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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# BUSINESS STUDIES

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## GCE Ordinary Level

Paper 7115/01

Paper 1

### General comments

The Paper proved an effective discriminator across the full ability range. There is much evidence that candidates are well prepared for the Paper and that the overall level of knowledge and understanding has improved. The following points should help to improve examination technique.

- Read questions carefully and answer the specific one set.
- Always follow the rubric of the question, e.g. if two reasons are asked for it is a misuse of examination time to provide four or five.
- Candidates need to be clearer as to what a specific trigger word means. For example instructions like explain, justify and comment were often ignored. Thus often candidates were able to identify relevant points but frequently struggled to add relevant development or explanation. The consequence of this is that their answer is denied access to the higher level skills of analysis and judgement.
- Candidates need to be encouraged to think about questions and not simply repeat learned material which is used, irrespective of the focus of the question.

### Comments on specific questions

#### Question 1

- (a) Most candidates mentioned, often by implication, the sole trader feature but many failed to identify other relevant features such as unlimited liability and an unincorporated business. Many candidates failed to separate their answers to parts (i) and (ii) and thus referred to the reasons why people set up such a business as being a feature of a business. Part (ii) was well done by the vast majority of candidates.
- (b) This topic area was well known and produced many good answers. Virtually all candidates were able to suggest that an increase in both sales and probably profit lay behind the growth objective of many businesses. Some candidates were able to refer to things like market share, reduced risk and diversification.
- (c) Although there were many good answers given to this question there was a surprising tendency to assume that privatisation almost automatically created a private monopoly and hence reduced choice to consumers. This seemed somewhat perverse given the fact that usually the argument in favour of privatisation is that it creates an opportunity for competition along with greater variety and more choice. A few answers focused on the advantages rather than the disadvantages of the change. Sometimes candidates failed to notice that the question made reference to consumers and referred to matters like unemployment and social costs.
- (d) The majority of candidates were able to calculate correctly the number of people employed in secondary activities although a few got confused between percentages and absolute values. In part (ii) many answers focused on what changes had occurred rather than on possible reasons to explain them. Furthermore answers often made reference to factors like economic development but failed to really explain why this created employment shifts.

**Question 2**

- (a) Candidates found this question quite challenging. Many stated that costs must have risen but found it difficult to link this in with increased sales. Few were able to suggest that perhaps the increase in costs was not reflected in a rise in selling price and hence profit margins might have been squeezed. There was much confusion in some candidates' minds between an increase in total costs (because more was being produced) and an increase in unit costs. Cash flow problems were often wrongly cited as the cause of the problem with profits.
- (b) Although this was handled better, answers here were not strong. Most candidates had some grasp of the fact that cash flow problems were something to do with an imbalance between cash in and cash out. Some were able to refer to factors like stock levels or debtor/creditor relationships. Weaker candidates simply stated that costs must have risen.
- (c) This was well answered. A small minority of candidates incorrectly included profit/loss items here.
- (d) Most candidates could identify at least two disadvantages of using bank loan capital. Some were able to develop their answers to show the implications of such a strategy in terms of costs, cash flow and gearing.
- (e) This question proved the most difficult on the Paper. Most candidates were able to say that the accounts allowed you to see the level of profits earned by a business. Few answers went much beyond this. The Examiners were hoping that criteria for measuring success might be referred to such as rate of return on capital. Some were able to refer to appropriate ratios but found it difficult to make the next step to show how these were linked to the final accounts of a business.

**Question 3**

- (a) Many candidates made a mistake in assuming that the system illustrated was a piece rate one. They ignored the fact that initially wages were independent of output. Candidates need to be encouraged to look at unfamiliar figures and to interpret what they see. There were many good answers given here that referred to the motivational impact of money. However all too often answers lacked focus and started to discuss the impact on quality and the need for control systems. The question was centred on whether financial targets are a good method of generating motivation.
- (b) Many good answers were provided here with reference to factors like skill shortages and lack of other fringe benefits. Generally a high level of understanding of these concepts was shown.
- (c) Both parts to this question were very well handled. Most candidates were able to refer to two different types of training such as in house/induction/external and generally were able to outline the differences between them. Furthermore the potential advantages of a skilled labour force was well known and understood with reference to factors like increased productivity and efficiency with its impact on costs and profits.

**Question 4**

- (a)(i) Most candidates demonstrated a basic understanding of the hierarchical nature of organisational charts and identified a few relevant features. Better candidates were able to incorporate context features into their charts.
- (ii) Although many candidates were able to explain both terms quite adequately a number failed to follow the instruction to make use of their chart drawn in part (i).
- (b) Many answers here were somewhat unfocused. They described a communication system and only made reference to effectiveness by accident. Better answers were able to refer to factors like speed, accuracy and feedback.
- (c) This was very well answered. Almost all candidates could identify two managerial functions and most were able to explain adequately what they involved. A small minority just produced a list of functions with no attempt at an explanation.

- (d) Again generally well answered. Most candidates had some knowledge of laws that impact on employment. However some had difficulty in explaining how these laws actually affect employees. A few candidates focused on their impact on the employers. A small number discussed this question in terms of trade unions. Detailed knowledge of legislation was required, merely an awareness of the impact that such laws have on the rights of workers.

#### Question 5

- (a)(i) Many good answers were seen here. The Examiners were expecting reference to things like cost plus and market based pricing. Many of the better answers adopted this approach. A number of weaker answers discussed things like the quality of the fruit and even seasonality factors. However they were usually unable to show how these factors had any relevance to pricing decisions.
- (ii) This part was particularly well done. The only area of weakness was the inability of some candidates to explain why their chosen method of promotion might be appropriate.
- (b) The impact of advertising on sales was well known and well understood. There were many very good answers given to part (ii) explaining why badly focused advertising would be ineffective.
- (c)(i) A surprising number of answers failed to draw an extension strategy in an appropriate manner.
- (ii) Many answers here were of two or three methods rather than of an explanation of one method as required. A few answers made reference to bringing out a new product. The Examiners felt that many candidates had an insecure grasp of the concept of an extension strategy.

Paper 7115/02

Paper 2

#### General comments

The Examiners were pleased with the general standard of candidates' scripts. The Paper proved effective in allowing all candidates to show signs of positive achievement. Weaker candidates were able to demonstrate knowledge and some understanding while stronger candidates were able to apply their knowledge and make evaluative judgements. The main conclusions of the Examiners were:

- there was a high standard of answers given to the numerical question.
- all candidates would benefit from a stronger awareness of the main facts contained in the case. It is disappointing to see candidates recommending an increase in borrowing (**Question 6**) when this is explicitly ruled out in line 31 of the text.
- careful reading of the specific questions is essential if high marks are to be achieved. Thus if a question requires an explanation or a justification then a simple knowledge and factual response is insufficient.

#### Comments on specific questions

##### Question 1

All four terms were known to most candidates.

- (a) Many candidates were aware of the basic idea of a sample. However many found it difficult to get over the essential feature that it is a sub-group of people whose views are taken to be representative of the total group. A few candidates used the term in a practical sense of a piece of material (e.g. sample garment).
- (b) Most candidates produced good answers to this drawing attention to the fact that it was a measure of the relative importance of a business in a market measured in terms of relative sales.

- (c) This was well answered. The most common error here was to focus on the concept of value rather than on the idea of a margin.
- (d) This part caused the greatest difficulty. Most candidates were aware that it referred to a method of production but many had difficulty in identifying its essential features.

### Question 2

The Examiners were pleased with the general standard of answers here. However all candidates would do well to remember that a clear presentation of working along with an explanation of what is being calculated is very important. In some cases incorrect answers were given with no indication as to how they had been derived. The answers were: (a) 37.9%; (b)(i) \$424m, (ii) \$53m, (iii) \$0.795m.

The most common errors were in (a) incorrectly calculating the % increase by expressing the rise of \$110m as a % of \$400m; in (b) confusing the growth as being 5%; in (c) failing to interpret the pie chart segments correctly and in (d) calculating the 5% share of the jean market as being \$2.65m but assuming that this was the gross profit (the profit margin was 30%).

### Question 3

Candidates had been well prepared for the topic area of employee motivation. Many were able to demonstrate knowledge and understanding of motivational methods and attempted to explain their ideas. However, weaker candidates were totally uncritical in their demonstration of knowledge and included fringe benefits that were totally inappropriate for factory workers. An increasing number were aware of motivational theorists but often failed to use their knowledge to their best advantage. Simply saying what Maslow thought for example does not constitute an answer to the question.

### Question 4

Both parts (a) and (b) were well answered. In (a) weaker candidates tended to repeat what was in the case study text. Better candidates were able to draw valid inferences from the market research findings and hence were able to identify the key findings that were of particular value to the business. The basis of a good answer was to identify the fact that the research allowed the business to become market orientated by producing a product that was appealing at appropriate prices, sold through a distribution chain that was suitable. This then needed to be illustrated with suitable case study reference. Some answers produced textbook-like responses that made no mention of this specific piece of research. Candidates should be discouraged from this approach.

In (b) there were many very good answers that were able to draw upon knowledge of the marketing mix along with good contextual reference. Strong answers referred to things like a prestige pricing policy reflecting the fashionable image that the product displayed. Consideration was also given to the retail outlets to use along with promotional and advertising campaigns. Weaker answers focused upon the 4 P's with little or no reference to the case.

### Question 5

There were large variations in the quality of answers to this question. Some candidates clearly had learnt this part of the syllabus and were able to identify and explain the concept of economies of scale. Other candidates did not appear to have covered this part of the syllabus in any depth and this was reflected in the calibre of their answers. To score well candidates needed to be able to explain what cost advantages large businesses had potential access to. Many were able to refer to mass production techniques, bulk purchase of stock, distribution advantages and financial and managerial gains.

### Question 6

Far too many answers ignored the text and suggested the business applied for a bank loan. Good answers suggested leasing or use of retained profit with full justification. The question proved an effective discriminator. A number of candidates tend to produce quite detailed answers with insufficient thought given to their appropriateness in the situation under consideration.

**Question 7**

The majority of candidates found this a difficult question. However most were able to gain credit in part (a) by making reference to things like misleading adverts, poor quality and refunds. Some candidates lost marks for not focusing on the focus of the question and made reference to social and environmental issues. In part (b) candidates needed to make close contextual reference to score highly. Thus answers referring to, for example, the jeans must be of merchantable quality and fit for purpose (stating fabric content, washing instructions) were relevant. There was little doubt that many candidates found this strict application of their knowledge quite challenging.