

BUSINESS STUDIES

GCE Advanced Subsidiary Level

<p>Paper 8707/01 Short Answer/Essay</p>

General comments

There was considerable variation in the quality of scripts, with evidence that a sizeable proportion of candidates had not prepared themselves thoroughly for examination at this level. Although there was no evidence to suggest that candidates were unable to satisfy the rubric within the time allowed, answers to **Part B**, the essay, were often very short.

It was disappointing to note that although candidates had knowledge of basic business concepts and techniques, they were, all too often, unable to explain how these might be of relevance to businesses. Centres are advised to try and encourage candidates to think of why businesses need to know about concepts and techniques, so that they are able to apply their knowledge in a variety of contexts. It was also of some disappointment to Examiners to note the apparent lack of knowledge that some candidates have about their own countries' business environment.

Comments on specific questions

Section A

Question 1

- (a) Candidates should have explained that market segmentation involves dividing the market into different groups, each group having its own specific characteristics e.g. sex, age, income, geographical location etc.

Surprisingly, some candidates appear never to have heard of the term market segmentation and some described it as the process of separating goods on the shelves in supermarkets. However, those candidates who did have appropriate knowledge were able to answer the question at the level required, although some would have scored higher marks had they given examples of segmentation to support and clarify their understanding.

- (b) Although better candidates were able to provide a range of appropriate reasons for segmentation (such as better targeting of the marketing mix, better use of marketing resources, better understanding of consumer needs, potential and benefits of niche marketing etc.), the majority of candidates had little or no idea of the purpose of segmentation. This question provides a very good example of the point made earlier i.e. Centres should encourage candidates to develop their understanding of business concepts and techniques through appropriate application to 'real' businesses.

Question 2

Although there were some excellent answers to this question, a significant number of candidates appeared to have little or no knowledge of how their own Government assists businesses in their country. Answers might have included reference to preferential finance schemes, advice and training, control of imports, provision of land/buildings, favourable taxation policies, provision of good infrastructure etc. Examiners would have awarded any measure suggested by the candidate as long as it appeared appropriate and was supported with a brief explanation as to how it assists businesses in their country.

Question 3

- (a) This question was generally well answered. Candidates offered a range of possible answers such as increasing consumer/brand loyalty, effects on market share, effects on profitability, company image etc.
- (b) This part of the question was less well answered. Although better candidates were able to discuss quality circles, total quality management, benchmarking, statistical control methods, improved quality of inputs etc., weaker candidates had little more than a superficial understanding of such methods and techniques. Another feature of weaker candidates' answers was that they chose to ignore the reference in the question to 'one way of ensuring high quality products'.

Question 4

- (a) The relevant area of the syllabus that this question and part (b) examined is clearly one that many candidates failed to prepare for thoroughly, and as a result there were many very poor answers, displaying a general lack of any understanding.

Better candidates were able to make the simple distinction that revenue expenditure is the day-to-day running expenses of a business, whilst capital expenditure is concerned with the purchase of fixed assets. They also supported their answer with appropriate examples of each type of expenditure.

- (b) This was, without doubt, the least well answered question in **Section A**. Although many candidates were able to explain the process of depreciation, often giving elaborate numerical examples, they were unable to explain the purpose behind depreciation. Candidates could have made reference to spreading the cost of an asset over its useful life, the matching principle, providing more accurate costs and hence profit figures and a more accurate value of assets shown in the balance sheet.

Section B

As mentioned earlier, there were some very disappointing responses to the questions in this section. A significant number of candidates produced answers which were extremely short and, as a result, displayed little more than the most basic knowledge of the relevant areas of the syllabus. It is clear that candidates, from some Centres, need more practice at answering this type of question. In particular, candidates need to be taught the skills of analysis and evaluation.

Question 5

Answers to this question should have evaluated the different functions of packaging, such as protecting the product, portability, provision of product information, etc., and not just its role in the promotion of a new product. Some candidates chose to ignore the nature of the question i.e. its focus on packaging, and produced elaborate answers about the product life cycle and other aspects of the marketing mix. Whilst other elements of the marketing mix could have usefully been used to evaluate the importance of packaging e.g. quality packaging and higher prices, answers that simply discussed how a firm might determine the marketing mix for a new product attracted few marks.

Question 6

- (a) Candidates were expected to briefly outline the process of work study in terms of method study and work measurement. Those candidates that did this were well rewarded. However, there were a number of candidates who answered this question who appeared to have no knowledge whatsoever of the topic.
- (b) This question was rarely answered well. Candidates should have discussed how the results of work study might be used to motivate workers, in particular with reference to financial incentives and perhaps the work of Taylor and scientific management. However, they should then have discussed how such an approach to motivation might be inappropriate by considering the other views on worker motivation outlined by other theorists.

Question 7

- (a) This question provides another good example of candidates being unable to apply their knowledge. Most candidates were able to identify a range of stakeholders and also the main elements of published accounts. However, only the very best were able to explain how different stakeholder groups might use the information contained in the accounts e.g. comparison over time, comparison with other companies accounts, simple ratios etc.
- (b) This part of the question was generally less well answered. Most candidates seemed to have very little idea of the limitations of published accounts, in particular that they only represent a 'snapshot' of a business' performance and only contain information that can be quantified. Answers should have considered the qualitative aspects of business, as well as issues such as the general economic climate, whether the business is growing or in decline, research and development into new products/markets etc.

Paper 8707/02

Data Response

General comments

This second paper proved to be a good discriminator between candidates. It allowed well prepared and astute candidates to perform well and enabled them to demonstrate not just detailed subject knowledge but also excellent academic skills in the areas of analysis and evaluation. Weaker candidates and those who were less well prepared were still able to gain credit on the more knowledge based questions but, as one would expect, their performances were well below stronger candidates, as they were not able to apply their subject knowledge to the questions set or, just as frequently, they were unable to answer the questions within the case study context. The main distinguishing feature, other than lack of detailed specification content knowledge, was that some candidates were able to relate their answers to the particular circumstances of both of the data response case studies whilst many candidates could not. The writing of generic answers that failed to make any substantial reference to the circumstances of the business in the data was the major area of weakness of many of those candidates.

The use of the limited examination time was, in nearly all cases, very responsible and there were very few cases of candidates clearly running out of time on the second question. The great majority of candidates tackled the questions in the order in which they appeared on the paper, but tackling **Question 2** first is acceptable.

Comments on specific questions

Question 1

- (a) This question involved two terms that are important concepts from the marketing section of the specification. Many answers concentrated on 'promotion', as opposed to 'sales promotion' and this distinction is expected of AS level candidates. A good number of candidates made reference to the case study in their answers to this question. This is fine, but it should be reinforced with all candidates that an example drawn from the case is **not** a definition, and that an example should only be used to support an adequate explanation of the term.
- (b) A significant number of answers focused on departmental areas of the business rather than on specific management functions. A few answers were excellent, and these identified two key functions, for example controlling and communication, and then proceeded to explain why Joe would have to undertake these tasks within his expanding business.
- (c) Some very good answers were evident here, identifying relevant methods and explaining why these were both possible and important for Joe. Quite a few answers failed to put theory into any context and these failed to gain 'Analysis and Evaluation marks'. This was a common theme of some candidates' scripts and Centres are encouraged to give their candidates many opportunities to gain practice at developing these important skills.

- (d) Centres should prepare their candidates for this type of question. Although there will be fewer questions on the AS level papers requiring candidates to give justified recommendations than on the A level papers, there will be some and this was a typical example. There was a great deal of evidence that candidates could have pulled out from the case and there were, indeed, some excellent answers. These looked at both sides of the issue and then came down either for or against the expansion. In simple terms, it often helps candidates to be encouraged to write their answers to this type of question in three paragraphs. This will allow some arguments to be developed *for* the decision, some *against* and then the final paragraph can make reference to the candidate's own recommendations and the reasons for it.

Question 2

- (a) Very many candidates gained full marks for part (i) and very many candidates gained no marks for part (ii). It was surprising that the attempted definition of batch production was so poorly done. Being able to define all of the essential terms in the AS level specification is the starting point for a good examination performance, and regular class testing should help to establish this priority. It did seem that some Centres had dealt with the accounting section of the specification in detail but that operations management had not been given the same degree of attention.
- (b)(i) There were many full marks for this question. Some candidates did not know the formula at all but the great majority did and used it appropriately with the data given.
- (ii) Most answers tended to concentrate on the first part of the question, lower prices increasing sales revenue as a result of relatively elastic demand. Candidates were also expected to explain that this positive impact on profits may have been offset by the lower gross profit margin and/or by higher expenses, for example, marketing costs.
- (c) Those Centres that had not devoted sufficient time to the Operations Management section found that their candidates performed poorly on this question. The major factors involved in changing production methods are important specification issues and candidates should be able to explain these within the business context given to them.
- (d) The classic answer to this type of question from a candidate trained in 'textbook' style answers is one that deals in great detail with the '4 P's', but without putting them into the case study context. This was a common failing of many candidates and yet there were also some outstanding answers too. These used not just the case study context of soft drinks, but also explained to the Examiner certain features of their own country that could be used to adapt a typical marketing mix for soft drinks.

Final comments

Centres that study both these reports and the published mark schemes should be able to improve the performance of many of their candidates substantially. No candidate will perform well in a Business Studies examination without a detailed knowledge of the key terms and concepts. However, it is also important that candidates have the essential feature of data response questions explained to them. This distinguishing feature is that the 'data' is given to assist the candidates with their own answers, and that use of this data in answers is not an 'option' but a necessity if marks are to be earned that will take candidates into the top grade boundaries.

The early experience of Paper 2 is that some Centres are learning faster than others that the demands of this paper are different to Paper 1. The candidates from these Centres are showing positive signs of being able to analyse and apply their knowledge *in context* and with specific reference to a particular business. This is one of the primary aims of Business Studies education.