. However in this question it was separated from recruitment and this caused some candidates issues. The most common one was for candidates to waste time explaining, analysing and sometimes even evaluating recruitment methods that PJ could use. This was not rewardable unless some link could be made to the selection process.

Again the context provided a wealth of starting points for a good answer. This was selection of a manager, which methods might be most appropriate for this type of position? The new manager would need HRM skills, be responsible for expensive jewellery and many more elements that could have been used to gain good context and used as a starting point for analysis and evaluation.

As with **Question 1(d)**, there was a briefness to many answers that was unlikely to have enough depth to gain many marks. Centres must practise these longer answer questions so that candidates can develop analytical points which can be used to evaluate.

BUSINESS

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Paper 9609/22
Data Response
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Key messages

- Candidates need to **use** the context, not write out large sections of it word for word. For example on **Question 1(d)** many candidates spent too long describing the business of SC and not enough time analysing how the data might affect SC's marketing mix.
- There is a difference needed when approaching a definition question and a 'briefly explain' question. The definition can be a learned piece of knowledge, but the explanation requires some application and understanding. An example (that is not repeated from the data) is an excellent way to show this.
- Good application and analysis is the basis for the marks in **Question 1(c)** and **2(c)**. This requires the candidate to show the effects on the business or stakeholder step by step. Do not jump to the end effect (for example on profit) without exploring all the steps in between.
- Evaluation must be based on good analysis. However that does not mean it must come at the end of the response. Candidates will often deal with one point at a time but never show how this point helps them to formulate an answer to the question. Good analysis is like building up a jigsaw, piece by piece. Good evaluation is about showing how the whole picture is developing and this can be done after each of the main pieces has been covered. The very best responses are ones where the candidate has already shown evaluation on more than one occasion before the conclusion is written.
- Centres must prepare candidates to respond at the right level for each question. On this specific paper:

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  Question 1(a)(ii) and **Question 2(a)(ii)** both required an explanation without using the case study. Each part has three marks and candidates should aim for a detailed definition and an example, not related to the case as this will often show no understanding, especially as it may be copied from the text.

  Question 1(b) and **Question 2(b)** both required calculation and then a question related to that answer. It is always advisable to use or refer to that answer in the second question. Candidates must answer the second part in context.

  Question 1(c) and **Question 2(c)** both required analysis in context. Candidates should aim for two well analysed points. A good answer to part **(c)** does **not** require a conclusion or any evaluation.

  Question 1(d) and **Question 2(d)** both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

- **Question 1(d)** and **2(d)** now have 11 marks. This makes evaluation based on good analysis even more important.

General comments

Paper 2 has a piece of data on two separate businesses. Candidates must read, understand and use the data to answer the majority of the questions on the paper. This needs to be completed in 1 hour 30 minutes. This can be challenging for some candidates to complete and Centres should practise timing with their candidates.

The contexts of Scented Candles (SC) and Mackintosh Shoes (MS) were well understood by candidates and the mixture of a service sector business (SC) and a secondary sector business (MS) gave candidates many chances to show their skills.

Context is crucial on this examination and is the basis for good analysis and evaluation. Without context a candidate cannot gain more than half of the marks available on the whole paper.

For many candidates this is the first unseen data they will have been expected to use in an exam. Therefore Centres should prepare and practise the use of unseen data before the examination. A good technique can be to read the data, read the questions and then to go back to the data again. This process is likely to take 5–10 minutes of the examination for both questions, but it will produce responses that are more likely to attain high analysis and evaluation marks.

Comments on specific questions

Question 1

(a) (i) Many candidates could define 'opportunity costs' well. A simple one sentence definition of opportunity costs was plenty to get both marks on this question. Those who got a single mark often tried to define the term in less than precise terms or tried to do it through a poorly worded example.

(ii) Market research was a well understood term and candidates often got two marks very quickly. However, the command word on this question is 'briefly explain' and that requires more than a definition of the term. Some application (usually not based on the data) is required for full marks and the easiest way to get this is an example. One of the most common ways to gain these marks was to explain that market research could be made up of primary and secondary research.

(b) (i) Elasticity can be a difficult concept and therefore requires some time to be taught well. Many candidates showed little knowledge of the concept and there were many errors from those who did. One of the most common errors was where candidates did not convert the actual changes in price and quantity into percentage changes. Another common error was that candidates inverted the formula giving a wrong answer but one that had most of the necessary steps. As long as candidates showed all of their working they could gain most of the marks available. However if a candidate gave no working and presented a wrong answer then it would gain no marks. It is too much of a risk to not show working.

(ii) This question asked candidates to explain a benefit to SC of using price elasticity of demand to pricing decisions. This does not require candidates to repeat what PED is or the formula. It requires candidates to explain a benefit of using the calculation. For example SC could use the calculations to plan inventory levels and to forecast demand changes. Candidates must answer the question set.

(c) This was an analysis question. Analysis is about consequences, reaction or impact. In this case candidates needed to explain why SC's objectives might change over time and then analyse their answer. Most candidates could explain, in context, why SC's objectives might change over time; but struggled to analyse the impact, consequence or reaction of SC in context as well.

The data stated that SC had achieved its original objective of survival and this was an ideal place for candidates to start their answer. However there must be some analysis of this factor. Candidates also needed to find another reason why SC might change their objectives over time. Two factors are enough for an 8-mark analysis question on paper 2.

(d) Most candidates knew that a marketing mix involved the 4P's (or 4C's). Some answers went little further than this and simply explained what the marketing mix was in more and more detail. Knowledge is vital to any response, but it needs to be **used** in the correct way in these longer answer questions. Candidates can save precious time if they can master how to use knowledge.

The most competent answers made recommendations about a combined marketing mix, in context, which showed good evaluation from the beginning. However most answers went through each individual element of the mix and wasted too much time explaining rather than analysing and evaluating.

A good evaluation requires argument, balance and judgement. These skills could be based upon the recommendation of one element of the mix and therefore it is quality of an answer that is more important than the quantity of the answer.

Question 2

(a) (i) There was a great deal of uncertainty over the term 'redundancy' and many candidates tried to define it as unfair dismissal or being 'sacked'. There were also a large number of candidates who made an attempt to define redundancy in terms of a piece of capital equipment that is no longer needed. This is not how the term is used in the syllabus and therefore any term must be defined as appropriate to the Business syllabus for 9609.

(ii) A reasonably well answered question. Most candidates gained at least 2 marks on this question and many used a good example (not based on MS) to gain the third mark. The most common mistake was to try and make a tautological answer. For example, 'a joint venture is a venture which is joint'; this is not worthy of marks. Candidates must use appropriate Business definitions, not just quote the question or the data back to the Examiner.

(b) (i) Although this was not a difficult question, some candidates did not pay enough attention to what was required. Most calculations on this paper do not require complicated mathematics, but they do require Business knowledge. The knowledge required here was that finished inventory had not been sold and therefore should be taken off the production figure. Those candidates who did not see this, or understand what was required, gave a wrong answer. As long as working was shown a wrong answer which shows a correct stage could be rewarded.

(ii) Many candidates read the question wrongly and gave reasons why the revenue may have fallen. The question actually asked for the likely impact. This needed to be explained in context and candidates who read this correctly often got high marks. Candidates must fully read and understand the actual question set, not the one that they think has been written.

(c) Most candidates understood that labour intensive production involved a majority of workers rather than capital.

In a question that asks for disadvantages (or advantages), two is always enough to gain full marks. Candidates who try to give 4, 5 or even 6 disadvantages are unlikely to have time to analyse each well enough to get full marks. Alternatively the candidate will run out of time for later questions.

The context here of a shoe manufacturer lent itself to arguments about quality, unit costs and productivity. There was also a good argument that could be made about the uncompetitive nature of MS compared to the capital intensive competition. However a relatively large number of candidates took this point too far and ended up arguing the benefits of becoming capital intensive. This often led to large chunks of an answer not answering the question and a waste of time.

(d) Sources of finance is a topic that candidates seem to know a great deal about. In fact some candidates briefly explained many internal and external sources of finance. Sadly this knowledge is only worth 2 marks out of 11. Without context, analysis and evaluation, an answer containing only knowledge is of very limited value for part **(d)** questions.

Good answers took two or three sources of finance (the ones most relevant to MS), put them into the context of MS and then analysed the advantages and disadvantages of each source. Unfortunately, many answers mentioned taking on additional partner or selling shares on the stock market – neither option is available to a private limited company

The best answers then went on to rank the sources that had been analysed in context and make a judgement over the most suitable.

BUSINESS

| Paper 9609/23 |
| Data Response |

Key messages

- Encourage candidates to use the context, presented in the case studies, to support their responses.
- Identify what analysis and/or evaluation is appropriate to a question and practise these skills.
- Candidates can demonstrate application and analysis with a few well developed points.
- Remind candidates to be aware of the marks available for each question. They need to spend the appropriate time on each question and devote adequate time to analytical and evaluative questions such as **Questions 1(c), 1(d), 2(c)** and **2(d)**.
- Advise candidates that questions requiring the use of context, such as **Question 1(c),** should integrate the information from the case in their answer.
- Ensure full understanding of the command words.
- Practise 'explain/definition' questions and get candidates to produce their own list of words/definitions/explanations with examples.

General comments

The case material for both questions seemed well understood. There seemed little difficulty with understanding the questions set although some candidates tried to answer **Question 2(c**) with reference to Corporate Social Responsibility (CSR) rather than CSR as an **objective**.

As in previous sessions, candidates should:

- Use the context
- Identify opportunities to analyse – it is always possible to develop the data further
- Identify opportunities to evaluate – **Question 2(d)** required a justified discussion of the advantages and disadvantages of investing in CAM.

On the whole, candidates demonstrated a good grasp of business terminology and were able to express themselves effectively.

Comments on specific questions

Question 1

(a) (i) Many candidates could define demographic segmentation and give an example such as 'age'. It is important to demonstrate understanding of both 'demographic' and 'segmentation' to avoid confusion with other ways of segmenting a market, such as geographic segmentation.

(ii) Most candidates managed to give good explanations of business enterprise. Good answers referred to risk taking, profit seeking and developed their explanation further by giving examples such as sole traders, PLC etc. There is no need to use context in answering part **(a)**.

(b) (i) The correct answer was calculated by the majority of candidates. It is advisable for candidates to fully show their working (including the formula).

(ii) Most candidates could define 'profit' and 'cash', whilst the better candidates explained the difference between them often including examples.

(c) This question required candidates to use the information in the case. Most candidates showed understanding of promotion methods. Good candidates tailored the suggested methods to the context of a new business/seasonal/tourist trade/sole trader and incorporated the survey results given in the data. This question required more than a description of promotional methods and the better candidates analysed the suggested method in context. Candidates are to be congratulated for including chains of reasoning in their answers as a well-developed chain of reasoning demonstrated good analysis.

(d) Many candidates saw this question as an opportunity to write everything they could about cash flow – sometimes using examples other than the business in the case study. Strong candidates managed to give a justified evaluation/judgement of the usefulness of a cash flow forecast to SS.

Question 2

(a) (i) Most candidates gave the correct definition of the time between a customer placing an order and receiving the goods ordered.
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(ii) This part was well answered. Candidates demonstrated good knowledge of mission statements and did not confuse mission statement with more specific company objectives.

(b) (i) The correct answer for CC's acid test ratio was given by most candidates who appeared to have little difficulty with the calculation. Where an incorrect answer was given it was usually because candidates had calculated the current ratio. Candidates who arrived at a different answer and who showed their workings attracted marks for identifying the correct data.

(ii) Most candidates could explain the usefulness of the acid test ratio and good answers considered the usefulness to CC by, for example, comparing CC's acid test ratio with the rest of the industry (as given in the data).

(c) Many candidates demonstrated good knowledge of CSR and could outline benefits to employees and the local community. The question required candidates to specifically analyse the benefits to CC. Candidates who discussed the benefits to CC were often able to link this to the CAM proposal and the company's mission statement.

(d) A significant number of candidates simply listed the advantages and disadvantages to CC of introducing CAM. Some excellent answers considered the proposal in relation to the mission statement, CSR objective and the possible conflicts between objectives and the need to remain competitive in a highly competitive market. Good candidates made a final judgement based on excellent analysis which was demonstrated by good chains of reasoning.

BUSINESS

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Paper 9609/31
Case Study

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Key messages

- Strategic management is distinct from managerial roles and qualities
- Calculation may be used to provide evidence of application
- Research and Development continues to be incorrectly defined as relating to market research

General comments

There were some highly sophisticated answers to this paper. The quality of answers is often impressive in terms of the depth of understanding demonstrated by candidates and their ability to select the most relevant information from the case study. Candidates were effectively prepared by Centres in exam technique with many examples of answer plans and evaluation was shown in many responses.

The majority of candidates gained maximum marks on the numerical questions and only a handful achieved less than 8 marks of the 14 available.

There was no evidence that the case study material had been misread or misunderstood. Management of time by candidates appeared good as most were able to attempt all questions and develop answers to the full extent of their knowledge.

Comments on specific questions

Section A

Question 1

Candidates had a good understanding of the term social media and were able to explain the key benefits to SEL, making use of the case evidence regarding dealing with customer problems and understanding customer needs. However, some candidates would have improved their answers by focusing on the question asked; there were many examples of candidates discussing the benefits to employees rather than SEL; considering the disadvantages of social media and a few candidates also assumed that BLOGHUB would be available for competitors to see rather than being restricted to SEL employees. Disadvantages, however well developed, were not rewarded with marks and such analysis reduced the time available for candidates to build other more relevant argument in other questions.

Question 2

This question caused the greatest difficulty for candidates in *Section A*. Some candidates recognised and discussed the evidence that the Sandson brothers had a company that demonstrated excellent innovation and quality whilst at the same time being subject to falling profitability and poor cash-flow. This provided a context for concluding whether or not the brothers were right to sell or not. Better candidates noted that the brothers would continue to have an interest in the company through their ownership of CCP shares and that this would generate future income streams for the brothers, this highlighted that the structure of the sale of SEL in terms of cash and shares was an important consideration.

The difficulty arose over whether the company was worth $35 m. In real life this is a very difficult question as the value of a company is made up of many different factors and is not simply based on profitability. Many

candidates added various figures from Table 1 and then compared this figure to $35 m. There was often an assumption that the company would be able to sell the assets for their book value and then pocket the cash without considering that loans would still need to be paid off. A second, not uncommon, error was to assume that the $35 m went to the company rather than the brothers and could therefore be used to address the financial problems of the company.

Some good evaluative responses recognised the difficulty of placing a value on intangible non-current assets, but argued that SEL's strength in innovation and the potential for the robo-cleaner in the market made SEL a very desirable purchase for CCP.

Question 3

Most candidates were able to discuss the various elements of a marketing strategy with a particular emphasis on the 4 Ps of course. This approach gained marks for knowledge and typically lead to some analysis. Good answers attempted to integrate the various elements into a strategy, linking price and place to the qualities of the robo-cleaner identified in the case. The best candidates actually related their points about the marketing strategy to the context of their country by considering factors such as income levels, competition, specific cultural differences and common types of flooring typically found in homes. A few candidates also reflected on whether a pan-global or a more localised campaign should be used.

Question 4

(a)   Candidates found this to be a highly accessible question. Most candidates gained full marks for the calculations.

    (i)   Most candidates stated the relevant formula and accurately calculated the labour productivity. A small number of answers inverted the equation but there were few other errors made.

    (ii)   The percentage of output rejected was also calculated correctly by the majority of candidates. Some candidates added the number of appliances rejected by quality control to the total annual output of appliances before calculating the percentage rejected; these candidates were also rewarded full marks.

    (iii)   Good responses started with a statement of the formula for labour turnover. Calculations were made accurately. A few candidates did not know the formula and made use of the days lost through absenteeism.

(b)   There was no shortage of suggestions as to how to improve workforce performance. Most candidates approached this question from the perspective of improving motivation; thus, explanations of the theories of Mayo, Herzberg and Maslow were common. Whilst candidates often demonstrated good understanding of these theories it was only the stronger candidates who placed theory in the context of the case. These responses focused on the possible causes of poor workforce performance such as the 'hard' approach adopted by the Operations manager and then suggested solutions making reference to theory to support answers. However, evaluation was relatively rare in responses. Good examples from a minority of candidates included whether it would be possible for the Operations manager to change his approach to employees. This led to the conclusion that solving problems might be dependent on changing the manager – a good evaluative point to make.

There were candidates who restricted their answers to looking at problems or discussed the importance of motivation but offered no specific solutions. These gained few marks.

Although it was not specifically required, better answers tended to make reference to their calculations to **Question 4 (a)** as part of their structured response. This represents good exam technique for two part questions. A few candidates also considered the data on absenteeism. Calculation of absenteeism per employee demonstrated the skill of application.

To gain full marks it was essential for candidates to consider **two** solutions to the workforce problems. Weaker candidates only suggested one change or gave superficial comments on multiple changes. The latter approach gained few marks for analysis and evaluation and in some cases wasted valuable time for candidates. It is always important to closely follow the directions within the question.

Question 5

Most candidates were able to make a reasonable attempt at answering this question highlighting, on the one hand, the fact that CCP had specifically bought SEL due to its reputation for innovation and quality and contrasting this with the lower profitability of SEL relative to CCP and the industry average. This contrast enabled candidates to evaluate whether or not SEL's R&D was effective. Although some responses concluded that R&D was a waste of money because SEL's profitability was low, more sophisticated answers took a more nuanced approach by linking the low profitability to operational problems highlighted in the case. Further analysis was developed by considering the synergy that might result from the takeover, with SEL's strength in R&D complementing CCP's strength in manufacturing resulting in more profitable outcomes from SEL's innovations. This line of argument gained marks in all four skills being tested in the exam. A few very good responses also pointed out that with the brothers leaving the company their expertise in the area of R&D would be missed.

There was an opportunity for candidates to manipulate the data in Table 3 to calculate the spending per new patent developed over the period. This led to some perceptive analysis that CCP having taken over SEL might gain economies of scale within R&D.

Section B

Question 6

As in previous sessions the question about strategic analysis proved very popular. All candidates demonstrated a strong knowledge of the elements of strategic analysis by referring to PEST and SWOT techniques in particular. There is a tendency for candidates to provide very lengthy description of the meaning of strengths, weaknesses, opportunities and threats without really addressing the question. Better responses did focus on how a lack of strategic analysis before the decision to take over SEL might create potential problems for CCP; for example, whether or not the financial fundamentals of CCP were adequate to proceed with this investment. Candidates also highlighted the risk that CCP was taking with such a hurried decision. The best answers placed strategic analysis within the context of strategic management, noting that CCP would reduce risk through carrying out the different stages of this approach. Thus, candidates highlighted the need for using strategic decision making techniques as well as strategic analysis. Evaluation was given by contrasting the need for CCP to make a quick decision against the risks of not conducting a full analysis.

Candidates frequently carried out a SWOT analysis of SEL rather than of CCP. Candidates should be reminded that technically SWOT analysis is an analysis of the internal strengths and weaknesses of the organisation conducting the analysis rather than those of the target for acquisition.

A common approach to this question was to identify the strengths and weaknesses of AF and the opportunities and threats suggested by the case study. This usually enabled candidates to gain application marks and often led to some analysis of the role of the techniques in strategic analysis.

Question 7

This offered scope for wide ranging answers as each element of strategic management could potentially be discussed from strategic analysis to strategic choice to strategic implementation. However, the small number of candidates choosing this question typically discussed elements of management and leadership as described in *section 2.1* of the AS Level content and consequently offered little rewardable comment. Better responses looked at one or more elements of strategic management, often with a focus on strategic analysis. The best answers then looked at strategic choice and emphasised the importance of corporate planning in setting long term goals for the business and their achievement. Context was best developed by considering the decision to purchase SEL without proper planning and a few candidates noted that as SEL and CCP were from different countries there might be cultural clashes and therefore it was essential to consider strategic implementation to ensure future success.

BUSINESS

Key messages

- Demonstrate to the Examiner why the points made link to the question
- Copying parts of the case does not demonstrate knowledge or application
- An important skill in business is being able to amend given accounts and calculate ratios based on changes made
- Index numbers often appear in appendices and an understanding of how they represent changes in data is useful

General comments

Effective knowledge was demonstrated of most key business concepts within the case study. Good candidates developed an analysis of issues in context and then provided evaluative comment where appropriate. Although candidates often selected information from the case as part of their answer it was not always made clear how it helped answer the question. It is essential that points being made are then explicitly linked to the question. In contrast to previous sessions candidates found the quantitative questions difficult. **Section B** questions continue to provide substantial challenge to candidates due to the weighting given to evaluation marks. It is therefore important to structure answers with the aim to constantly make evaluative comment. Candidates should include evaluation in each paragraph of their answers to either **Question 6** or **Question 7**.

Comments on specific questions

Section A

Question 1

Candidates were able to analyse the impact of a more flexible approach to human resource management by commenting on the changes highlighted in the case study. Often links were made to the likely impact on the motivation of employees of introducing temporary contracts. However, the majority of candidates did not develop this analysis any further. Better answers considered how reduced motivation would affect, for example, productivity and therefore the costs and profits of CJE. Such an approach was also able to link the changes to CJE's stated objective to reduce costs and increase profitability. There were some good answers that appreciated the meaning of zero hour contracts and considered the benefits to CJE in terms of reducing costs and making a more effective use of labour. However, a significant number of candidates did not fully understand this business term and consequently struggled to make relevant points.

Candidates are often inclined to repeat large parts of the text without making a link to the question. This was prevalent in the introductions written by many candidates. This approach does not demonstrate knowledge or application. Candidates should continually strive to link each point they make clearly to the question.

Question 2

In all calculation questions the own figure rule applies so it is essential that candidates show full working of their answers, so as to ensure that if mistakes are made it may still be possible to secure some of the available marks. This was particularly true in this question as there were 6 marks available for the calculation and many answers made ineffective use of the data.

(a)   This proved to be a difficult question. A variety of errors were observed. Many candidates did not include the additional annual fixed costs when calculating the unit cost of supplying a turbine blade through increasing the capacity of the existing factory. Others included the annual fixed costs of the existing CJE factory. However, most candidates were awarded marks for demonstrating an understanding of unit costs and for calculating a difference.

(b)   The case material provided a range of evidence that could be used to recommend whether to outsource production of turbine blades to AOP. Some of the answers were excellent with detailed arguments for and against outsourcing before a justified recommendation was made. These answers tended to be selective in their use of argument and focused on a small number of key issues rather than trying to address all possible factors. Deep analysis of a few issues can score more highly than making lots of separate points. The issue of the time taken to expand the capacity of the existing factory was well understood as an issue for consideration. Chains of argument were made that linked any delay in increasing output to lost sales in this competitive market. The difference in annual capacity was also frequently cited as an advantage of outsourcing. However, these points might have been given greater evaluative comment. A few answers questioned why AOP had lost a recent order and highlighted the importance of CJE being able to control quality.

Question 3

There were several valid approaches that could have been used to answer this question. Most answers focused on the issue of whether making 'facilitating payments' to Government officials was ethical. This led to a balanced discussion of the benefits of entering this new market with potentially high profit margins against the possible negative consequences if the media discovered that CJE had bribed officials. A common line of argument was that CJE should not bribe officials but should instead focus on being more competitive so as to win the order. Other answers ignored the issue of bribery and just focused on the sales and profit of being able to enter the market and other implications for operations management and finance.

There was no right or wrong answer to this question. However, it was essential that answers focused on the implications of the decision on CJE. Some candidates entered into lengthy analysis of the impact on the Government and on country Y. Such analysis missed the point of the question. There were a small number of candidates who did not understand the term 'facilitating payments' used in the case study. However, a careful reading of the case made it clear that the payments were not part of the normal trading activities of a business.

Question 4

Candidates found these calculations difficult and this may have contributed to the superficial nature of answers to **Question 4(b)**.

(a) (i)   Operating profit margin was not well understood. Many answers were unable to provide a definition or equation. Many answers calculated the operating profit margin without accounting for the changes made by the Finance Director.

    (ii)   In previous sessions gearing has often produced accurate calculations. In this exam only a few candidates achieved full marks. Although the formula was often stated, candidates were uncertain how to calculate the figure for capital employed. Candidates should be encouraged to practise making changes to financial accounts during the delivery of the course content.

(b)   Some good answers recognised that the suggested change to depreciation was an attempt to window dress the accounts. Most candidates considered window dressing to be inappropriate and showed an understanding of the key principles of accounting. Better answers also considered the potential benefits of window dressing in terms of satisfying shareholder demands but recognised that these benefits might be only short term. Good answers also distinguished between the two suggestions being made and treated them independently. Thus, good evaluation was possible where a candidates recommended one change but not both.

Question 5

Candidates generally demonstrated an understanding of the terms in Appendix 1 giving accurate definitions of GDP per capita, labour costs and interest rates. Having defined terms, a number of answers gave an outline of how the forecasts might be useful to CJE in general. However, to answer this question further it was necessary for candidates to comment on how these forecasts might be used by two functional

departments such as marketing, operations, finance or human resource management. Good answers focused on this directive from the question. Effective answers typically made links between GDP growth, increasing demand for air travel and how this would be useful to marketing. Labour costs were linked to human resource management or operations and case material that indicated that CJE had operations in Europe or that strategy 1 involved the takeover of a manufacturer in a BRICS country. Interest rates were often linked to issues of finance regarding either of the growth strategies being considered. A small number of candidates showed an understanding of the reduction in maximum permitted pollution levels per jet engine between 2015 and 2020 and how this might be useful to a functional department such as operations. Candidates should be advised to ensure that they are able to interpret index numbers accurately. The forecast growth in global market share of Asian aircraft manufacturers was misinterpreted by some candidates as representing competition to CJE rather than a marketing issue of the location of future customers.

Section B

Question 6

This question was preferred by the majority of candidates. The case provided plenty of relevant information to support either strategy 1 or strategy 2 as a recommendation. Candidates gained knowledge marks by demonstrating an understanding of strategic choice techniques such as the Ansoff Matrix, Force Field Analysis and Decision Trees. Candidates also referred to the data presented in Table 3, but some candidates did little more than repeat the information and therefore did not gain full marks for application. Good answers developed analysis of how the data in Table 3 contributed to effective decision making, but also explored the extent to which the data was reliable and commented on other information that might be required by decision makers within CJE. The best answers were evaluative throughout their answers and made a final supported judgement as to which strategy to recommend.

Question 7

This proved to be a difficult question. A number of answers provided significant analysis of whether CJE should choose strategy 2 rather than focusing on how the strategy should be implemented. The best answers made use of the case material to identify problems such as the potential cultural clash with the USA business managers and then showed an understanding of change management to consider how the problem might be overcome. Some good answers structured comments around considering the benefits of setting clear objectives, communicating with and involving employees, identifying the changes that would need to be made and reflecting on how the external environment might influence changes. However, few candidates developed meaningful evaluation of their suggestions; this could have been achieved by considering, for example, the extent to which successful implementation of ideas would depend on the extent to which the two organisations could work together.

BUSINESS

| Paper 9609/33 |
| Case Study |

Key messages

- To achieve a top grade in this paper candidates are required to read the business scenario presented, to be able to interpret and use the data provided, and to answer the questions set with reference to the particular circumstances of the business in the case.
- Knowledge is displayed through use of business terminology, application of business theory and analysis using numerical techniques.
- Many candidates are increasingly able to display good knowledge of business theory and use of data and there appeared to be widespread understanding of this particular context, the smartphone industry, with some sophisticated insights being shown.

General comments

The case study context was accessible to all candidates. There were no examples of a lack of comprehension of the product or of the strategic options presented in the case. The quantitative data was referred to accurately and there were very few instances of incorrect data being used. This does not mean that all candidates were able to use the data effectively, but many could at least identify the relevant evidence. The use of ratios in **Question 3** showed that candidates understand and can use these financial analysis techniques, although the interpretation of the results inclined towards general responses, particularly in assessing shareholders' reaction to performance. Excellent candidates were able to comment on the aims of the original founders of the company and how this might impact on their reaction to performance as shown by the ratios.

Time management in this paper appeared to be of a high standard, with only a few candidates showing a rushed final answer or unfinished response.

Comments on specific questions

Section A

Question 1

This was an accessible question, with the vast majority of responses showing good knowledge of the key aspects of soft HRM. Application was achieved through reference to the decentralised nature of the company, or through commenting on leadership style and use of project teams. Weaker answers were unable to provide a benefit arising, such as reduced labour turnover or higher motivation. Excellent answers developed the benefit by explaining the consequences to the business, such as lower recruitment costs or innovative ideas for product development.

Question 2

The best answers were able to define research and development correctly as scientific research and technical development. These responses went on to develop explanations of how innovation can represent a competitive advantage given the nature of the smartphone industry. However, a significant proportion of responses gave detailed explanations of <u>market</u> research and its usefulness, which was not relevant to the question and scored no marks. A question asking 'Discuss the importance...' also requires a balanced response, considering relative drawbacks or disadvantages, or reasons why R&D might not be the only factor influencing success. Some good answers were able to evaluate the significance of high R&D spending in relation to market share and brand in the smartphone market.

Question 3

(a) (i) **The** majority of responses correctly calculated dividend yield. A small number of answers used the 2014 figures, which highlights the importance of reading the questions carefully and looking at the table headings in the text with precision.

(ii) Many good answers correctly calculating PE ratio. Most common errors arose from a lack of knowledge of the formula, use of 2014 figures, or use of operating profit figure instead of profit after tax.

(b) The best answers were able to calculate a range of other relevant ratios such as ROCE, profit margin and acid test. Analysis of the shareholders' views could then incorporate the significance of these results in relation to shareholder aims. Good answers recognised that the rising share price may be viewed as compensating for/causing the decreased dividend yield, and that the overall growth of the company may be the more important indicator for long-term investors such as Xiang and the other directors. Weaker answers were still able to gain marks through identifying the changes in performance as shown in the ratios.

Question 4

Knowledge of the components of marketing strategy, namely, the marketing mix, budget and objectives varied across Centres. Many good responses were able to identify the 4Ps and explain how one or more of these would need to change when entering the market in country Z. The best answers considered the most significant aspects, and were able to use the extensive evidence provided in the case to support their explanations, ending with an assessment of how the changes might be achieved or the financial consequences of choices. The recognition that a balance of changes to price and promotion would be the most important was an excellent judgement. Some effective evaluation was presented in considering the impact on advertising budgets of using traditional promotional techniques, or in relating the setting of price to the company's objectives for sales.

Question 5

Almost all candidates were able to demonstrate knowledge of external factors, either by defining PEST or by identifying the relevant evidence from the case. However, weaker answers were inclined to list a series of statements from the case without using the information to explain how it would influence future success. For example, good answers showed an understanding of the link between rising living standards in an environment of increasing GDP, and the demand for luxury goods, or increased consumer spending on smartphones. The exchange rate appreciation in country Z was used effectively to explain how this offered options on pricing in country Z. Good evaluation was achieved by considering other factors that may be important, such as management skill or R&D. Some excellent answers also referred to the impact of an aggressive pricing response from the established brand, or the success of the distribution which would be important in creating good customer service.

Section B

Question 6

This was answered by the majority of candidates, who clearly felt confident in comparing the two strategic options under consideration by XM. There was extensive evidence provided in the case with regard to both options, and most responses successfully interpreted the information given to conclude one way or the other. Good answers balanced the positive financial outcomes and marketing opportunities for tablets (Option 2) with the delay in cash inflows within XM's weak liquidity position. Some excellent analysis discussed the potential for greater manufacturing capacity of smartphones using the TV factory (Option 1), or the costs involved in continuing to manufacture the TVs with no experience in the industry. There was generally a good level of understanding of the decision tree and investment appraisal information. A number of responses were able to score maximum marks by evaluating in depth, considering the financial implications of each option with reference to XM's financial position and the factors that might influence success in the highly competitive market, ending with a clear recommendation well supported by the preceding discussion.

Question 7

Good answers to this question demonstrated the importance of reading the question and ensuring that all elements are addressed. Responses were able to identify aspects of corporate planning, such as setting objectives, providing direction, co-ordination and motivation. Some answers considered the relevance of contingency planning as part of overall corporate planning in allowing for unexpected expenditure. However, only a few excellent responses were able to link these aspects with profitability. Profitability is about margins, and answers needed to explain, for example, how planning for sources of finance and their time-scales can impact on expenses; or how the effective communication of a corporate plan to managers can impact on implementation of the plan and the resulting profitability of operations. Good judgement recognised the importance of monitoring and review, particularly in the fast-changing smartphone market to ensure that costs are not increasing, or corporate objectives are not becoming outdated.