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FOREWORD

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

GCE Ordinary Level

Paper 7115/01

Paper 1

General comments

All questions were accessible to candidates although some inevitably proved more challenging. In particular, the following questions proved challenging: **1 (c)(i)**, **2 (c)**, **3 (d)(iii)**, **4 (a)** and **5 (c)(ii)**. Candidates might find the following helpful in improving their performance.

- Questions that ask for an explanation require a response that is more than just a list of points.
- If a question asks you to advise someone then the answer must be of a positive nature, i.e. put forward one recommendation or another. It is unsatisfactory to conclude perhaps yes but maybe no!
- If a question asks for a diagram or a chart to be constructed then it is essential that the axes are correctly labelled.
- Always read the command word in the question carefully. All too often candidates fail to gain marks through an inability to focus their answer on the specific question set.

Comments on specific questions

Question 1

- (a) Both parts to this question were generally correctly answered. Part **(ii)** caused problems for some candidates. The most common error was relating sales volume of Classic Computers to the total market value of sales. The correct answers were \$800 and 20% respectively.
- (b) Although most candidates drew a diagram that generally resembled a product life cycle a large number failed to indicate what was being measured on the axes. Some candidates found explaining the maturity stage of the life cycle difficult. Often their answers focused on an aspect of sales that failed to differentiate it from any other stage of evolution e.g. sales continuing to increase.
- (c)(i) Too many of the answers here failed to focus on the concept of price elasticity. Indeed this appeared to be a concept that was not well understood by many. In part **(ii)** most candidates wrote successfully about other elements of the marketing mix that would impact on sales. However the weaker answers provided illustrations that were inappropriate for the marketing of computers.

Question 2

- (a) In general both parts of this question were well answered. Candidates generally had some idea about appropriate health and safety issues. These were sometimes directed towards consumer aspects such as the safety of toys rather than safety in the factory. The biggest weakness in answers was the lack of focus of some responses. Answers looked at the problems rather than at considering whether government action was needed.
- (b) Candidates generally recognised that Anesh's problem lay in the fact that cheap imports took sales away from his company. Most answers referred to action such as tariff barriers being an appropriate way of dealing with the problem. Some interpreted the question as meaning what action Anesh himself could take to be more competitive.

- (c) This question differentiated very effectively. Better candidates recognised that interest rates might push up costs and hence put pressure on prices. Some went further and argued that interest rates might also fall because consumers would see a fall in disposable income. Weaker candidates were confused as to the exact nature of interest rates and appeared to think that they were some kind of tax to be paid to the government.

Question 3

- (a) Most candidates correctly calculated the gross profit and net profit margin. Errors did occur in the concept of a profit margin however. Answers were \$50 000 and 8.3%.
- (b) Although there were many good answers to this question a surprisingly large number of candidates seemed to think that profits are needed in order to meet costs and pay wages.
- (c) The implications of a change in legal structure of a business were understood by better candidates. A sound grasp of this was however lacking in many answers. Answers not infrequently referred to things like sharing the work load and discussing problems. These matters would not specifically be addressed by ownership change.
- (d) (i) and (ii) were quite well answered although many candidates failed to explain why debtors would be included in business accounts. Part (iii) proved very challenging to many candidates. Often they were unable to provide a ratio and even when they did they were frequently unable to explain how it would help judge financial success. The Examiners were expecting an answer like rate of return on capital.

Question 4

- (a) This question differentiated exceptionally well. Better candidates were able to identify the fact that the difference in the average number of years in the job was the indicator of Manfred's inability to retain staff. Weaker candidates often referred to factors like wage differences.
- (b) Most candidates referred to table 3 to gain supportive data to help explain the reasons for the high staff turnover rate. Weaker candidates failed to show how the data helped explain the problem merely stating that it did.
- (c) Although often well answered, a number of candidates merely repeated what they said in answer to part (b). Better candidates recognised this as a question dealing with staff motivation and the impact of financial incentives.
- (d) The concept of training was generally well understood. The areas of weakness in answers were an inability to focus on induction training and also a lack of focus in answers as to the usefulness that training might be to a business. Answers often made reference to the benefits to the employee.

Question 5

- (a) Almost all candidates correctly answered this question.
- (b) Again very well answered although in a few cases there was confusion between public sector and public companies.
- (c) The calculation proved easy for most. However part (ii) proved surprisingly difficult. A significant number of candidates failed to understand what a rise in the exchange rate meant. Even those who did were often confused as to whether it helped an exporter or not. Answers here were often very confused. The question differentiated very well at the top end of the ability range.
- (d) Environmental issues and business decision making is an area that many candidates are familiar with. Thus there were plenty of good answers here. Better candidates were able to point out the possible conflict between cutting costs and acting in a socially responsible manner. Most understood the idea of pressure groups although a few felt that they had the power to pass laws. Generally a well answered question.

Paper 7115/02**Paper 2****General comments**

This was the first session of the new IGCSE Business Studies Syllabus. Paper 2 has seen minor changes to the old style Paper 2. This proved accessible to candidates of all levels. Indeed candidates responded well to the paper and no question appeared to present problems. Overall there was an improvement in the standard of responses and candidates are to be congratulated on their hard work. Sound knowledge of Business Studies theory was demonstrated although marks were lost through failure to relate the theory to the case study. The case study itself appeared to be within the understanding of candidates. The standard did vary between Centres. There are a number of points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- To gain the highest marks the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope they will gain some credit. The mark scheme is written to reward the answer required for the question and there is no allowance for alternative responses.
- Candidates need to pay careful attention to the wording of the question. If the question says 'state' then no explanation is required. If the question says 'explain' then the candidate must give a fuller answer not just a list. The number of marks for the question also gives an indication of the amount of explanation required. Full sentences and a paragraph for each point will often encourage candidates to write more detailed explanation.
- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for a judgement, such as, 'What would be the best method...'. Then the answer should firstly introduce the concepts being asked about, then explain the different alternative methods for the business, not just one method, and finally make a judgement as to which would be the best method, explaining why this decision was reached. If the candidate does not tell the Examiner why they think this particular strategy is the best one to take then the Examiner cannot reward the candidates reasoning. If only one method is discussed it is difficult to fully justify why this method would be best.
- Paper 2 is a case study and the majority of the questions will be in the context of the business in the case study. Therefore, marks will be awarded for applying the answer to this business. Candidates should try to avoid textbook answers to questions, as full marks will not be gained by doing this. Marks are going to be awarded for applying these concepts to the business in the case and failure to do so will mean these marks are not achieved.
- Where a question carries 8, 10 or 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if a judgement is called for in the question. Candidates need to realise that marks will often be awarded for all these assessment criteria when they are constructing their answer to the question. They should try to demonstrate all these assessment criteria in their answers if they are to achieve full marks, depending on the command words used in the question of course as evaluation is not always asked for.

Comments on specific questions**Question 1**

- (a) This question was generally well answered by the majority of candidates and they gained at least half marks. The question asks for a comparison of working for yourself rather than someone else and marks were lost by candidates just saying, to be your own boss and to keep all the profits, instead of saying that she might get more money by keeping the profits rather than receiving a salary or making decisions for herself rather than having to follow orders given by someone else.

- (b) Again generally well answered with responses recognising the usefulness of Philippe as an accountant and not having to employ an accountant thus saving the business money. Candidates included the advantages of having someone else to share the responsibilities of running the business, discussing decisions. The answers were often in the context of the case study, scored additional marks as well as often explaining the advantages to Sharma. Again the majority of candidates scored at least half marks.
- (c) Generally well answered with many scoring 5/6 out of 10 marks. However, candidates often only discussed private limited companies and did not consider alternative ways of financing the expansion. The context was not often used which lost marks. The best option ought to be fully justified by considering alternative methods of finance at least briefly even if not in detail.

Question 2

- (a) Many candidates could not give an accurate definition of batch production. They just said it was producing on a large scale that was insufficient to score marks. So there were many 1 mark answers due to the vagueness of the responses that indicated that a quantity of products were produced.
- (b) Here the concept of flow production seemed to be understood. However, sometimes the context of the drinks market was not applied to answers and candidates did not always recognise that a large quantity would be produced meaning a large market would be needed for such a large output. The advantages of flow production were often described but only better candidates compared batch and flow production methods.
- (c) A minority of answers were able to explain that the a wider span of control meant that more subordinates would be under particular managers and a longer chain of command meant that there would be more layers in the hierarchy of the business leading to more people for messages to pass through from the highest levels of the business down to the lowest levels. Many candidates could only give a definition, which gained some marks, but only better candidates gained 4 marks, as particularly a lengthening of the chain of command was not well explained.
- (d) Internal/external recruitment was implied rather than stated clearly. Candidates commented on the cheapness of recruiting internal candidates rather than external candidates. Often candidates did not take into account the small existing staff with limited or no experience of running café bars. External recruitment often meaning employees being more experienced and having the skills required to run the café bars was often recognised. The majority of candidates gained at least 4/6 marks. A minority of candidates confused recruitment with internal and external training.

Question 3

- (a) Many responses did not state the difference between primary and secondary research. A small minority mixed up the two for each other or stated that secondary research was better than field research. This was difficult to justify given that this was a totally new product. A weakness was in not applying the answer to the case study and just discussing primary and secondary research methods in general, hence few candidates scored full marks but many gained half marks or more.
- (b) Candidates found it reasonably easy to gain 3-4 marks for suggesting suitable questions for the questionnaire, although some examples could have been more focused on a new drink. Many candidates went on to justify their choice of questions. A few answers just repeated the question which did not score marks as it was not an explanation, e.g. (i) 'Do you go to café bars?' and (ii) 'I asked this to find out if they go to café bars'. This is not a justification and the candidate should have gone on to say why the business wanted the information. A minority confused this with application forms and gained no credit.

Question 4

- (a) The majority of candidates achieved good marks for knowing about the distribution channels between producer-wholesaler-retailer-consumer. The advantages of the wholesalers were adequately covered in the candidates' explanations allowing most candidates to gain high marks. Only the lack of explanation and not applying the answer to the case study lost marks for some candidates.

- (b) The 4 P's were known by the majority of candidates and therefore few scored low on this question. However, marks were lost for not applying the answer to the case study. A drink is new on the market and therefore penetration pricing would be most appropriate. Answers gained over 9 marks, as there was no clear link between the different elements of the marketing mix. There should have been a clear strategy between the 4 P's for a new drink on the market aimed at teenagers and young adults. A minority of answers only considered one of the elements of the marketing mix and consequently scored low marks.

Question 5

- (a) Generally well answered with many answers scoring at least 5 marks and often more. Interested groups were usually given as the government, creditors, banks, competitors and workers. The only reason for full marks to not be awarded tended to be due to a lack of explanation as to why the group would be interested in the accounts and how they might use this information.
- (b) The majority of candidates showed good knowledge of how to carry out ratio calculations leading to at least half marks being achieved. However, meaningful analysis and evaluation of what these ratios show was limited to only the better candidates who identified that percentage increases had risen less for expenses than gross profit and sales revenue thus leading to an improved performance in net profit. Weaker responses could do little more than repeat the figures without comment and consequently scored few if no marks.