

# BUSINESS STUDIES

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Paper 9707/11  
Short Answer/Essay

## Key message

- Candidates need to evaluate (including a clear judgement/recommendation) in their Section B essays.

## General comments

This paper allowed candidates of all abilities to demonstrate their knowledge and understanding of a variety of topics, each to their own level of ability. Several candidates were able to demonstrate an in-depth knowledge of the required concepts, while others were also able to offer some relevant analysis of appropriate implications or considerations of the concepts being assessed. Good analysis was strongly linked to the context of business activity rather than being simply textbook analysis.

It was pleasing to see that many candidates are now offering some evaluative comment in their essays. Candidates should always be reminded that the essay questions require them to offer some evaluative comment that is relevant to the concept being examined. Many candidates offered sound analysis but did not include any judgement in their answer: such responses can only gain limited credit.

There was evidence that candidates had been well prepared for this examination, with a good level of knowledge and analysis demonstrated in many scripts. It was clear from the detail in the essays that examination time had also been well managed.

## Comments on specific questions

### Question 1

- (a) The majority of candidates were able to demonstrate a clear understanding of what is meant by the term 'sole trader'. This was largely answered by the simple statement that a sole trader is a business that is owned and controlled by a single person. Some candidates referred to a sole trader business as a 'company'. This implies an incorporated business, which a sole trader is not. Most candidates were able to score well on this question.
- (b) Most candidates were able to identify three valid problems of operating as a sole trader. The most common problems given were a lack of continuity, unlimited liability and possible difficulties in raising finance. Some candidates assumed that a sole trader would be a small business and that because of this they might find it difficult to compete with larger, more established businesses.

The instruction in this question asked candidates to 'state' three problems but the majority of candidates identified the problems then proceeded to explain each of them in terms of how and why this might be a problem. Such explanation was not required in this case and merely used up precious time that the candidates might have been able to put to better use elsewhere in their examination. Candidates should ensure that they read the instruction words in the questions carefully and then make the appropriate response.

### Question 2

- (a) The term 'break-even point' could have been defined by using words or formulas. Many candidates offered a mixture of the two and occasionally the use of an accurate formula lifted the quality of the answer when the written definition was unclear. The majority of candidates simply stated correctly that break-even point is where total costs and total revenue are equal and the business makes neither a profit nor a loss. This concept was understood by most candidates.

- (b) This part of the question proved to be more challenging to some candidates. The majority of candidates were able to identify two possible limitations, most commonly that the cost and revenue lines are assumed to be linear when in reality they might not be. This could be, for example, due to discounts being offered which cause the revenue line to deviate from linear or, in the case of costs, the fact that at a higher level of output it might be necessary to purchase additional fixed assets, such as equipment, which would change the path of the total costs curve. Similarly, many candidates recognised that there is also an assumption that all output is sold, but in reality this might not be the case and some goods might remain in stock due to changes in demand or to changes in the economy, e.g. recession. Such responses demonstrated a thorough understanding of the limitations of using break-even analysis.

Some weaker candidates asserted that break-even charts were difficult to interpret and that non-numerate managers would have difficulty in understanding them. The ease of use is one of the main advantages of using break-even diagrams and this, therefore, demonstrated a weak grasp of the advantages and disadvantages of this concept.

### Question 3

The use of 'samples' was interpreted in two ways by candidates: using sampling, such as random or cluster, or the distribution of samples of the actual product. Either approach was acceptable.

There were many excellent answers to this question which identified key issues, such as the difficulty in selecting a sample that would be representative of the whole market, thereby introducing the notion of sample bias. Such responses often then explained how the sample might not be representative. For example, if a sample was chosen in a particular geographical location, their responses might be very different from those given by a sample in another location. Similarly, if a sample chosen did not include the most relevant age groups, in the case of random sampling, the results might also be unreliable.

Other limitations given were that sampling could be very expensive and time-consuming and if the responses were not accurate and relevant to the intended market then this cost was then non-productive.

The alternative approach of distributing actual product samples was sometimes the second limitation given, so in such cases candidates had responded to both of the possible interpretations of 'samples'. Many such answers were excellent as they showed a clear understanding of both concepts in market research. Such responses often quoted the cost of producing and distributing the samples as being a limitation, especially if the response from the market was not favourable. This was money that could have been spent elsewhere, for example on more product development.

Weaker responses tended to include general limitations of primary market research and, unfortunately, often did not relate such limitations to the issue of sampling at all.

### Question 4

- (a) The majority of candidates were able to score well on this part of this question. Most candidates knew that *laissez-faire* management allows workers a lot of power in decision-making and that they are largely left to organise their work as they see fit, working within the broad parameters laid down by management. It was also recognised that this is often used with highly skilled workers, such as scientific researchers or designers.

Weaker responses sometimes confused *laissez-faire* with paternalistic management or merely stated that it was the opposite of autocratic management but did not say why.

- (b) Most candidates were able to explain two disadvantages of autocratic leadership, with the most common responses outlining how such leadership could lead to demotivation of the workforce due to a lack of involvement in decision-making or a feeling of not being trusted. Some weaker answers developed the motivation aspect without relating it to an element of autocratic leadership. A second popular disadvantage was that the business could not benefit from good ideas from its workforce and that two-way communication might have led to better solutions to problems or to better products.

A small number of candidates explained two advantages of autocratic leadership rather than two disadvantages.

### Question 5

- (a) Responses to this part of this question generally showed that the majority of candidates understood what is meant by 'economies of scale'. However, while most candidates recognised that a construction business might enjoy bulk-buying discounts when buying bricks and cement, only a small number of those candidates then developed their answer to include a discussion of the potential implications for the business. For example, strong candidates included some analysis in terms of the potential to pass the discount on in the prices charged to their customers, which would give them some competitive advantage and possibly lead to higher market share. An alternative line of argument was that the discounts would simply allow the business to enjoy larger profits, which could then be used to grow the business further.

Most candidates identified purchasing, managerial, technical and financial economies, with purchasing and financial economies being the most common benefits mentioned.

Strong candidates developed their answers to consider the implications for the business of achieving the various economies of scale, whereas weaker candidates satisfied themselves by describing each of the economies without discussing the possible impact on the business.

- (b) Many candidates began their answer with a definition of a multinational business, which demonstrated clear understanding of what constitutes such a business. Most candidates were able to demonstrate knowledge and understanding of the factors that businesses might consider when locating a new business in another country. Candidates then needed to relate this to a manufacturing business or to their own country. There were many excellent responses to this part of the question. Many candidates discussed issues such as the availability of labour with the relevant skills to work on an automated process such as that used in car manufacture. Several candidates also discussed the economic and political stability (or lack of it) in their country and how this might possibly have a detrimental effect on the business if it chose to relocate to their particular country. The strongest answers often concluded with a balanced judgement of the key factor that would be likely to determine whether or not a multinational business would be wise to relocate to their country. Weaker candidates often restricted their answer to demonstrating knowledge and understanding of location issues in the most general, textbook sense and therefore could not be awarded marks from the higher level mark bands.

### Question 6

The quality of responses to this question was very varied. Strong answers discussed the means of staff training and development in depth and offered insightful analysis of how such training could assist a business in attaining its stated objectives. Weaker answers tended to be restricted to a description of the various types of training available to a business and often this was linked to an improvement in the level of motivation among the workforce. Such a line of argument was often also limited in that the benefits were identified mainly as an increase in productivity and possibly the quality of the product or service but the explanation was not extended to a discussion of how such effects might help a business to achieve its stated objectives.

While the majority of candidates were able to identify correctly some advantages of training and developing staff, it was a much smaller number that could effectively link such benefits to business objectives.

Many good answers to this question also introduced some negative aspects of staff development and training, such as the costs involved and the fact that, once trained, some workers might move to another business now that they had acquired new or improved skills.

Good answers also pointed out that while staff training and development might be very important, there were other perhaps more important factors that would have an impact on whether or not a business was able to achieve its objectives. Other factors included changes in the economy, such as the development of a recession and that given the emergence of a recession even the most highly trained staff might not be able to help a business achieve growth in the market or increased profitability. Such an approach enabled candidates to offer a judgemental comment that was focused on the question set. Weaker candidates did occasionally attempt to make a judgemental comment but one that was focused on whether on-the-job training or off-the-job training was most efficient. This approach did not lead to a judgement that was focused on the question and therefore the evaluative comment could not be rewarded.

### Question 7

- (a) There were many strong answers to this part of this question, in which candidates demonstrated a strong understanding of what is meant by distribution channels by outlining the distribution channels and the various intermediaries that could be involved. Stronger candidates then focused on the importance of using the different distribution channels, often by discussing how the level of profit could be affected by the number of intermediaries that a product passed through. This type of response recognised that each stage of the distribution channels would need to take some profit from their part of the process. Good answers then discussed the extent to which a manufacturer could increase their profit margins if they sold directly to consumers, thus responding effectively to the 'importance' element of this question. Some candidates also recognised the importance for some manufacturers to retain some control over the environment in which their products would be presented for sale to the public, for example, mobile phones or luxury items. A valid contrast was often made between luxury items and basic consumer goods that could be sold through a supermarket, for example.
- (b) Candidates showed a good understanding of the marketing mix and it was pleasing to see several candidates linking the 4Ps to the 4Cs to good effect. Weaker candidates restricted their answers to outlining each of the 4Ps, with only passing reference being made to mobile phones, whereas stronger candidates related each aspect of the marketing mix specifically to mobile phones. This approach often began with the competitive nature of the mobile phone market and therefore the need to develop a product with 'must have' features and also a product that used the latest technology, although this thought was often tempered by reference to the actual market that was being targeted. Strong candidates recognised that there was a market for cheaper and more basic phones that would need to be as technologically advanced as those being targeted at business people or lovers of the latest technology. Many of these scripts took the idea of the target market and made a valid link to the pricing strategy that would work best for each type of market. Many scripts demonstrated a sound analytical approach to all elements of the marketing mix and were able to be rewarded according to the depth of the analysis undertaken.

It was pleasing to note that a significant number of candidates offered an evaluative comment regarding the need for the marketing mix to be constantly reviewed due to changing market conditions, such as changes in the economy or actions taken by competitors. Such answers also often reflected on the idea that regardless of how good the price, place and promotion aspects of the marketing mix are, all efforts could be wasted if the product has not been suitably researched and developed. You can have the best possible promotion strategy but if your product does not meet the needs and wants of the target market then the product will not succeed. Strong candidates recognised this as a key issue when developing a marketing mix for a mobile phone.

# BUSINESS STUDIES

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Paper 9707/12  
Short Answer/Essay

## Key messages

- Candidates should take care to understand the exact requirements of the question.
- In the essay, a concluding paragraph is a good place to include 'evaluation'.

## General comments

Most candidates had the knowledge and understanding to access and respond to this Question Paper.

The most noticeable difference between the stronger and the weaker answers was the ability to focus on the specific requirements of a question. Those candidates who spent time to understand fully and interpret the requirements of questions were rewarded for their focused and relevant responses.

It is pleasing to note that more candidates are using effective conclusions or summaries in the essay answers in **SECTION B** to draw together arguments and discussion and so provide a platform for some evaluative comment or statement.

Reference has been made in the comments on **Questions 1** and **6** to some gaps in understanding over some syllabus areas.

## Comments on specific questions

### **SECTION A**

#### **Question 1**

- (a) Sound definitions of the term 'operational efficiency' conveyed the idea that operational efficiency is about how well various resources are used to achieve a desired result. Strong answers expressed this in terms of a productive process resulting in the best output from a given input with minimum waste. Weaker candidates struggled to apply the term to business performance or to production processes and some candidates were unable to offer a response to either part of this first question.

Given that this section of the syllabus requires an emphasis on the way organisations use resource inputs and manage business processes efficiently, it is important that candidates have a thorough understanding of the nature of operations and the definitions of issues such as efficiency, effectiveness, productivity, inputs, outputs, and the transformation process.

- (b) This proved to be a very challenging question for many candidates. Sound responses recognised that efficiency ratios provide a means to measure the way in which a business uses its assets, with labour productivity given as the most popular efficiency ratio. Weaker responses tended to explain how operational efficiency could be improved rather than how it could be measured.

#### **Question 2**

- (a) The majority of candidates were able to define 'fixed costs' accurately as a relatively constant expense, regardless of the level of output, giving rent as an obvious example of a fixed cost. Weaker responses stated the fixed nature of the cost but without reference to output or an accurate example. Some confused fixed costs with acquiring fixed assets.

- (b) Most candidates were able to define 'variable costs' accurately, though some answers did not refer to levels of output. Candidates were much less confident in defining and explaining 'marginal costs'. The strongest answers defined both concepts correctly and thus made a clear distinction.

### Question 3

This question was generally well answered. The strongest responses identified two specific employee needs only, provided a developed explanation of each and linked each need to a recognised motivation theory or theorist. Maslow, Herzberg and Taylor were frequently referenced. Weaker responses explained motivation theories in too much detail rather than meeting the particular requirements of this question by explaining two specific employee needs.

### Question 4

- (a) Most candidates responded confidently to this question. Strong answers defined business objectives as the means to achieve business purposes and goals and gave specific examples, such as profitability, sales growth, and return on investment capital.
- (b) Strong responses acknowledged the specific requirements of this question and stated *two* objectives obviously associated with a *small* business in the *first* year of trading, such as survival, breaking even and getting a 'foothold' in the market. Such approaches with a brief explanation were well rewarded. A number of very strong answers analysed the potential impact of achieving one objective on the likelihood of achieving another objective. Weaker responses tended to include very general objectives, some of which were debatable in the context given, with limited or no explanation.

## SECTION B

### Question 5

- (a) **Question 5** was the most popular essay question on the paper. The very best responses to part (a) concentrated *only* on autocratic leadership and *only* on its advantages. Strong responses stated and explained at least two advantages, exemplifying these with real business situations. The advantages most often given were those of speed of decision-making, simplicity of decision-making, and more effective control over operations potentially leading to greater productivity. Many answers drifted into a discussion of democratic leadership and the disadvantages of autocratic leadership. Candidates need to focus on the specific question asked rather than wasting time and effort in writing irrelevant material.
- (b) Strong candidates understood the focus of the question and concentrated solely on the *qualities* of an effective business leader, rather than the *functions* of management and managers or the characteristics of leadership *styles*. These leadership qualities, such as strategic competence, emotional intelligence and inspirational/motivational abilities, and their impact on business performance were then explained. Some excelled in evaluating the most important qualities in relation to, say, the age of the business, type of workforce or the state of the economy. It is pleasing to note that more candidates are becoming aware that there is a developing literature on business leadership which is said to be different from that relating to business management. Weaker responses concentrated more on management than leadership and often more on leadership styles than leadership qualities.

### Question 6

This was the least popular essay question. Very few candidates were able to establish a strong initial definitional context for an answer. The question was focused on ethical business decision-making. What is 'right and proper' and what moral judgements and dilemmas are likely to arise when a business decides to take an ethical position? Strong responses discussed for and against being ethical within the context of being a large clothing retailer. It was pleasing that such responses often presented a persuasive business case for being ethical on the basis of cost/benefit, brand awareness, modern-day consumer characteristics/requirements and societal marketing. Weaker responses tended to wander from the context of the question or lacked a balanced argument for or against ethical behaviour. Ethical/unethical business practices are a very real part of the business world and candidates are encouraged to understand the concepts and principles associated with this important area.



### Question 7

- (a) Strong responses acknowledged and exemplified the usefulness of the product life cycle to developing and adapting a marketing strategy. Usually such responses worked through each stage of the product life cycle and stated specific ways that the marketing mix or other marketing tools could be employed at a given point in the cycle. For example, some of the best responses included reasoning that the maturity stage would be a good time to conduct market research on a product's features and perceived benefits, so the reliable data gleaned could inform an extension strategy for the product or the development of a new product following its decline. Weaker responses usually outlined the stages of the product life cycle but did not comment well on its practical use.
- (b) This question was generally well answered, with many candidates demonstrating their familiarity with the cinema sector. Sound responses discussed, in some detail, the pros and cons of a cinema setting up a website to market its services. A number of interesting essays identified relevant factors, in context, which could have a bearing on success. These usually concluded that using a website was the way forward, assuming that effective control measures were put in place to negate the potential drawbacks, and that doing so should form part of a promotion/distribution mix to meet the varied preferences of a cinema's customers. Less strong responses usually listed advantages/disadvantages without discussing these in sufficient depth in order to suggest a balanced way forward.

# BUSINESS STUDIES

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Paper 9707/13  
Short Answer/Essay

## Key messages

- Candidates should take care to understand the exact requirements of the question.
- In the essay, a concluding paragraph is a good place to include 'evaluation'.

## General comments

This Question Paper proved to be very accessible to most candidates. A sound and relevant understanding of appropriate business studies concepts was revealed in many answers, particularly in **SECTION A**.

The most noticeable difference between strong and weaker candidates was the ability to focus on the specific requirements of a question. This was especially important in **SECTION B**. Those candidates who invested time to understand fully and interpret the requirements of questions were much more likely to write focused and relevant responses.

It is pleasing to see that more candidates are writing conclusions to essay questions in **SECTION B**. This allows summary arguments that can provide a platform for some evaluative comment or statement.

## Comments on specific questions

### **SECTION A**

#### **Question 1**

- (a) Most candidates were able to define accurately the term 'partnership' and so identify unlimited liability and un-incorporation as distinctive features of a business form involving two or more persons. Some answers referred to the possibility of possible regulation through a partnership agreement, while others produced a wider interpretation of the term and suggested two or more businesses coming together through a partnership agreement.
- (b) There were many sound answers explaining advantages that a partnership arrangement might have over a sole trader form of business. Greater access to funds, risk-sharing, and work-sharing were the most popular suggestions made. The difference in marks awarded can be explained mainly in terms of the quality of the explanation given for each advantage proposed.

#### **Question 2**

- (a) Having found the first question accessible, the majority of candidates gave some confident responses to this question on sources of business finance. Retained profits, sale of assets, and owners or shareholders own funds were the sources most often suggested as internal sources of business finance.
- (b) The strongest answers to this question recognised that the context of capital expenditure for a public limited company implied a significant amount of required funding and that this rather suggested the need to use long-term external funding sources, such as bank loans, share issues, or venture capital. Some candidates did not fully understand the context of the question and proposed much less sound funding sources, such as overdrafts.



### Question 3

While most candidates were able to give examples of business activity in the tertiary sector, a significant minority of answers revealed a less than confident understanding of the term 'service differentiation'. Some answers drifted into a discussion of segmentation rather than explaining that differentiation is a marketing approach that aims to create a significant customer perception of difference between the product or service of one business and that of its competitors. Strong answers gave examples of potential service differentiation, such as outstanding customer service, and addressed the importance of such differentiation by explaining how market recognition and market position could be strengthened through an effective differentiation strategy.

### Question 4

- (a) There was a very confident response to this question on induction training. Most answers demonstrated a very accurate and comprehensive understanding of training programmes set up for new employees.
- (b) The answers to this more general question on staff training again produced some very strong answers. The investment value of staff training through enhanced skills and competencies, incentives for greater motivation and productivity, and a more versatile and adaptive workforce, was at the centre of sound responses to this question. Once again the difference in marks awarded can be explained in terms of the quality of examples given and the quality of the explanations presented.

## SECTION B

### Question 5

- (a) The majority of answers to this question recognised the greater marketing opportunities available through the Internet and social media in general. Some answers focused more on the specific technological initiatives rather than on the influence of these initiatives on business marketing activities and consequently gave only a partial explanation of the marketing impact. Strong answers identified specific business marketing activities, such as building a brand or targeting a market segment, and explained how technology has presented both new opportunities and new threats.
- (b) The essential difference between sound responses and weaker responses to this question was the degree to which candidates presented a balanced discussion. A significant number of answers presented a rather unbalanced discussion which identified a number of potential advantages of using new technology in the design and manufacturing of cars. Improvements in design and manufacture quality, improved productivity, lower average costs, more flexible manufacturing, and more consumer choice, were among the advantages presented and claimed. Fewer candidates recognised some potential disadvantages of using new technology, such as potential job losses, reduced levels of worker motivation, and the need to change the working environment. Those answers that identified and discussed both sides of the case for using new technology were of course in a much stronger position to make an evaluative comment about the potential good or bad impact of this new technology on a business.

### Question 6

This was the least popular essay question. Sound answers identified a good range of stakeholders likely to be affected by the closure of a business owning many large retail stores (such as employees, suppliers, customers, shareholders, competitors, local communities). The very strongest answers discussed the impact on a comprehensive set of stakeholders and then attempted to comment on the relative impact, suggesting those most/least affected to gain marks for evaluative comment.

### Question 7

- (a) This was a popular question which attracted a number of candidates who gave a full explanation of theory X and theory Y but were unable to focus on the fundamental demands of this question – the usefulness to a business leader of an understanding of theory X and theory Y. Stronger answers recognised how this understanding of different assumptions about employee attitudes to work can provide different leadership options and opportunities to motivate workers. It could be argued that

this recognition that there is not always or ever a 'one track' approach to leadership and management is an essential part of thoughtful and effective business leadership.

- (b)** As with part **(a)**, a number of candidates gave only a partial answer to this question. Strong answers defined the differences between an autocratic and laissez-faire leadership style and then went on to identify and discuss a number of factors that might well influence or determine the adoption of a particular style of leadership. Such factors as the business context, the size and culture of a business, and the skills, competencies, and characteristics of the business leaders themselves were suggested and discussed in very strong answers. Those answers that focused on a description of the two leadership styles with little emphasis on other factors indicated either a limited interpretation of the question or a limited understanding of the essential demands of this question.

# BUSINESS STUDIES

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**Paper 9707/21**  
**Data Response**

## Key messages

- Candidates should demonstrate that they have read and selected the relevant information from the data.
- If a question asks the candidate to 'discuss' or 'evaluate' then the candidate should reach a judgement.

## General comments

Candidates generally made good use of the case study material in relation to both questions. It was noted that candidates used the context particularly well in **Questions 1(c)** and **2(d)**, although the use of context was less effective in **Question 2(c)**. Both calculation questions were completed accurately by almost all candidates.

There was some evidence of evaluation, particularly in answers to **Question 2(d)**. Candidates still need to be mindful that when asked to discuss (**Question 1(c)**) or to evaluate (**Question 2(d)**) they are expected to come to a judgement. For example, in **Question 1(c)**, candidates needed to indicate what the main change to the marketing mix actually is. It is important that any judgement should relate to the specific context of the business in the two case studies. Candidates need to show they have read and selected the information that is most useful to answering the question.

The case material proved accessible to candidates and answers generally demonstrated good use of business language and overall communication skills.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates had a good understanding of the term 'private limited company'. Candidates usually mentioned the main element, that the company is unable to sell shares to the public. Other responses related to private sector/usually small in size/limited liability.
- (ii) Candidates understood the term 'mass market'. Better responses included examples either to support their answer or to give a clear feature of a mass market. For example, some candidates mentioned the fact that products are often standardised.
- (b) (i) Most candidates correctly calculated either 20% or 25%, both of which were accepted by Examiners. Candidates coped well with the demands of calculating a percentage difference and very few were unable to gain any marks on this question.
- (ii) Most candidates were able to make clear reference to the case study. The main contexts used were the transport issue and offering high wages (which are lower than the competitors'). Generic responses, such as 'internal recruitment methods' where no reference was made to Now (the business in the question) were limited to a mark in Level 1.

- (c) This question was answered well by some candidates, who clearly identified the main issues facing Now - namely, the changes to the product and promotion. The evidence in the case clearly states that the new product will be a move away from mass marketing and that expectant mothers are not as price-sensitive. Most candidates used the context well. Good answers analysed the implications for an element(s) of the mix and made clear links to Now, for example by stating that prices could be higher due to the likely inelasticity and promotional methods that would appeal to expectant mothers. A few candidates misunderstood the focus of the question and simply described the marketing mix, often at great length. These answers were too generic and could apply to any business.

#### Teaching Tip

When answering a question about changes to the marketing mix, candidates should focus on what element of the mix is most affected and why. They can then be very specific about how the business can respond and can analyse more clearly. For example, if the main factor is price, what new pricing strategy should be used and why? Also, evaluation can be more secure as candidates are engaging with the case and focusing on more important aspects.

- (d) This question was also answered well. Most candidates referred to the higher rental costs, large housing development and the larger customer base. Good responses focused the impact on Now, for example by suggesting that this could help them attract employees as it would be easier for employees to get to the new shopping centre. It must be stressed to candidates that good analysis means giving depth to their responses with clear contextual links to the business. Limited statements, such as 'high rentals may result in costs that Now may not be able to afford', need to be taken to Level 2 (good analysis in context) with depth. For example, one candidate wrote: 'This may assist in Now dealing with its recruitment issues, this is important as the new shopping centre would be easier for employees to reach and thus Now may be in a position of recruiting more able employees who meet the job specifications to work in their fashion shops.'

#### Question 2

- (a) (i) Many candidates had a good understanding of the public sector, making clear reference to state ownership. Examples of organisations that exist in the public sector were also commonly stated. A few candidates confused the term with 'public limited companies'.
- (ii) This question proved challenging for most candidates, as they confused direct costs with running costs, variable costs, fixed costs or total costs. It was rare for a candidate to give a precise definition of the term and an accurate example, such as direct labour costs.
- (b) (i) Most candidates calculated the correct answer of 20 days. The common error for some candidates was to add variable costs to fixed costs and then divide by the unit contribution.
- (ii) Candidates coped well with this question. Most candidates gained some credit for theoretical understanding of the limitations of break-even. Better responses mentioned the fact that the gallery might not be able to rent out the rooms for 20 days. Others commented on the fact that the gallery may not be able to charge \$500 per day and so the break-even calculation may be incorrect.
- (c) Answers to this part of the question were a little disappointing considering the focus was sources of market research. Most candidates outlined their knowledge and understanding of primary and secondary research alongside limited analysis of their relevant advantages and disadvantages. Where context was shown, it was via using the Internet or a visit to see if there were any competitors, such as local hotels, offering conference rooms and to investigate what prices they charged.

**Teaching Tip**

It is important for candidates to be able to contextualise market research. For example, they could be asked to analyse or evaluate sources or methods of market research. They must be able to think carefully about the context of the business. Factors such as size are important. If a small business serves a local area, research is likely to be more focused on the local potential consumers. Similarly, a small business may be unable to afford sophisticated methods of research, so the question of what methods would be most useful and why needs to be addressed by candidates.

- (d) There was some very solid use of the context in responses to this question, especially considering the amount of context that could be taken from the case study. Candidates understood the meaning of business ethics and were able to select data from the case to underpin their points. It was also pleasing to see more candidates attempt to evaluate in the process of coming to a decision about whether, overall, NAC was or was not ethical. It is important for candidates to remember to analyse rather than describe. The impact on NAC needed to be considered – its reputation, its charity status and being in the public sector were used well by some candidates to demonstrate good analysis.

**Teaching Tip**

It is very important that candidates understand how to answer 'extent to which' type questions. Candidates should pick out key evidence for and against the issue raised in the question, in this case business ethics. This then allows the candidate to analyse and then to come to an overall decision: in this question, based on the evidence, was NAC ethical or not in its business activities?

# BUSINESS STUDIES

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**Paper 9707/22**  
**Data Response**

## Key messages

- Candidates need to make effective use of the context information in their answers.
- In part **(d)** candidates need to reach a judgement/recommendation supported by reasoning.

## General comments

Candidates generally made use of the case study material in their answers to both questions. It was noted, however, that candidates used the context particularly well in **Questions 1(d)** and **2(d)**. Although answers to **Questions 1(c)** and **2(c)** usually made some use of available context, this was often not so convincing. It is important that candidates identify key pieces of context and use them.

There was some evidence of evaluation being demonstrated, in particular for **Question 1(d)** – a significant number of candidates made a recommendation which was partially or wholly justified by earlier discussion. Evaluation was less evident in answers to **Question 2(d)**.

The case material proved accessible to candidates and answers generally included good use of business language and overall communication skills. The majority of candidates completed the required number of questions in sufficient detail, which indicated that there was adequate time for candidates to complete the paper in the time allowed.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i)** Most candidates had a good understanding of the term ‘partnership’. Those who did not have full understanding usually missed the opportunity to refer to the fact that it is a type of ownership – weaker candidates often referred to ‘run by two or more people’.
- (ii)** Candidates understood the term ‘market segment’. Better answers included practical examples of how markets have been segmented and gave supporting examples. The best responses briefly mentioned the potential role of segmentation in targeting marketing activities.
- (b) (i)** Most candidates correctly calculated X to be 12.5%. Candidates coped well with the demands of calculating a percentage.
- (ii)** Examiners were looking for candidates to use both the result of the calculation and the other information provided. The best answers observed that not only did shop A employ less experienced workers, but it also spent a smaller proportion of time on training. This strongly suggested the need for more training at shop A. Weaker answers made no reference either to the value of X or to the type of workers at shop A. A few candidates thought that less experienced workers need less training.



- (c) This question was answered well by some candidates who clearly understood the marketing mix and were able to apply this knowledge to the situation facing Kidz. Generally, though, there was scope for many candidates to improve their use of context. Weaker answers usually did not relate to changes in the mix, so missed the impact of the change in target market and product. This limited the context marks that could be awarded. Stronger answers put forward realistic changes and justified these in terms of likely outcomes and the likely expectations of customers. A few answers were very general, making little use of the case material.

**Teaching Tip**

When answering a question about changes to the marketing mix, candidates should focus on what element of the mix is most affected and why. Thus, they can be very specific about how the business can respond and can analyse more clearly. For example, if the main factor is promotion to a new target market, in what ways would the promotion need to be changed and why?

- (d) This question was often answered very well. Some candidates were able to achieve the highest marks by making a recommendation which followed on from their earlier analysis. The best answers used the information provided to build up a discussion of the advantages and disadvantages of each of the potential sites, including assertions about which were the critical issues. This enabled them to make a recommendation about the 'best' site that was fully justified by the previous discussion. Some candidates focused on the needs of customers, while others attempted to discuss the needs of employees. Weaker answers tended to repeat the information given to them with little further development of ideas. A few candidates went through the process of discussion without actually making a recommendation.

It is important to make a recommendation when the question asks for one to be made.

**Question 2**

- (a) (i) This question was asked providing both the old terminology (net profits) and the new terminology (profits before tax). Candidates should now be familiar with the new terminology. Many candidates had a good understanding of the term 'profits before tax'. Good answers referred to its role in the income statement. The best answers referred to possible uses of the information. Weaker answers tended simply to say that 'profits before tax are the profits before taxes are deducted', which shows no understanding.
- (ii) The term 'fixed costs' was understood by many candidates but there were quite a few candidates who did not manage to give a full explanation. The weakest candidates thought they were costs that were fixed in time rather than relative to output. The best answers included examples but these needed to be chosen carefully – 'wages' is not a good example as wages can be fixed, variable or semi-variable. The best answers also referred to possible uses, such as in break-even calculations. It was rare for a candidate to give a precise definition of the term and an accurate example such as rents.
- (b) (i) Past experience has shown that candidates are competent at performing break-even calculations in situations in which it is a straightforward matter of putting values into the formula to calculate the level of output to break even. Far fewer candidates were able to manipulate the formula to calculate the price required to reach a given level of break-even. While many candidates were able to give the formula, few obtained the correct answer of \$2.50. Some candidates obtained the figure of \$2.00, which overlooked the variable costs.

**Teaching tip**

Candidates should understand what is involved in calculations rather than just being able to insert values mechanically into a formula.

- (ii) Although some candidates struggled with part (i), many candidates made a good attempt at part (ii). The strongest answers observed that knowing break-even levels at different prices enabled decisions to be made about pricing the service. In particular, at a price of \$2 the break-even was higher than the cinema's capacity, so this was an unrealistic price. At \$2.50, the break-even produced the desired number of customers, so a price above this should produce a profit. Weak answers gave only general uses/limitations of the break-even concept without reference to the data.
- (c) Candidates approached this question in two different ways. Some candidates chose to look at the type of information needed and then went on to primary methods to collect that information (surveys, focus groups, observation, test marketing). Other candidates started with the methods and developed how these could be used. A few candidates focused on sampling methods. Weaker answers used little context. Of particular importance were the limited funds likely to be available, the owners' probable lack of skills in this area and the type of information that could realistically be collected. Answers were generally weak on such context. While most candidates outlined their knowledge and understanding of primary research alongside limited analysis of their relevant advantages and disadvantages, few candidates made the suggestions relevant to the owners. Where context was shown it was usually through reference to existing customers or competitor cinemas.

**Teaching Tip**

It is important for candidates to be able to contextualise market research. For example, they could be asked to analyse or evaluate sources or methods of market research. They must be able to think carefully about the context of the business. Factors such as size, the skills of the owners and the type of information sought will all have an influence on the appropriateness of methods.

- (d) Candidates generally performed well in answering this question. Most candidates recognised the ambitious nature of the owners' objectives and were able to measure the various achievements and problems against those objectives. The best answers recognised that much of the information given was fairly subjective in nature and recognised that newspaper reviews might not be 'in tune' with many customers. Good answers discussed likely meanings of 'best' in this context, with some reference to differing views between stakeholders. Evaluation was, in the few instances in which it was seen, achieved through justifying the extent to which the objectives had been met – candidates were usually of the view that the owners had failed to achieve their stated objective.

**Teaching Tip**

It is very important that candidates understand how to answer 'extent to which' type questions. Candidates should pick out key evidence for and against the issue raised in the question, in this case business objectives. This allows the candidate to analyse and then to come to an overall decision: in this question, based on the evidence, was the objective achieved or only partially achieved?

# BUSINESS STUDIES

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**Paper 9707/23**  
**Data Response**

## Key messages

- Candidates should make effective use of the business context and the data provided.
- If 'evaluation' is required then the candidate should provide logical reasoning, leading to a clear recommendation or judgement.

## General comments

Candidates generally made use of the case study material when responding to both questions. It was noted, however, that candidates used the context particularly well in **Question 2(d)**. Although answers to **Question 2(c)** made some use of available context, this was sometimes not convincing. It is important that candidates identify key pieces of context and use them.

There was some evidence of evaluation, in particular for **Question 2(d)** – a significant number of candidates made a decision which was partially or wholly justified by earlier discussion. Evaluation was also evident in answers to **Question 1(c)** by means of a justified recommendation but the analytical support was less strong.

The case material proved accessible to candidates and the answers generally included good use of business language and overall communication skills. The majority of candidates completed the required number of questions in sufficient detail, which indicated that there was adequate time for candidates to complete the paper in the time allowed.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates had a good understanding of the term 'public limited company'. The best answers referred to the open trading of shares and gave examples of public limited companies. Weaker answers overlooked the concept of ownership. Some candidates confused the term with 'public sector'.
- (ii) Most candidates understood the term 'niche market'. Better answers included practical examples of niche markets. The best responses briefly mentioned the benefits of niche markets in targeting marketing activities. Weaker answers simply said that niche markets are small.
- (b) (i) Most candidates correctly calculated Q to be 80%.
- (ii) Candidates were expected to use both the result of the calculation and the other information provided. The best answers observed that not only did the capital city shop employ students, but it had a Theory X style of management. Both of these are likely to have led to higher labour turnover. Weaker answers tended either not to make a comparison of turnover rates with the other shop or did not refer to the non-numerical data.
- (c) This question was answered well by some candidates who clearly understood the marketing mix and were able to apply this knowledge to the situation facing Suave. Generally, though, there was scope for candidates to improve their use of evaluation – a recommendation without full justification

is not sufficient. Weaker answers usually did not relate to changes in the target market and product and the impact that these would have on the mix. This limited the context marks that could be awarded. Stronger answers put forward a realistic mix and justified these in terms of likely outcomes and the likely expectations of customers. A realistic mix must take account of the particular circumstances of the business and its markets - for example, would Suave have a mix that was not consistent with their existing products? A few answers were very general, making little use of the case material.

### Teaching Tip

When answering a question about recommending a marketing mix, Examiners are looking for more than 'good ideas'. The ideas need to be justified in terms of analysis and context.

- (d) Some candidates attempted to answer the question 'Should Suave relocate?'. The question set was actually about the factors and not the decision itself. Although considering the decision indirectly addressed the factors, it limited the marks available – evaluation marks in this instance could not be awarded for making a recommendation. The best answers used the information provided to build up a discussion of the positives and negatives of each of the factors, including assertions about which were the critical factors. Some candidates focused on the needs of customers, while others attempted to discuss the needs of employees. Better answers commented on short and long-run issues and considered issues such as the image of the company and brand. Ethical considerations were also raised in some of the stronger answers. Weaker candidates tended simply to copy the factors with a very superficial reference to whether it was an advantage or disadvantage.

It is important to answer the question that is set and not the one the candidate wants to answer.

## Question 2

- (a) (i) Examiners expect explanation questions to be answered with precision. Explanations of the term 'profits' were often vague. Good answers defined profits as the difference between incomes/revenues and expenditures and then briefly mentioned their importance to businesses. Weaker answers lacked definitions or any sense of the usefulness of profits.
- (ii) The term 'variable costs' was understood by many candidates but there were quite a few candidates who did not give a full explanation. The weakest candidates thought that variable costs were costs that varied over time rather than relative to output. The best answers included examples but these needed to be chosen carefully – 'wages' is not a good example as wages can be fixed, variable or semi-variable, depending on the circumstances. The best answers also referred to possible uses, such as in break-even calculations.
- (b) (i) Most candidates calculated the break-even correctly as 100 tickets. A few candidates could not remember the formula or did not identify the correct data.
- (ii) Many candidates made a good attempt at part (ii). The strongest answers observed that knowing break-even levels at different prices enabled decisions to be made about pricing the service. In particular, at a price of \$3 the break-even was higher than the theatre's capacity, so this was an unrealistic price. At \$6 the break-even produced significantly less than the theatre's capacity, so the price could usefully be below this. Weak answers gave only general uses/limitations of the break-even concept, without reference to the data.
- (c) Candidates approached this question in two different ways. Some candidates chose to look at the possible sources of information and then looked at the type of information that might be available from those sources. Other candidates started with the information needed and then developed sources that might provide this information. Candidates opting for the second approach were generally more successful at answering in context. Of particular contextual importance was the type of information that could realistically be collected by a small theatre business. The limitations included the funds likely to be available for research and the owners' probable lack of skills in this

area. While most candidates outlined their knowledge and understanding of secondary research alongside limited analysis of their relevant advantages and disadvantages, few candidates made the suggestions relevant to the owners. Where context was shown, it was usually through reference to data about theatre customers or competitor cinemas.

**Teaching Tip**

It is important for candidates to be able to contextualise market research. For example, they could be asked to analyse or evaluate sources or methods of market research. They must be able to think carefully about the context of the business. Factors such as size, the skills of the owners and the type of information sought will all have an influence on the appropriateness of sources.

- (d) Many candidates made some very solid use of the context in this question, especially considering the amount of context that could be taken from the case study. Candidates understood the meaning of business ethics and were able to select data from the case to underpin their arguments. There was good evidence of stronger candidates attempting to evaluate by coming to a decision about whether, overall, DT was, or was not, ethical. It is important for candidates to remember to analyse rather than describe. Weaker candidates tended to use context less effectively, often simply listing the issues rather than analysing their impacts on stakeholders. Often weaker candidates took the issues at 'face value', not recognising that ethics might not actually be involved – is it, for example, unethical to charge high prices for popular performances or is it good business; is it unethical to sell refreshments that are out of date or is it illegal?

**Teaching Tip**

It is very important that candidates understand how to answer 'extent to which' type questions. Candidates should pick out key evidence for and against the issue raised in the question, in this case business ethics. This allows the candidate to analyse and then to come to an overall decision. In this question, based on the evidence, was the business's behaviour ethical or not, and if not, how unethical?

# BUSINESS STUDIES

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**Paper 9707/31**  
**Case Study**

## Key messages

- Candidates should focus closely on the questions set.
- When answering questions that require consideration of advantages and disadvantages of an issue, candidates must ensure their answers are not one-sided.
- Many candidates would benefit from giving greater thought to structuring answers to **Section B** so that they are clearly evaluative in nature and rooted in the context of the case.
- Application in many cases was weak and candidates should consider carefully the nature of the business and recent developments within the business in their responses.
- Copying text from the case study is not, in itself, evidence of application.

## General comments

This paper produced a wide range of responses. A relatively small number of candidates were awarded high marks. There was evidence that some elements of the syllabus were not well understood and individual candidate performance varied greatly between questions.

The overall standard of answers was modest, with most candidates scoring fewer than half the marks. Though the majority of candidates have sound knowledge of key business concepts, they need to be familiar with the entire syllabus. Candidates also need to use data more selectively from the case material to support their answers. The quality of evaluation was generally weak, with few good examples of well-supported judgement.

The foundation for success in any examination is knowledge and understanding of the subject material as defined by the syllabus. For the case study paper, skills of analysis and evaluation carry far greater weight than at AS Level. Therefore, Centres should pay particular attention to building these skills through case study practice during the course.

## Comments on specific questions

### **Section A**

#### **Question 1**

This question was highly accessible and most candidates achieved a relatively high mark. There was clear evidence of an understanding of the advantages and disadvantages to LPC of Abbas Khan being one of their key authors. Answers were typically in context; making good use of the case study information. However, some candidates simply repeated the points made in the text without showing any development of these issues. Such answers could not be rewarded for application. Some answers could have been improved by addressing the issue of LPC 'being heavily dependent on the sales of books written by Abbas Khan' more carefully. These responses tended just to comment very generally about the advantages and disadvantages of sales of books by Abbas Khan. The best answers focused on the consequences of LPC's dependency on Abbas Khan, recognising, for example, that there might be savings in terms of promotional expenditure but that this would leave LPC vulnerable to changes in consumer tastes.



## Question 2

- (a) A small number of candidates did not attempt this question. The majority of answers demonstrated clear working and gained reward for relevant calculation of the costs of the business. Relatively few candidates calculated the profit accurately. Candidates should think carefully about how the costs of a business might be affected when outsourcing production to another company. The majority of answers calculated profit on the basis that all of the costs identified in Table 2 – both direct and indirect – would be eliminated if the offer from AAP was accepted. Better answers appreciated that though direct costs might cease there would still be indirect costs associated with the sale of books. In any calculation the units are important. A few candidates stated that the new level of profit would be \$1900 rather than \$1.9 m.

It is important that candidates read the question carefully. Some candidates calculated the change in the level of profit rather than the new level of profit and consequently could not gain full credit for their calculation. The majority of candidates would have further improved their marks by stating their assumptions clearly.

*Examiner's tip: candidates should read the question with great care to ensure that they give a complete answer.*

- (b) This question led to some very good answers, with candidates able to weigh up a range of qualitative and quantitative factors. As directed, candidates referred to their answer to part (a), though some candidates could have improved their answers by commenting in more detail on the significance of the change in profit identified. Some very good answers considered the extent to which the indirect costs of LPC might change if the offer from AAP were to be accepted. Other candidates developed strong lines of analysis by demonstrating a clear chain of argument.

*Examiner's tip: encourage candidates to attempt the follow-up question to a calculation, even if the calculation has been left unanswered.*

## Question 3

This proved to be the most difficult question, with many candidates demonstrating only a limited understanding of the implications of the proposals made by the company accountant. Candidates needed to understand how the changes would impact on the balance sheet and income statement. A common misconception was that including a value for the copyright to Abbas Khan's books in the balance sheet would lead to LPC having to increase the price of the books being sold. Other candidates argued, incorrectly, that the change would directly increase the profit of LPC. A few good answers recognised that increasing the expected life of major assets, such as printing machinery, would reduce the depreciation charge in the income statement and therefore increase the net profit of LPC in the short run.

Many candidates could have further improved their answers by doing much more than simply repeating the recommendations of the company accountant without applying them to LPC's particular circumstances and operations. Application requires more than copying out text.

*Examiner's tip: evaluation can be demonstrated by identifying the difference between the short-term and long-term impact of a business decision. For example, window dressing might bring short-term benefit to LPC in terms of making the accounts look more attractive and generating one-off cash in-flows from sale and leaseback but in the long term there could be serious consequences of over-valued assets and higher overheads.*

## Question 4

The concept of a marketing strategy, in terms of the use of the marketing mix to achieve marketing objectives, is generally well understood by candidates. The majority of candidates provided answers that made relevant suggestions relating to the 4Ps. Most candidates gained full marks for knowledge and at least some of the analysis marks. Good answers took a strategic approach and presented a complementary use of the elements of the marketing mix. The best answers also included relevant analysis of the data in Table 2 to underpin their marketing strategy and support their judgement. A small number of candidates took account of the direction to produce a strategy that would increase sales in the next twelve months. A common response was to suggest new editions be released without recognising the challenge to LPC of success within twelve months.

As the question directed candidates to analyse the data in Table 2, it was essential that appropriate calculation(s) was evident. For example, price elasticity of demand was calculated by some candidates and used as a means of evaluating the benefit, to LPC, of reducing the price of textbooks. In this way, candidates observed that although a price reduction was likely to increase sales it would result in a fall in revenue and profit (assuming that PED remained at -2.5). Relatively few candidates analysed the data in Table 2. Most candidates only made reference to it.

Many candidates could have further improved the quality of their responses by avoiding the misconception that LPC should not increase promotion because the promotion elasticity of demand was 0.2, i.e. sales are unresponsive to changes in advertising expenditure. However, this ignores the relevance of the absolute change in sales in response to an increase in advertising spending – for example, an increase in promotion spending of \$10 000 could lead to an increase in sales of \$283 000.

### Question 5

The main purpose of this question was to encourage candidates to think about the impact of business decisions on stakeholders in the context of the deteriorating economic climate faced by LPC. Some excellent answers considered whether or not LPC should increase the salaries of directors by 20% when facing a potentially challenging economic situation of declining GDP and rising inflation. These candidates made the acceptable judgement that LPC should focus on using resources to prepare for the future by, for example, investing in e-book editions or looking at new export markets – as suggested in the case study.

The question also presented the opportunity to balance issues of corporate social responsibility against the need to motivate and retain senior managers and meet shareholder expectations. A number of candidates used this approach and questioned whether LPC should risk public dissatisfaction by making printing workers redundant whilst, at the same time, increasing directors' salaries. Candidates must remain focused on the impact of decisions on the business rather than discussing at length issues such as the consequences of unemployment.

A relatively large number of responses lacked balance, focusing on just one side of the issue. Such an approach will limit marks for analysis and evaluation in particular.

### Section B

### Question 6

The concept of a SWOT analysis was well understood and the majority of candidates conducted an effective SWOT analysis of LPC's current situation. Candidates made extensive use of the case material, which provided a wealth of relevant evidence of the internal and external factors likely to influence LPC's future success. There were many examples of case material being copied rather than being applied but the broad range of factors highlighted in the case enabled the majority of candidates to score highly on knowledge and application. A large number of candidates scored only a few marks for analysis and evaluation. The best answers went on to use the SWOT analysis to analyse and evaluate the most important factors likely to affect LPC's future success. Many factors could be justified as being particularly important influences, including the future success of Abbas Khan, the changes predicted in the economic climate and the ability of LPC to take advantage of the development of e-book technology. A useful approach to further developing evaluation was to question the accuracy of the economic forecasts. Candidates should aim to demonstrate evaluation throughout their answer rather than just making judgements in their conclusion.

### Question 7

This proved to be a less popular choice for candidates, with fewer than 20% selecting this question to answer. There was some misunderstanding of the meaning of strategic choices. Most candidates simply provided a poorly developed list of methods or tactics that might improve LPC's ability to compete, without considering the issue of strategy. A common response was to revisit the marketing mix suggestions made in **Question 4**. Such answers would have been improved if they had paid more attention to the issue of strategic choice, for example linking the suggested approach to Ansoff's matrix. Very few candidates attempted the question by weighing up the likely success of the initiatives suggested.

# BUSINESS STUDIES

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Paper 9707/32  
Case Study

## Key messages

- Candidates should focus closely on the questions set.
- When answering questions that require consideration of advantages and disadvantages of an issue, candidates must ensure their answers are not one-sided.
- Many candidates would benefit from giving greater thought to structuring answers to **Section B** so that they are clearly evaluative in nature and rooted in the context of the case.
- Application in many cases was weak and candidates should consider carefully the nature of the business and recent developments within the business in their responses.
- Copying text from the case study is not, in itself, evidence of application.

## General comments

There was a very wide range of marks awarded on this paper. Some Centres had clearly prepared candidates effectively for this case study paper by not only ensuring wide coverage of syllabus topics but also by encouraging the relevant use of contextual evidence within answers. In contrast, many candidates could have improved their answers by appreciating much more fully the need to use evidence from the case study in their responses in order to ensure that they were focused clearly on the case study business and not just a general textbook-based response. The skill of applying key facts about the business or referring to important events in its development within a case study answer is one of the most important requirements for success on this paper – once the essential knowledge required by a question has been demonstrated.

Another essential requirement for doing well on this paper is for candidates to show judgement when this is required by the wording of the question. In the case study paper it is quite usual for the first question not to require an evaluative response but for all other non-quantitative questions to require answers containing supported judgements or evaluative comments. To gain marks for the skill of evaluation, these judgements and evaluative comments need to be in the context of the case study business and some application to this business must therefore be demonstrated in the answer.

To develop the skills of application and evaluation effectively, Centres should work through past examples of paper 3 examinations, using the published mark schemes to help demonstrate how answers can be planned and written to incorporate these two assessment objectives.

## Comments on specific questions

### **Section A**

#### **Question 1**

This question was answered very well by many candidates. The key points were quite accessible within the case study and application marks were awarded for references to the specific opportunities offered to ASC by the recession – such as the ability to take over other steel businesses at relatively low prices – and to the specific threats – such as the reduction in demand for products made from steel. Many candidates were able to develop or explain one or two points and were therefore awarded marks for analysis. A good number of candidates were able to define or explain ‘recession’ accurately, identify at least two effects (threats and

opportunities), apply these to ASC by using references to the text and explain clearly – but not necessarily in great detail – how they would impact on ASC. These candidates gained full marks.

## Question 2

- (a) (i) A large number of candidates gained full marks for this question. Many answers clearly showed the differences between the relevant costs/revenue/profit data and then indicated whether these were favourable or adverse. The main reasons for candidates not gaining full marks were:
- correct calculations but no reference to 'favourable' or 'adverse' – this is an important aspect of variance analysis;
  - correct calculations for costs/revenue but no attempt to calculate the profit variance;
  - incorrect calculations – often a result of poor knowledge of the variance concept.
- (ii) Many candidates were able to identify general reasons for variances, for example, lower sales or cheaper material costs. Better answers explained these – gaining analysis marks – and applied them to ASC – gaining application marks. The main points of application were to refer to the recession cutting demand for steel and the reduced output of steel resulting in the need for fewer raw materials to produce it.
- (b) Many candidates were able to define privatisation correctly but there was also some confusion with a public limited company reverting back to private limited company status. Some candidates did not attempt a definition of privatisation at all. As advised in previous Principal Examiner's reports, Centres should encourage candidates to start their answers with accurate definitions of the key terms contained in each question. Some candidates correctly defined privatisation **and** stakeholders. Most answers identified relevant stakeholder groups and linked data from Table 1 to these groups. The best answers did not just restate the data as it appeared on the table but attempted to manipulate it and analyse it within the context of ASC. For example, a few answers linked the data on relative ASC wages with the increase in productivity and suggested that increased motivation from higher wages (relative to the steel industry) might meet the objectives of workers but could also have contributed to improved efficiency in making steel and higher profits, which would help to satisfy the aims of shareholders. The best answers linked different data on more than one occasion within the context of ASC and then attempted to draw conclusions. These included judgements on which stakeholder groups seemed to have benefited more than others and how difficult it is, in times of major changes caused by privatisation, to satisfy all stakeholder groups. Some candidates suggested that increased ASC profitability could lead, in the long term, to benefits for all stakeholder groups.

## Question 3

- (a) The data in Appendix C were included to allow ratio result comparisons with the previous year to be made. They were also included to alert candidates to the appropriate ratios to calculate for 2011, but many candidates from some Centres overlooked this and attempted to calculate only liquidity ratios – despite the lack of essential information required for these ratios in Appendix B. Candidates from other Centres were able to identify correctly two financial efficiency ratios and proceeded to calculate these for 2011 using the data in Appendix B with varying degrees of accuracy.
- (b) The best answers used both their results to (a) and the data in Appendix C to suggest two relevant measures to improve financial efficiency – often 'reduce inventory levels' and 'reduce debtor payment period'. Again, the best answers explained how these would help to restore financial efficiency to 2010 levels (analysis) and suggested the limitations or drawbacks of these measures to ASC (application and evaluation). One very good answer suggested that 'although reducing debtor payment period would reduce the days sales in receivables ratio, it could lead to lower sales of steel by ASC especially if during a global recession other steel makers were offering incentives to customers such as longer repayment periods'.

## Question 4

Most candidates were able to define or outline sales forecasting and explain either the moving average method or suggest other appropriate methods that could be used in this case. Analysis of the positive uses of sales forecasting results was often clear and related to specific functional departments. Limitations were less well explained and application was often absent altogether. The best answers highlighted the problems of forecasting cyclical changes in demand which could fluctuate due to global recession, especially for a

product such as steel which is used in so many manufacturing processes that could experience substantial falls in demand for their finished products. Despite this, there was general consensus, amongst those candidates who attempted evaluation, that some sales forecasting could prove, on balance, to be beneficial to ASC despite the potential limitations.

### Question 5

Many candidates found it difficult to apply their answers to the business in the case study. Merely copying out the measures taken by ASC from the text was not credited with any application marks. A good example of application was from a candidate who linked the proposed increase in steel stocks with the reduction in the inventory turnover ratio calculated in **Question 3**. Another example was when a candidate linked the increased automation of the production process to the reduction in the trade union membership within ASC, suggesting that this would reduce any potential employee opposition to such automation, despite the loss of jobs that was likely to result. Evaluation was frequently absent from answers to this question. Some candidates suggested that the biggest impact (therefore implying prioritisation, which is a form of judgement) was likely to be on the HR department, as not only would there be the need to renegotiate employment contracts with many employees but there was a threat of further jobs losses and the requirement to retrain the staff remaining.

### Section B

### Question 6

Some of the answers to this question were very good. The best answers identified what long-term planning and corporate objectives were and what the benefits of them could be. These benefits were then analysed in detail, often with clear references being made to the quoted aims of ASC. The arguments were then reversed in the better answers as candidates attempted to explain why, in the case of ASC, long-term planning can become too rigid and inflexible and setting unchangeable corporate objectives can lead to significant problems when major changes in the external environment occur. Other candidates needed to understand more clearly the potential benefits of thinking ahead and making long-term plans, especially for a business such as ASC, which requires several years before major decisions such as building a new steel plant can become fully operational.

This was less popular than **Question 7**, possibly because much of the data required to embark on an answer to **Question 7** were already provided in Table 2. In addition, candidates also tend to be drawn to questions that require a substantiated choice or decision to be made.

### Question 7

There were some very good answers to this question. The data in Table 2 and other evidence in the case study were carefully weighted between the two options by many candidates and this was often reflected in the discussions outlined in their answers. There was no 'clear-cut' answer to the question and the best answers suggested that other data – such as the break-even output levels and maximum output levels of both sites – could have been useful in making a final recommendation as to which steel works to close. Again, just restating the data earned no marks unless comparisons were made between the two sites or the data were linked in some way. Some candidates suggested points similar to this taken from one response: 'The cash grant available immediately in site A could be used to replace the older equipment with automated equipment and this could lead to increased productivity. If this increase in efficiency is sufficient, perhaps the contribution made by the steel works could then become positive.' Many candidates missed the fact that both contribution amounts were negative. The importance of corporate social responsibility was highlighted in many answers and this led to some effective discussions about how important corporate social responsibility was likely to be in the steel industry. The best answers came to a clear and well-supported conclusion. Some candidates could have gained further credit for evaluation by not limiting their conclusions to merely suggesting that 'both steel works A and B have both advantages and disadvantages and the choice of which one to close is a difficult choice'. This is a judgement – but it is not providing the final conclusion that was demanded by the question. In real business situations, managers must actually make decisions (even if they are difficult) – and this is something that students should learn.



# BUSINESS STUDIES

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**Paper 9707/33**  
**Case Study**

## Key messages

- Candidates should focus closely on the questions set.
- When answering questions that require consideration of advantages and disadvantages of an issue, candidates must ensure their answers are not one-sided.
- Many candidates would benefit from giving greater thought to structuring answers to **Section B** so that they are clearly evaluative in nature and rooted in the context of the case.
- Application in many cases was weak. Candidates should consider carefully the nature of the business and recent developments within the business in their responses.
- Copying text from the case study is not, in itself, evidence of application.

## General comments

A wide range of marks was awarded on this paper. Some Centres had clearly prepared candidates effectively for this case study paper by not only ensuring wide coverage of syllabus topics but also by encouraging the relevant use of contextual evidence within answers. In contrast, some candidates could have improved their answers by appreciating much more fully the need to use evidence from the case study in their responses, in order to ensure that they were focused clearly on the case study business and not just general textbook-based responses. The skill of applying key facts about the business or referring to important events in its development within a case study answer is one of the most important requirements for success on this paper – once the essential knowledge required by a question has been demonstrated.

Another essential requirement for doing well on this paper is for candidates to show judgement when this is required by the wording of the question. In the case study paper it is quite usual for the first question not to require an evaluative response but for all other non-quantitative questions to require answers containing supported judgements or evaluative comments. To gain marks for the skill of evaluation, these judgements and evaluative comments need to be in the context of the case study business and some application to this business must therefore be demonstrated in the answer.

To develop the skills of application and evaluation, Centres should work through past examples of paper 3 examinations, using the published mark schemes to demonstrate how answers can be planned and written to incorporate these two assessment objectives.

## Comments on specific questions

### **Section A**

#### **Question 1**

This question was very well answered by many candidates. The key points were quite accessible within the case study and application marks were awarded for references to the specific legal controls that were affecting HCS. Nearly all candidates identified these and explained them in the context of a catering business. Some answers could have been developed further by examining the advantages in more detail – such as the potential for HCS to develop a reputation for hygiene and customer care that could become a powerful marketing tool in the competitive restaurant market. Many candidates identified correctly that this



question did not require an evaluative response, so did not attempt to show judgement as to whether the advantages outweighed the disadvantages, or vice versa.

### Question 2

- (a) (i) A large number of candidates gained full marks for this question. The main reason for incorrect results was the use of an incorrect formula for labour productivity.
- (ii) Most candidates gained full marks for this question. The main reason for incorrect results was the inversion of the formula for calculating labour cost per unit.
- (b) This question was well answered by most candidates. Candidates who gave an incorrect answer to part (a) were still awarded credit if appropriate observations were made based upon them – this is called the ‘own figure rule’. Most candidates were able to identify and explain some of the main points for and against both machines. Some answers could have been further improved by more specific references to the nature of the products that would be made by these machines. This is a typical example of a good answer that contains key points of application that other, less effective responses, could have incorporated: ‘Machine A has the great advantage of reducing labour cost of each meal produced which could give HCS a competitive advantage in this market. However, price might not be a key influence in most consumers’ decisions to use HCS and the fact that some of the food might have to be frozen, due to the higher capacity of machine A, could reduce quality and damage HCS’s reputation. In addition, the legal limits on the length of time food may be frozen could lead to higher costs if many meals have to be disposed of.’ Nearly all candidates made an overall judgement as required by the question.

### Question 3

- (a) There were many correct answers to this question. Many candidates were fully aware of the appropriate ratios that could be calculated from the data given. A sizeable minority of candidates were not prepared for this type of question. They either gave no response at all or they constructed inappropriate ratios. Some recalculated dividends per share and earnings per share, even though these data were provided in Appendix B. Candidates from some Centres could improve their performance on questions such as this by learning all accounting ratio formulae referred to in the syllabus and practising calculations based upon them.
- (b) All candidates attempted this question, including those who had not been able to arrive at any meaningful calculations for part (a). This was because other data were available for them to comment on and analyse, which is an important feature of this case study paper. The intention is not to ‘penalise twice’ those candidates who find quantitative questions challenging. Other evidence will always be provided to allow candidates to form arguments for and against a particular proposal – in this case, whether to invest in the purchase of shares in HCS. There were some excellent, well-balanced answers to this question from candidates who thoroughly understood what their results to part (a) meant for potential investors and who were able to draw upon other evidence, such as the economic data, to suggest how this might impinge upon HCS’s future success. These answers gave clear arguments for and against the purchase of shares and often suggested that other evidence would have been useful too, such as shareholder ratios based on similar companies’ accounts. Some answers could have been improved further by more carefully weighing up the arguments on both sides and giving a clear and well-supported final recommendation.

### Question 4

This question led to some very general marketing responses. Many candidates’ answers would have been improved by more detailed consideration of the essential differences in the ‘customers’ of the two types of ‘products’ being offered by HCS. Careful reading of the case study by a few candidates allowed them to identify correctly that, when selling prepared meals to supermarkets which would resell them under their own brand names, HCS did not need to promote these meals to the final consumers. This would then become the responsibility of the supermarkets themselves. Most answers would have been improved substantially if candidates had identified the key differences between selling catering services to final consumers and ‘business to business’ marketing when selling to large supermarket buyers. A response typical of the few really incisive answers to this question included the judgement that ‘in selling to supermarkets, reliability of delivery, product consistency and perhaps, above all, keeping unit prices low are the key factors. In selling

catering services, price becomes much less important and the quality of customer service and uniqueness of food preparation assume much greater significance’.

### Question 5

The quality of answers to this question varied considerably. The best answers analysed the human resource problems in the context of HCS, explained the likely impact of the different approaches to ‘solving’ them and then made judgements about the most suitable strategies to be adopted. Nearly all candidates were able to gain some marks for knowledge, application and analysis but many answers could have been improved by including more careful judgement about the ‘best’ approaches to adopt in this case. As in nearly all questions such as this, there is no ‘right’ or ‘wrong’ answer and full marks can be awarded to different candidates who arrive at different conclusions. However, if a response is to gain access to higher mark bands, it must include conclusions. In this case, some of the best judgement was shown when candidates balanced the potential motivational impact of profit sharing schemes with the need to pay dividends to shareholders. It was suggested by some candidates that the improvements in motivation and productivity might have to be substantial if the profit sharing scheme was to lead to higher overall profits to allow both workers **and** shareholders to benefit. Judgements of similar quality were made by some candidates when they suggested that there was scope for job enrichment by involving staff much more in dealing with catering service customers and discussing their requirements but that Youssef might find this degree of delegation difficult to accept unless he adopted a different leadership style.

### Section B

#### Question 6

Some of the essay answers to this question were very good. Candidates were able to interpret the data shown in Appendix C and explain its potential impact on the success of the proposed takeover. Accurate references were made to social and other changes that could influence this decision too. Many candidates took advantage of the obvious scope provided by the case study evidence and case study context for explaining opposing arguments. Most answers came to an overall conclusion and in the best answers these were sometimes qualified by a consideration of the potential importance of other data that would have been useful in coming to a decision. This is an important example of evaluation. If a candidate is able to suggest another piece of evidence – such as HCS’s liquidity position or the overall cost of the proposed takeover of DDD – and explain how it might influence the final decision on the takeover, then this suggests a clear understanding of the problems inherent in most business decision-making contexts and the need for full consideration of as many facts as possible before taking a difficult-to-reverse course of action.

This was much more popular than **Question 7**. Previous experience suggests that candidates are drawn to questions that require a substantiated choice or decision to be made.

#### Question 7

There were some good answers to this question but some responses needed to root the points made more firmly into the context of HCS and Youssef’s management style. Change management was understood by most candidates but some answers could have been further improved by demonstrating more convincingly the key differences between managing and leading change and why workforce support might be so important. The evidence in the case concerning the current human resource issues should have given some basis for a discussion of how workers are managed in the business and whether this HR approach will be effective during a period of major internal change. One candidate suggested, quite effectively, that the internal management and organisational changes within HCS might be minimised by creating two completely separate profit centres – catering services and food processing – which would lead to less disruption for existing staff and processes. Other answers could have been further improved by making clear, supported recommendations regarding the most effective ways for Youssef to deal with the changes resulting from this major strategic move.