

BUSINESS STUDIES

Paper 9707/11
Short Answer/Essay

Key Messages

- Candidates need to be aware that the command words are there to help them and that they should note the type of response required. The mark allocation is also an aid to deciding whether a short or more detailed answer is required. For example, in **Question 2(a)** candidates were only asked to 'state'; this did not require complete sentences or explanation. The wording of questions should always be carefully noted in order to avoid misunderstandings.
- It is strongly advisable that when answering question in **Section B** candidates should make sure that they read all of the questions and ensure that they choose to answer the question that they are best equipped to answer. In particular, in the case of a two-part essay question (**Question 5** and **Question 7**) they must be able to answer both parts of the question. Candidates must check that they can answer part (b) before starting to answer part (a).
- Candidates should be reminded that evaluation is required if the highest marks are to be awarded in **Section B** questions. Candidates must retain focus on the question set and not digress into more general areas connected to the topic.

General Comments

The majority of candidates demonstrated a range of relevant knowledge across the syllabus content being assessed in this paper.

Some candidates continue to write at length when answering questions in **Section A** which can leave them short of time when answering the essay question. Time should be allocated according to mark allocations for each question and to allow sufficient time for an analytical and evaluative response to a question in **Section B**.

When answering questions from **Section B** candidates should be aware that analysis is required if high marks are to be awarded for part (a) and that analysis and evaluation are essential if the highest marks are to be awarded for responses to part (b) of the question.

Analysis is still limited in a significant number of scripts and evaluation is not attempted in many instances. Candidates should be encouraged to develop these skills as part of their examination preparation.

Comments on Specific Questions

Section A

Question 1

- (a) This question was answered accurately by most candidates. Many identified the fact that 'primary research' is first-hand research gathered for the specific purpose of the business undertaking the research. Many candidates included relevant examples such as questionnaires or interviews. Where the definition was less than full, the use of a correct example was useful. A small number of candidates gave answers that indicated some confusion; for example: 'Primary research is also known as desk research e.g. questionnaires'.

- (b) Many candidates answered this question well. However a significant number of candidates described random sampling as 'asking questions to a random number of people'. Such a response that simply reused the word 'random' was not able to indicate understanding. Good answers stated that random sampling means that everyone in the population has an equal chance of being selected.

Explanation of stratified sampling tended to be more accurate with recognition that random sampling would take place within identified strata of the population. Examples of various groupings were also often included which added yet more clarity to the explanation given.

Question 2

- (a) This question was well answered by the majority of candidates. The most common answers were recruitment, selection and training. Other relevant answers included: dealing with workforce issues such as redundancy and dismissal and ensuring that employee welfare was being considered.
- (b) The majority of candidates were able to make a clear distinction between redundancy and dismissal, with only a very small number of candidates confusing the two terms. Redundancy was linked to the job itself and relevant possible causes were frequently given. Similarly, when explaining dismissal, candidates frequently included some of the actions that could lead to the dismissal of employees. Some candidates correctly stated redundancy is not due to anything that an employee has done wrong, whereas dismissal is entirely due to wrongful actions by the employee.

Question 3

Most candidates were able to give a good response to this question showing a clear understanding of what a mission statement is intended to achieve. Good answers also made reference to the usual large size of a public limited company and how the mission statement can help to ensure that all employees are made aware of the overall aims of the company. This can also minimise the alienation of employees in large organisations.

Candidates tended to focus on the motivational aspect of a mission statement with stronger answers explaining how this can provide guidance to employees about the image that the business wishes to portray. This was also explained in terms of how this might influence the behaviour of employees. The motivational strength of the mission statement was also sometimes explained in terms of the impact on employees when they shared the core aims of the business e.g. ethical or environmental goals.

The best candidates showed a good understanding of the concept of a mission statement and explained this in the context of a public limited company. This context was lacking from the majority of responses.

Question 4

- (a) Most candidates recognised that process innovation is the introduction of a new and improved method of production or method of delivery. There were a small number of candidates who explained 'product' innovation rather than 'process' innovation. This is perhaps because the question had been misread and indicates that candidates must read questions carefully.
- (b) Most candidates correctly identified high quality products and the fact that products are made exactly to customer specifications. In the majority of cases each of these advantages was explained. In some cases, however, although relevant advantages were identified the answer lacked explanation. For example the advantage of high quality goods could be explained simply in terms of the fact that the products would be made by highly-skilled workers. The product being exactly as the customer wanted could be explained in terms of tailor-made goods such as wedding dresses or suits. Such examples were used effectively by many candidates.

A small number of candidates explained advantages of job production to workers or to a business rather than to customers and therefore could not be rewarded as they had not answered the question set.

Section B

Question 5

- (a) Candidates showed an understanding of the need for a business to hold cash but there was sometimes some confusion between cash and profit. Candidates must remember that cash is not the same as profit and must avoid that confusion when answering questions that focus only on cash.

However, many candidates correctly identified several reasons why cash is essential to a business and they also responded to the 'suitable level' element of the question by discussing the implications of too little or too much cash.

Reasons for holding cash could include the need to pay for day-to-day expenses such as the purchase of raw materials and fuel for vehicles. Several candidates put this into the context of a new business that could not obtain credit, which emphasised the need to have a suitable level of cash in the business.

Many candidates linked the level of cash with the need to maintain an appropriate level of liquidity and often also discussed the implication of a lack of liquidity causing a business to not be able to meet its short-term liabilities. Examples were frequently used, such as a failure to pay suppliers and the fact that suppliers might refuse to supply goods in future thus seriously hindering further business activity.

The holding of too much cash was explained in terms of missed opportunities and the fact that cash is an asset that was not working for the business.

- (b) This questions elicited many answers that were good in terms of the ways in which a business could improve its cash flow but, unfortunately, very few candidates responded to the context of a 'small business'.

Many answers identified a need to reduce cash outflows and/or increase cash inflows. Methods given to reducing cash outflows included reducing the cost of raw materials and it was recognised that this might mean that a lower quality material was purchased and that this might result in low quality final products that could in turn impact negatively on customer loyalty. Candidates explained that wage costs could be reduced, but only a small number of candidates recognised the difficulty of actually achieving this.

Many candidates suggested that, in order to increase cash inflows, additional promotion should be undertaken without realising that there was a cost attached to this that would cause cash outflows even if only in the short term. However some candidates did recognise that, although this would cause an initial cash outflow, the rewards from increased sales might more than compensate for that. Only a very small minority of candidates then went on to explain that the cash inflow resulting from increased promotion would be most effective if the additional sales were made for cash rather than on credit.

The majority of candidates correctly suggested cash flow can be improved by increasing the time taken to pay suppliers and by reducing the credit period given to customers. Many candidates added to their answers by explaining the possible implications of taking this action.

The context of a 'small business' was required if candidates were to be rewarded for any analytical or evaluative content and this was lacking in the majority of answers.

Evaluation was rare in answers to this question. It was hoped that candidates would recognise the restrictions placed on a business by virtue of its small size and that a judgement might be made regarding the best method for them to use given this context.

Question 6

Most candidates demonstrated that they are familiar with Internet selling and the majority wrote from a business point of view rather than that of a consumer. The context required in answers to this question was that of “electronic goods” which could be achieved by discussing, for example, the difficulty of delivery of computers or washing machines if customers were in a different country.

Most candidates correctly identified a range of issues that would need to be considered including: the quality of Internet connection where the target market lived, the cost of setting up and maintaining a website, the need to have employees who are trained to deal with Internet selling and customer queries, the cost and difficulties of delivery to customers.

Many of these points were explained in detail but, unfortunately, in the majority of cases without making any reference to the type of goods that could be involved. Some candidates did include context and considered how a business could ensure that, for example, a computer could be guaranteed to arrive in good condition if it had to be transported over long distances. This type of response included a relevant consideration and context.

A significant number of candidates restricted their answers to a discussion of advantages and disadvantages of Internet selling and did not focus on factors to consider before deciding whether or not to proceed with selling through the Internet. Such responses often contained some relevant content but lacked the focus that this question required.

Question 7

- (a) ‘Family owned’ businesses were well understood by many candidates and responses were full of relevant content. Strong answers focused on the possibility of family feuds spilling over into the work place and the danger of nepotism being demoralising for employees who were not family members and the potential difficulties of obtaining finance due to the restricted options available.

Some candidates assumed that the question was about sole traders, partnerships or private limited companies and gave disadvantages of each without relating to family owned businesses. However, some of this content was often relevant and was rewarded although reward was limited due to the lack of family focus in the answers.

- (b) This question was well answered by many candidates. Good answers discussed valid reasons why a business might not set growth as an objective such as the need to focus on survival if the business was new or facing strong competition or difficult economic times such as recession. Sometimes several factors were discussed but detailed explanation was lacking. Good answers can be achieved by focusing on providing in-depth explanations/analysis of a smaller range of factors. It is this more detailed approach that tends to lead to well-supported judgements being made.

Some candidates focused their answer on the advantages and disadvantages of setting objectives in general rather than making their response specific to growth.

Unfortunately a small number of candidates explained why a business **would** set growth as an objective.

BUSINESS STUDIES

Paper 9707/12
Short Answer/Essay

Key Messages

- It is important that candidates acquire a sound understanding of a comprehensive range of Business Studies concepts over all five sections of the syllabus relating to this paper. If this is not achieved it will be difficult for candidates to demonstrate the higher order skills of analysis and evaluation.
- Context application, analysis and evaluation must be attempted to access all the marks available in **Section B** of the Paper. Candidates should be encouraged to develop such skills as part of their examination preparation.

General Comments

This Paper proved very challenging to many candidates. In particular, **Section A** revealed some significant gaps in knowledge and understanding of Business Studies concepts in all syllabus areas. Without a thorough understanding of the business concepts diseconomies of scale, corporate responsibility and workforce planning, candidates often resorted to non-relevant explanations and discussion.

In **Section B** questions **5(a)**, **6** and **7(a)** presented challenges to many candidates in terms of the specific knowledge and understanding of important syllabus referenced Business Studies concepts. Without sound knowledge in these areas it is difficult for candidates to demonstrate the skills of application, analysis and evaluation.

Comments on Specific Questions

Section A

Question 1

- (a) Retained profit was generally well understood. A typical answer was: 'profit left after tax and dividends ploughed back into the organisation for future finance'. Some described it as 'profit balance from the previous year' and this was acceptable. Incorrect answers simply described net profit i.e. 'revenue minus expenses'.
- (b) This was answered correctly by only a minority of candidates. Very few answers understood the key distinction between reporting to external stakeholders (financial accounting) and reporting to internal stakeholders (management accounting).

Question 2

- (a) Many candidates were able to correctly define diseconomies of scale as the situation when costs of production rise as the scale of operations is increased and some added to the definition with a graph. A number of answers then gave a partial answer to part (b) by developing the definition with explanations of reasons for this situation.

A significant number of candidates however struggled with this question and incorrectly defined diseconomies of scale as the absence of economies of scale and referred to the concept as a business situation where a business is unable to secure the benefits of economies of scale.

- (b) Even candidates who had correctly defined the concept in part (a) found it difficult to adequately explain two reasons why a business might experience diseconomies of scale. The most common correct answers referred to managerial challenges such as communication and coordination issues in larger organisations. Many answers discussed issues such as staff motivation and morale but did not link the explanation specifically to diseconomies of scale.

Question 3

Only a minority of answers fully explained why businesses choose to be responsible and consider the impact of their business decisions and actions on a range of stakeholders. Many candidates correctly defined corporate responsibility and gave detailed examples of how such responsibility might be achieved as an organisational objective without then explaining the possible motives for such corporate action such as responding to the legislative and business environment and accepting that business should be concerned with more than 'bottom line' objectives.

A significant minority of candidates did not understand the meaning of corporate responsibility and incorrectly discussed the concept narrowly in terms of businesses having corporate objectives in the pursuit of profits.

Question 4

- (a) Many candidates mistook workforce planning for specific job planning and consequently gave general human resource answers on employee motivation, team work, and job design. Workforce planning is about analysing and forecasting the numbers and skills of staff required for a business organisation to survive and succeed.
- (b) Having given an imprecise answer to part (a), many candidates struggled to explain the benefits of effective workforce planning. Strong answers identified the need for HR departments to plan ahead and ensure that an organisation has an appropriate number of skilled staff to respond to specific future business situations and environments.

Section B

Question 5

- (a) This marketing question was popular but many candidates did not answer part (a) well. Candidates were well able to describe the role and importance of marketing as a relevant introduction to this question but then often drifted into a more detailed discussion of the product life cycle or the marketing mix. Some candidates described the role and activities of other functional business departments but did not connect them to the marketing function.

Strong answers recognised the importance of marketing working closely with human resources, operations and finance and identified how such interrelationships impacted on an individual department's objectives and on the overall organisation's effectiveness. One or two examples of interdependency (such as the need for the finance department to agree a marketing budget and for the operations department to take note of marketing information) were sufficient to produce a relevant response to this question.

- (b) This question produced better answers with candidates familiar with niche market issues and concepts. The fashion industry was also one to which many candidates could relate. Strong answers discussed advantages and disadvantages of niche marketing with sound contextual examples. Weaker responses drifted into a discussion of small businesses and were not able to give contextual examples.

Question 6

This was not a popular question. Strong answers were given by candidates who clearly had some sound accounting knowledge. These answers showed clear and accurate understanding of the content of accounting ratios and candidates were able to analyse their potential value to senior managers. Good answers identified inter and intra business comparisons and often discussed the limitations of ratio analysis. Liquidity ratios were generally better understood than profitability ratios.

Some candidates discussed liquidity and profitability without discussing ratios at all, while others gave good factual information on both liquidity and profitability ratios but did not discuss their usefulness to the senior management of a business.

Question 7

- (a) This was quite a popular question. Strong answers described the triple bottom line and explained how a social enterprise might achieve results in all three areas. Many candidates gave examples of social enterprises in their own countries while others clearly differentiated social enterprises from charities and pointed out that profit is relevant to a social enterprise and discussed profit satisficing as opposed to profit maximising.

A significant number of candidates were confused about the nature of social enterprise organisations and many incorrectly defined them as owned and run by government.

- (b) This question was generally well answered with candidates interpreting the question in terms of either or both general 'business enterprise' or 'business enterprise organisations'. Most answers gave examples of many areas in which a country can benefit from business enterprise, such as job creation, economic growth, and product and service availability. Very strong answers evaluated not only the potential benefits of business enterprise but also identified some potential negative effects of business enterprise such as monopolies and socially irresponsible entrepreneurial activities.

Weaker responses discussed business enterprise in a general theoretical manner and gave no contextual examples.

BUSINESS STUDIES

Paper 9707/13
Short Answer/Essay

Key Messages

- Some candidates continue to write at great length when answering questions in **Section A**, which may leave insufficient time when answering the essay question. Time should be carefully allocated for each question, so allowing sufficient time for thoughtful approaches to the essay questions.
- In **Section B** higher level marks will only be awarded if relevant knowledge and understanding is supported with sound application, analysis, and evaluation.

General Comments

This Paper proved to be accessible to the vast majority of candidates and many were able to demonstrate a sound understanding of a range of Business Studies concepts.

Significant gaps in knowledge and understanding were however revealed in the areas of working capital and revenue and capital expenditure (**Question 4**) and in relation to the features of a 'co-operative' organisation (**Question 7(a)**).

Comments on Specific Questions

SECTION A

Question 1

- (a) The majority of candidates were able to define the term market research. Excellent definitions included reference to the collection and analysis of information relating to consumers, competitors and market products.
- (b) Again the vast majority of answers explained a clear distinction between primary and secondary research methods and relevant examples of appropriate methods were presented. Weaker responses often gave insufficient support to initial general definitions of the two different types of market research methods.

Question 2

- (a) Most candidates were able to accurately state two relevant functions of a manager, with motivation and objective setting being common responses. Some candidates referenced Mintzberg in their answers, while others gave more specialised answers by identifying specific departmental managers such as a human resources manager.
- (b) The strongest answers cited management theorists such as Maslow and Herzberg to identify and describe specific human needs that could be satisfied in the work place. Most candidates described more general needs and work place situations such as the need for pay and secure working environments.

Question 3

The term stakeholder was well understood by the majority of candidates, but not all answers clearly identified conflict business situations. The strongest responses explained for example how two internal stakeholders such as employees and senior management might conflict over the distribution of profits or take different views over expansion proposals, or identified a clash between an internal stakeholder such as shareholders in pursuit of profits and dividend payments and external stakeholders such as consumers wanting a more socially responsible approach to business operations. Some candidates gave only one example where two were required.

Question 4

- (a) Many candidates correctly defined working capital in terms of the need to have concern for the short term financial health of a business and often gave the formula current assets minus current liabilities. However there were a considerable number of answers that revealed a lack of understanding of this concept.
- (b) This question was not well answered. Many candidates reversed the concepts and gave inappropriate examples. These two basic financial terms were not well understood by a significant number of candidates.

SECTION B

Question 5

- (a) The strongest answers clearly and correctly defined price discrimination and recognised the requirement to segment a market in order to charge different prices for the same product or service. These answers gave examples of segmented groups (such as business travellers and students) with different demand elasticities allowing a business practising price discrimination to maximise revenue returns. Weaker answers were much more general in approach and some gave examples of different prices for different levels of product/service quality which is an incorrect example of price discrimination.
- (b) The most successful answers to this question were those which unpacked the various stages of a product life cycle and then applied relevant pricing strategies to these stages. Strong answers discussed the limitations and applicability of various pricing strategies and included some evaluative comment. Weaker answers gave fewer examples of both pricing strategies and product life cycle stages.

Question 6

This was the most popular of the essay questions. The strongest answers identified factors affecting any location decision such as costs, revenue possibilities, labour availability and site options, then contextualised these and other factors in a new country relocation situation for a large manufacturing business. The best answers gave detailed analysis of the context issues in this question.

Question 7

- (a) This was not a popular question. Few answers were able to correctly and comprehensively explain the strengths and weaknesses of a co-operative legal business organisation. Many answers were unable to go beyond some limited discussion of size and liability and many candidates confused co-operatives with other types of business organisation.
- (b) Candidates were generally much more confident in this part. Many answers revealed strong theoretical and practical knowledge and understanding of ethical and unethical business behaviour and activity. Some candidates used corporate responsibility as a vehicle for discussing the imperative and potential benefits of ethical business behaviour and attempted judgement in relation to the costs and benefits of a significant investment into explicit ethical approaches to business decisions.

BUSINESS STUDIES

Paper 9707/21

Data Response

Key Messages

- Encourage candidates to use the context to support their responses.
- Identify what analysis and/or evaluation is appropriate to a question and practise these skills.
- Ensure full understanding of the command words.
- Practise 3-mark 'explain' questions and get candidates to produce their own list of words /definitions/explanations.

General Comments

The topic of franchises seemed well understood although not applied effectively. There seemed little difficulty with understanding the questions set although some candidates tried to answer **Question 1(c)** with reference to how labour turnover could be reduced rather than from the perspective of the impact of high labour turnover on the business.

Candidates need to:

- **use the context** in their answers
- identify opportunities to analyse – it is possible to develop the data further
- identify opportunities to evaluate – **1(d)** required a justified recommendation of a pricing strategy; **2(d)** required a balanced view on the suitability or otherwise of a franchise for BF.

There was no evidence of time being an issue with most candidates. Generally, candidates demonstrated a good grasp of business terminology and were able to express themselves effectively.

Comments on Specific Questions

Question 1

- (a) (i)** Many candidates had a grasp of 'flow production' and were able to explain it well. Weak answers used circular definitions such as 'flow production is where the production flows along a production line'.
- (ii)** Triple bottom line is generally well understood. The best answers made the point that maximising profit ceases to be the central objective for such social enterprises. Some candidates simply listed the three elements (social, economic and environmental) without further explanation. This limited the extent to which the answer could be rewarded. Some weaker answers simply mentioned one aspect.
- (b)(i)** Most candidates calculated the net profit margin correctly. It is important that candidates state the unit, in this case %. Some candidates calculated the ratio 'up-side-down'.
- (ii)** Most candidates offered explanations for changes in the net profit margin. Better answers related the changes to the situation facing CC – CC sought to keep costs low; CC competed effectively; spending on R&D could enable CC to compete even more effectively. The best answers also recognised the two components of net profit – costs and revenues. Many answers could have applied to any business so could not be awarded the context marks.

- (c) This question required candidates to use the information in the case. Most answers were almost entirely theoretical – general comments about the impact of high labour turnover. One key issue is that the business uses flow production which is likely to require trained employees – high labour turnover could well slow the production process down through lack of skills. Secondly, the market is highly competitive so quality will be a key issue. This is more difficult to achieve with a continuously changing work force. Thirdly, the business is about to undergo change – a new model of car. This might be more difficult without a committed workforce, likely to be demotivated by high labour turnover. Many answers simply focused on the cost issues of recruitment and training without relating them to the situation facing CC.
- (d) Many candidates saw this question as an opportunity to write everything they could about several different pricing strategies. Given the question, much of such discussion could only be rewarded if it was used for recommending the best strategy. The answers were often non-contextual. Key issues to address included: the car was to be targeted at families who are likely to want value for money and function rather than an expensive luxury car; whether other manufacturers produce family cars; whether CC would recoup the large R&D costs; the likely impact of the projected weak economy; prices charged by competitors. As with most similar questions, there could be a variety of valid recommendations/conclusions that candidates could make. What is important is that the analysis that supports the recommendation.

Question 2

- (a) (i) Many candidates were unable to explain ‘consumer markets’. Many answers were circular. Good answers referred to final users of a product or service, distinguishing the market from industrial markets and providing examples.
- (ii) Most candidates have an idea of what a manager is but fewer were able to explain the term in relation to the functions and roles of managers. The best answers gave examples of typical managers in a typical business as well as functions and roles.
- (b) (i) Many candidates calculated the promotion budget correctly as \$2650. Some candidates were not sufficiently precise in their thinking and gave the answer as \$2.65. A few candidates calculated the budget for one month only. In these instances method marks were awarded if working was shown.
- (ii) Many answers simply explained two promotion methods. The methods needed to be relevant to Fiona. This meant that the promotion budget, calculated in (i) limited the types of promotion suitable. The explanation had to say why they were relevant to Fiona. So, for example, ‘two for the price of one’ could be explained in terms of bunches of flowers.
- (c) Many candidates confused cash flow with profits. **This is a key issue in the subject** – candidates ought to be able to distinguish the two concepts and avoid confusing them. In addition many answers were entirely general in nature. Key contextual issues included: it is a new business and lack of cash is a common cause of early failure; the franchisor is likely to want to have access to cash flow forecasts and indeed the preparation of them is part of the support the regional manager provides; even though the franchise approach reduces risk, starting the business is risky and a cash flow forecast would help identify the biggest risks; the forecasts would be a useful focus for the discussions with the regional manager on other matters such as promotion.
- (d) Advantages and disadvantages of franchises in a general sense seem well understood. However very few candidates contextualised their answers. Of particular importance in this instance are: the risk that Fiona was taking with her own money from redundancy payments and savings; the assistance provided by the Regional Manager; the upfront cost of \$20000; the 4% royalty based on sales (not profits). Although some candidates did analyse these issues, as well as the more general issues that relate to franchises, there was very little evidence of evaluation. The question required the candidate to balance the advantages against the disadvantages to conclude whether or not a franchise was a good idea.

BUSINESS STUDIES

Paper 9707/22
Data Response

Key messages

- Candidates need to spend more time reading and understanding the specific context of the case study and be prepared to use this in their analysis. The context is the key to good analysis and evaluation and provides the most appropriate answers to the question. Candidates need to be selective in their use of knowledge, what they analyse and the conclusions that they come to, based on the business in the case study. For example, in **Question 1(c)** many candidates simply wrote down all the advantages and disadvantages of batch production that they had been taught, rather than being selective in their analysis based on the context of Best Bakery. It is not unreasonable for a candidate to spend 5–10 minutes of the examination reading and understanding the case studies, rather than jumping straight in to writing their answers.
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will produce an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain high marks.
- Candidates too often make a point and do not take it far enough, for example, on **Question 2(d)** where many candidates correctly identified the usefulness of market research but did not analyse the impact on Helping The Children. If market research can benefit HTC, that benefit must go towards the business achieving some of its objectives, in this case increasing donations. Candidates need to take their points further and analyse the likely impact on the business in the case study.
- At the heart of evaluation is actually answering the question and coming to a judgement. Too many candidates provided analysed points to **Questions 1(d)** and **2(d)** but never tried to come to a judgement in the discussion. In many cases candidates kept on producing analysis, often moving further away from the central arguments, and just repeated their analysis in a conclusion. The ten-mark questions of this paper require some form of judgement to be made.

General Comments

Candidates must have a good sense of timing to complete all the questions on Paper 2 within the time available.

The contexts of both Best Bakery and Helping The Children gave most candidates accessible businesses upon which to base their knowledge, understanding, analysis and evaluation. Most candidates made good use of the data and the best responses answered in the specific context of each business. Understanding of the market beyond the case study (for example, from candidates' own experience of such businesses) was not required and did not unfairly advantage any candidates.

It should be noted that HTC, as a charity, did not share the common business objective of pursuing profits. Centres must introduce candidates to a range of different business types and expect any of these to be the focus for a case study in the examination.

Candidates must spend a reasonable amount of time reading and understanding the case studies. Without context, candidates are limited to just over half the marks for the paper and this is unlikely to gain a high grade.

For many candidates this is the first unseen case study they will have been expected to use. Therefore Centres should prepare and practise the use of unseen case material before the examination. A good technique can be to read the case study, read the questions and then to go back to the case study again.

This process is likely to take 5–10 minutes of the examination for both case studies, but it will produce responses that are more likely to attain high analysis and evaluation marks.

Comments on specific questions

Question 1

- (a) (i) Most candidates recognised that revenue was a function of sales, but this was often not developed into an answer which could gain more than one mark. On the three-mark explanation questions it is necessary to give a full explanation of the concept showing that the candidate fully understands the term. Some candidates confused revenue with profit.
- (ii) This question required candidates to be quite precise over their understanding and use of language. A good explanation of 'disciplinary procedures' showed understanding that it would be the employer or manager who implemented the procedure when issues arose with an employee. Many candidates confused this with something that an employee must follow. Candidates must fully read the question and make sure that they answer in the correct way. It is worth spending a little extra time in the examination making sure that these explanation questions are correctly and fully answered.
- (b) (i) Most candidates made a good attempt at calculating the gross profit. Centres must teach their candidates to show their working and to include all necessary signs.
- (ii) Many candidates did not develop their answers fully and often focussed on one element of increasing the gross profit margin. It should be noted that an increasing profit margin is the outcome of revenue and costs and a good answer focussed on **both** of these elements. An answer that just looks at ways in which BB could increase sales, without any reference to maintaining or reducing the level of costs (or vice versa), will not gain full marks because it has not fully answered the question.
- (c) Responses to this question were generally good, with many candidates showing obvious knowledge of batch production and the ability to apply their knowledge and analysis to the bakery.

However, some candidates gave generic answers which showed no application to the case study. This is a fundamental error on Paper 2 where answers require more than the repetition of textbook knowledge that has been learned but not applied. Candidates should be able to read the case study and apply the most likely and obvious answers to that business.

Another issue that some candidates found with this question was that they did not make it clear they actually understood what batch production really is, either through a definition or a good application of the knowledge. An answer which leaves the reader unsure if the candidate knows what they are discussing may receive no marks. Although basic definitions do not get the high marks on analysis questions, it is not a bad technique to start with the definition and then move on to the analysis from there. This avoids any confusion over the basic knowledge required.

- (d) The best answers here combined a good knowledge of performance-related pay with the context of the case. One of the most obvious routes was to look at how performance-related pay could affect the managers of BB in terms of motivation and analysing how this might affect the productivity and performance of the managers and subsequently the success of the business. A counterpoint could also be argued that performance-related pay may not be a motivator, for example in the case of Sarah.

The best answers used the arguments that were suggested by the case study to produce a two-sided discussion. There will always be hints and clues in the case to lead candidates to the most appropriate answers and this will avoid the generic arguments that could apply to any business and will only gain a maximum of 4/10 marks.

Whilst it is good to bring theory into an answer, theory alone, such as Maslow and Mayo, will not gain analysis marks. Candidates must use the theories to develop arguments, not just tell the Examiner everything they can remember about a topic.

A 10-mark question always requires evaluation and the most common way for candidates to demonstrate this skill is to produce a two-sided argument and come to a reasoned and justified judgement. Some candidates manage to formulate their evaluation as they develop their arguments, but for many a good conclusion can bring both sides together and all candidates should aim to conclude their responses to these questions in some way.

Question 2

- (a) (i) This was not a well-understood topic and it was clear that some candidates did not have any recollection of the term or its use. Many candidates tried to make a good guess and in some cases gained a mark. However, it was rare to find an answer where the candidate could fully explain what emotional intelligence actually is. It is necessary for candidates to have a comprehensive knowledge of the key terms from the specification and this can form the starting point for a good revision programme.
- (ii) Most candidates had a good understanding of cash inflows and outflows and many could link this to net cash flow. For a full explanation some understanding beyond the basics was required, such as a link to liquidity or the survival of a firm. The three-mark explanation questions all require more than just a basic definition of the term.
- (b) (i) This question provided a wide variety of answers and ways of reaching the answer. Many candidates left out a stage in the calculation and did not end up giving the difference between the two figures. This usually led to an answer which was unfeasibly large (or small), and this should, logically, have led to candidates rechecking their working and/or checking the wording of the question. The calculation questions make up about 10% of the marks on Paper 2 and this can make a big difference to a candidate's final grade. As such, time should be spent checking answers and making sure they are correct.
- (ii) Many candidates were able to explain one reason (in context) why donations were below target but it was rarer for candidates to explain two. This was despite clear references in the case to reasons why the donations may be lower. The case is there to be used to give hints and clues as to the most obvious (and therefore easiest) routes into each question.
- (c) This question differentiated well between those candidates who could apply theory and those who could not. Most candidates were able to show some knowledge of objectives and could find benefits of having clear ones. To link this theory to HTC was rarer and it required candidates to think about the nature of the business and actual objectives set by HTC. Those who realised this produced nice answers that analysed well in context. This question shows the real need for Centres to use case studies when teaching, so that candidates are experienced in turning what they have learned into a believable and logical argument.
- (d) Candidates who did not take the time to read the question fully found it difficult to structure a good response. The question asks candidates to evaluate the usefulness to HTC of doing market research before developing a campaign to raise funds. The question did not ask for an evaluation of doing market research before actually building the children's hospital. Far too many answers suggested that HTC could find out where to build the hospital, how many children were ill in the area and the most likely illnesses that required treatment. These responses showed an understanding of market research but a misunderstanding of the question. A question on an examination paper is an instruction that, if followed correctly, will gain full marks. The first step, therefore, for a successful candidate is to make sure they know exactly what the instructions are.

As with all 10-mark questions on this paper a judgement was required. In this case that judgement should have been about the usefulness of market research for HTC in this specific context. A good tip for Centres is to teach candidates to make their conclusion refer back to the question so that they actually provide an answer to the question set.

BUSINESS STUDIES

Paper 9707/23
Data Response

Key Messages

- Candidates must spend more time reading and understanding the specific context of the case study and be prepared to use this in their analysis. The context is the key to good analysis and evaluation. Candidates need to be selective in their use of knowledge, what they analyse and the conclusions that they come to based on the business in the case study..
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will stimulate an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain high marks.
- Candidates too often make a point and do not develop it. For example, on **Question 2(c)** many candidates correctly identified a strength or weakness of being a family business but did not analyse the impact on Fine Furniture. Candidates need to develop it further and analyse the likely impact on costs to the business, productivity of the business, employee motivation levels and, in the end, profits for FF.
- At the heart of evaluation is actually answering the question and coming to a judgement. Many candidates provided analysed points to **Questions 1(d)** and **2(d)** but never tried to come to a judgement in the discussion. In many cases candidates kept on producing analysis, often moving further away from the central arguments, and just repeated their analysis in at the end of their answer. The 10-mark questions of this paper require some form of judgement to be made.

General Comments

Candidates must have a good sense of timing to complete all the questions within the given examination time.

The contexts of both Classic Clothes and Fine Furniture gave most candidates accessible businesses upon which to demonstrate their knowledge, understanding, analysis and evaluation. Most candidates made good use of the data and the best responses answered in the specific context of each business.

Candidates need to spend a reasonable amount of time reading and understanding the case studies. Without context, candidates are limited to just over half marks for the paper and this is unlikely to gain a high grade.

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

Comments on Specific Questions

Question 1

- (a) (i) This question was reasonably well done, with many candidates able to recognise the use of machinery rather than labour as a good definition of capital intensity. There were too many tautological responses which added nothing to the answer. Such responses as 'capital intensity is the intense use of capital' will never gain marks and waste time in the examination.
- (ii) This question discriminated well in terms of those candidates who had revised and those who only had some general awareness of accounting documents. Many candidates simply wrote as many

generic statements about financial documents as they could remember, including profit and cash-flow. Relatively few candidates could specifically explain what a Balance Sheet was in terms of assets liabilities and shareholder capital.

- (b)(i)** Most candidates made a good attempt at calculating the net profit margin. Centres must teach their candidates to show their working and to include all necessary signs. In too many cases candidates gave a wrong answer that may have utilised the correct figures, but could not be credited because there was no reference to the technique.
- (ii)** It was an easy identification to spot that the net profit margin was increasing, but the command word 'comment' requires more than just identifying the trend. Candidates needed to show the impact of this increase on the business or the reason behind the increase. It should be noted that an increasing profit margin is the outcome of revenue and costs and a good answer focused on both of these elements.
- (c)** Responses to this question were, on the whole, disappointing. A large number of candidates misread the question and decided to answer the question they thought was there, rather than the actual question set. Centres must spend a considerable amount of time practising past papers and case studies so that they can learn to fully read, understand and respond to the specific question in the examination.

The wording asked for the factors that the Finance Director should consider when deciding on a suitable source of finance, **not** for a suitable source of finance. A good answer analysed two or three factors (such as structure/ownership/control of the business, length of time finance was needed, amount of finance required, use of the finance to purchase machinery) and showed how these factors would impact on the decision.

A great deal of time was wasted by some candidates trying to justify a suitable source of finance. This could have been avoided by a careful reading of the question.

- (d)** The best answers here combined a good knowledge of JIT production with the context of the case. One of the most obvious routes was to look at how JIT production could affect CC in terms of decreasing their stock of inventories (which was highlighted as a problem in the case) and analysing the effect this might have on the costs of the business. A counterpoint could also be argued that JIT might not be possible due to the difficulties in forecasting demand, again a point highlighted in the case.

There were plenty of other contextual arguments that could have been used (distance from suppliers, loss of economies of scale, need to find new suppliers) and the best answers used the arguments that were mentioned in the case study to produce a two-sided discussion.

A 10-mark question always requires evaluation and the most common way for candidates to demonstrate this skill is to produce a two-sided argument and come to a reasoned and justified judgement. Some candidates manage to formulate their evaluation as they develop their arguments, but for many a good conclusion can bring both sides together and all candidates should aim to conclude their responses to these questions.

Question 2

- (a)(i)** A reasonably well answered question. Most candidates could recognise that the secondary sector was about manufacture and adding value through production. A good example is always a good way to gain a third mark in explanation questions, but too many candidates simply repeated the case study and wrote that FF was a secondary sector business. Whilst this is true, it adds nothing to the explanation and as such gains no extra marks.
- (ii)** Most candidates had a good understanding of leadership style and many could recall the terms autocratic and laissez faire. Showing some understanding of the democratic style referred to in the case was an obvious way to gain high marks on this question but simply referring to 'democratic leadership' was not enough.

- (b)(i)** A well answered question. Most candidates knew how to calculate the margin of safety and, armed with this knowledge, the calculation was straightforward.
- (ii)** Despite the majority of candidates being able to calculate the margin of safety, many were unable to explain the importance to FF. The most common mistake was a lack of understanding between the margin of safety and the break-even point. This led to answers where candidates did not show any knowledge or any context. Centres should not only be teaching how to calculate, but also what these calculations mean. There is unlikely to be a calculation question on this paper that does not have a subsequent question asking candidates to use the result of the calculation in some way.
- (c)** The syllabus specifically requires candidates to understand the strengths and weaknesses of a family business and it was obvious that some candidates could recall this knowledge whilst others could not. Despite this, there were some useful clues in the case study to help candidates and even with limited knowledge most should have been able to produce a good answer.

However a number of candidates were confused and assumed that the question was asking about the strengths and weaknesses of one of the forms of business ownership, such as a private limited company. Again this highlights the need to thoroughly read and understand the question.

- (d)** Candidates who did not take the time to fully read the question found it difficult to structure a good response. The question asks candidates to discuss the human resource problems that could arise if plan A is chosen. This therefore requires candidates to identify firstly the problems arising from plan A, not to simply copy out the plan itself. For example, many candidates rightly acknowledged that plan A included a pay freeze, but this is not an HR problem. The problems that could arise from this may be demotivation, increased labour turnover and a difficulty replacing lost staff, especially highly skilled employees. Good candidates recognised these problems, analysed the effect of them in the context of FF and discussed the impact that these problems were likely to have on FF as a business.

As with all 10-mark questions on this paper, there was a need for a judgement. In this question that judgement could have been about the most significant HR problem or about the extent of the problems for FF. However the question did not ask for candidates to recommend whether or not to pursue plan A – many candidates found themselves not answering the question set because they focused too much on this irrelevant area.

BUSINESS STUDIES

Paper 9707/31
Case Study

Key messages

- Consider carefully the meaning of key terms in each question.
- Calculation may be used to provide evidence of application.
- Give greater consideration to the meaning of decision tree analysis results.
- Build a deeper understanding of accounting data.

General comments

There were some highly sophisticated answers to this paper. The quality of answers is often impressive in terms of the depth of understanding demonstrated by candidates and their ability to select the most relevant information from the case study. However, there is a long tail of candidate responses that fall below the standard required to pass the exam. Some of these candidates show understanding of key business concepts but are undone by gaps in their knowledge of the syllabus. Typically, candidates that achieve a grade D or E are able to explain concepts but need to develop their analysis and evaluation of business problems further.

The majority of candidates gained marks on the numerical questions but performance in this area was not as good as in previous exam sessions. This resulted from an incomplete understanding of accounting data and strategic decision-making techniques.

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

Comments on specific questions

Section A

Question 1

Appendix A provided information indicating that AF was using price discrimination. Membership prices were set according to age and whether or not gym facilities were to be used at off-peak or peak times during the week. A few candidates identified that price discrimination was being used. These candidates were then able to analyse the benefits of this approach to price-setting in terms of the likely increase in revenue. The best answers recognised that this pricing structure encouraged a more efficient use of the extensive investments made by AF into equipping the gyms and other facilities at each centre such as the swimming pool. Having invested in facilities it would be inefficient to have gym equipment and pools only used at peak times. Good answers argued that by spreading fixed costs across a higher membership, profit could be increased.

Although most candidates referred extensively to Appendix A, application would have been improved by making more reference to the facilities on offer and making links to how, with a single price, facilities would more likely be underused at certain times of the week. The small number of candidates who understood price discrimination were more likely to make these connections.

Many answers discussed in very general terms whether the prices charged were reasonable or not, without reflecting on the fact that average prices were significantly greater than those of AF's low-cost competitors. A common approach to this question was to refer to all the data in Appendix A and provide a highly descriptive treatment of the information. These answers overlooked the issue of the benefit to AF of charging different

prices. Instead answers often considered the benefit to members of particular prices – this did not answer the question.

Evaluative comment was not required. Candidates should always take careful note of the command word and any other directives within a question. In this case candidates were asked to analyse the benefits to AF of their pricing structure. A number of answers considered at length the disadvantages of their pricing approach. Disadvantages, however well developed, were not rewarded with marks and such analysis reduced the time available for candidates to build other more relevant arguments in other questions.

Question 2

Customer relationship marketing focusses on the benefit to a business of retaining customers rather than having to continually attract new customers. Investment in good customer relations was highlighted in the case study as being beneficial due to the \$60 cost of attracting each new customer. Candidates, therefore, had the opportunity to calculate the total marketing cost of replacing the 15% of customers who did not renew their memberships each year. Data are provided in the case study to allow candidates to manipulate and analyse. Appropriate manipulation of data is rewarded with application marks and can thus open up the award of evaluation marks. Through practising past paper questions and considering the mark schemes and examiner reports, candidates' familiarity with this approach to application is enhanced. Some very good answers did calculate the marketing cost but this was relatively uncommon.

Most candidates provided some analysis of the link between good customer relations and maintaining high levels of membership. This was then developed, by some candidates, to consider its impact on profitability. The best answers made links between good customer relations and its importance to AF by considering the competitive nature of the market and the premium prices of their health clubs. It was encouraging that some candidates further developed application by referring to issues such as the relationship between personal trainers and members.

Question 3

(a) (i) This was generally a well-answered question. However, common errors included:

- Dividing the decision tree into two discrete parts
- Not including decision and/or chance nodes
- Not including the capital cost in the decision tree.

(ii) Many candidates were not familiar with the process of calculating the expected monetary value. Candidates that did use the probabilities appropriately occasionally missed subtracting the capital cost.

(b) It was encouraging that most candidates were able to identify relevant criteria for making a choice between the two strategies. Strategy B was frequently chosen by candidates and this was supported by their decision tree analysis. Candidates readily identified the potential problems with Strategy A but often overlooked the potential rewards. A common assertion was that AF would need to refurbish the gyms. However, it was clear that this had been done by BG and was therefore unlikely to be an issue. Candidates were right to question whether AF would be able to turn these low-cost gyms around and better answers made links between the financial mismanagement by BG and the possible impact on the reputation of the gyms. However, only a few candidates considered that the problems of this chain of gyms might be reflected in the selling price being low as a result. Thus, Strategy A could represent an excellent opportunity, particularly as AF's Marketing Director was experienced in this market. Good answers also considered whether it was important for AF to enter the low-cost market.

Weaker candidates typically gave little consideration to their answer from part (a)(ii) or did not consider any other factors. Candidates need to be able to analyse the results of calculations and recognise the limitations of business techniques. In the case of decision tree analysis there may be issues with how estimates have been made. Results should be treated with caution and the best answers would consider the numbers and, for example, take into account the attitude towards risk of the business organisation. As in previous examinations many candidates believed that their calculations represented the profit that would be made from undertaking each option. The monetary value is only an estimate of the average profit from a particular option. A few good answers took this into consideration and developed their response by calculating an estimate of the profit/loss of each option depending on whether membership levels were high, medium or low.

Some very good answers sought to give a balanced consideration of both strategies before making a final judgement. A great many factors were discussed by candidates reflecting that this was an accessible question. There were many different approaches and it was encouraging that not all candidates based their final judgement on the decision tree analysis.

Question 4

The human resource management approach taken by AF was well understood. Candidates typically identified a range of potential benefits of adopting a 'soft' approach to managing employees and often these were in context of AF and made use of the case study. Some answers simply repeated at length the information contained within the case study without developing appropriate chains of analysis. Such answers were too descriptive, gaining reward for knowledge and understanding but not for analysis and application.

Many strong answers made good use of the case study in developing their analysis of the benefits of a soft approach to managing employees. These candidates often recognised the importance of employees in the service sector to ensuring that customers are satisfied. Links were often made to the high level of competition faced by AF and the high prices charged relative to the low-cost competitors. Thus, a soft approach that motivated a highly qualified staff was recognised as being effective.

Some answers were rather one-sided and did not explore, for example, the monetary costs of AF's approach. More candidates should have used the case to calculate labour turnover. A few candidates mistakenly believed that labour turnover at AF was 16%.

Question 5

- (a) Although most candidates correctly identified how to calculate the gearing ratio, many answers were unable to identify the correct value of capital employed. A common error was to include issued share capital and shareholders' equity; this resulted in an overstatement of capital employed.
- (b) Candidates were generally able to identify a range of finance sources, though many answers would have benefited from developing analysis of a few of these sources in context of the particular circumstances of AF. Many answers provided a list of sources rather than an exploration of suitable sources of finance.

A good starting point for candidates was to consider how much capital was required and for what purpose. Good candidates recognised that the amount of finance required had a significant bearing on the choice of finance. Further, as this was to finance a takeover, a long-term source of finance was most likely appropriate. Having calculated gearing many candidates concluded that a bank loan was inappropriate as AF was already highly geared. This was a relevant consideration. However, too often candidates overstated the significance of high gearing, claiming that it would be impossible for AF to secure further bank lending. Better answers recognised that high gearing was just one factor in a bank's decision as to whether to give further loans or not. Calculation of gearing after further borrowing is to be recommended as a method for improving the quality of answers.

The case study suggested that the Finance Director was reconsidering sources of finance in light of the changes to economic policy. This was generally understood with candidates frequently identifying the rise in interest rates as a constraint on further borrowing. This was occasionally linked to consideration of the gearing of GC and in a few answers gearing was recalculated on the assumption that GC borrows the full amount required for the development. Candidates should practise these calculations in preparation for the exam. Of those who recalculated gearing, many made errors such as not adjusting the capital employed figure given.

In reviewing sources of finance candidates should develop greater awareness of the role of profits. In this case it was often assumed that because AF had made good profit before interest and tax of \$14.5m that this was the most appropriate source of finance. More astute candidates recognised that those profits might not have been retained as a consequence of tax and dividend payments and that any retained profits might have already been spent; after all, the accounting data indicated cash of only \$1.2m.

Another common misconception was that the four million shares not yet issued had a value of \$1 per share. The nominal value of a share is not the same as the market price of a share. In this case it is quite likely that shares could be issued at a price above \$1.

Section B

Question 6

This was by far the more popular of the two essays with over 80% of candidates attempting to discuss the importance of using PEST and SWOT techniques as part of AF's strategic analysis. Effective answers fully addressed the question and highlighted the role of PEST and SWOT in strategic analysis, discussing the benefits and limitations of these techniques. As AF operates in a number of countries, candidates highlighted the need to use both techniques specifically for each individual market.

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

Question 7

Most candidates were able to identify appropriate decision-making techniques such as decision tree analysis and investment appraisal. Answers showed an understanding of the usefulness of these techniques in making a choice between the two options. Candidates could have used their results from **Question 3** to enhance their response and provide context. Generally answers would have been improved by giving more attention to the limitations of decision-making techniques. Most answers made only a brief evaluative comment in their conclusion.

Some candidates focussed their attention on strategic analysis techniques such as SWOT and PEST. These answers gained little reward unless they made clear links with how the techniques might influence the final decision-making.

BUSINESS STUDIES

Paper 9707/32
Case Study

Key messages

- Calculation questions are typically followed by a question that requires the candidate to make use of the calculation and other information. Full marks can still be awarded if candidates do not achieve the correct mathematical answer but analyse their own results effectively.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions. Some candidates answer all questions with virtually no contextual references at all.
- Some candidates copy out large sections of the case study material but unless this is directly tied in to the answer to the question it will not be awarded application marks.

General comments

There was a wide spread of marks on this paper with evidence of a reasonable number of well-prepared candidates being awarded high marks. The case study material, and its application to answering questions, was understood by many candidates. However, there was evidence of weak understanding of key subject terms and concepts by some candidates and many answers still did not use effectively the information and data provided in the detailed case study.

There was some evidence that some candidates are aware of the important principles behind 'case study' based examinations and have been given appropriate practice in preparation for the exam. The best way to prepare A Level candidates for the academic challenges offered by this paper is to set several 'mock' examinations using past papers and for these to be marked to Cambridge standards using the mark schemes made available to teachers. Such exposure to previous 9707/32 examination papers helps build the key skills of application and evaluation.

The main gaps in subject knowledge that some candidates exhibited included: customer relationship marketing, net realisable value, and specific accounting ratios. In many cases, where relevant knowledge was evident, candidates often needed to use information from the case study more selectively and demonstrate an understanding of why the information was relevant.

Although there was variation in the quality of written communication, generally candidates with a weaker command of English were able to access the full range of marks. The examiners assessing Cambridge Business Studies scripts will always make strenuous efforts to grasp the meaning of a candidate writing in a language that may not be their first language.

Comments on specific questions

Section A

Question 1

Most answers demonstrated some grasp of outsourcing, although quite a few candidates assumed that this had to involve 'off-shoring' to another country, which is not necessarily the case. The best answers were able to develop each point made in the context of TC, operating in a competitive market, and analyse how the advantage or disadvantage might impact on this business. For example, by cutting variable costs, TC's profit margin should increase. Assuming sales do not fall, increased profitability would help provide finance for the directors' expansion plans.

Question 2

- (a) (i) There were many correct answers to this question and the examiners were aware of the different, but appropriate, ratios that can be used to calculate inventory turnover. The most common problem was the inversion of the ratio by some candidates.
- (ii) A higher proportion of candidates were able to calculate this correctly than with part (a)(i). Some answers were very well laid out and easy for examiners to follow with: ratio formula, appropriate data inserted into the formula, final calculation.
- (b) Many responses were general in nature and did not identify specific accounting ratios. A common approach was to refer to particular accounting data – such as net profit – rather than accounting ratios themselves. Better answers were able to analyse how certain ratio results, especially when compared over time or with other similar businesses, were of particular benefit to specific TC stakeholder groups. The best answers developed this analysis and also evaluated the usefulness of accounting ratios in terms of, for example, the accuracy of them being dependent on the reliability of the accounting data on which they are based. Several candidates suggested that the problems of accurately assessing the value of out of date inventories, such as 3G phones, meant that ratio results were not necessarily a reliable indicator of either liquidity or inventory turnover.

Question 3

The best answers were able to focus on customer relationship marketing and analysed the importance of excellent pre- and after-sales service, well-trained employees and the use of social media to communicate frequently with existing customers. Evaluation was often in the form of considering the relative importance of factors, the initial cost involved, for example in employee training, and the importance of product quality to establishing long-term relationships. It was often argued that no matter how effective TC's communication might be with customers, the ability to maintain customer loyalty would depend greatly on product quality and performance.

Weaker answers tended to focus on the 4Ps approach and did not recognise that the question was not directing candidates towards methods of increasing first-time sales but asking how to establish and maintain long-term customer relationships and loyalty.

Question 4

- (a) Answers to this question varied substantially. Some candidates understood exactly what net realisable value was and subtracted this figure, added together with the unit 'logo' cost, from the HRS offer price. Multiplying this figure by the number of 3G phones gave the correct answer. Other responses indicated a lack of understanding of net realisable value and were often focussed on the original cost of making the phones. Some answers were very jumbled and poorly laid out and this made it difficult for examiners to follow the logic of the calculations.
- (b) Nearly all candidates were able to make some suggestions about how TC could deal with the problem of older technology phones. Even when the incorrect result was obtained in part (a), candidates were able to gain marks for following through the logic of their result. Excellent responses concluded with a well-judged and supported final recommendation.

Question 5

The answers to this question were split between those candidates who read the question carefully and addressed its central issue and those who considered it to be just about motivation. The first group were able to identify and analyse – with varying degrees of competence – the negative impact of high labour turnover of managers on TC. Better answers often progressed to a consideration of some of the potential benefits of managers leaving to a business operating in a competitive market with fast-changing technology. For example, it was sometimes considered to be a benefit to TC that some managers were leaving the business as this gave the company the opportunity to externally recruit managers with the latest technological knowledge who were willing and able to operate within a matrix organisational structure.

Weaker answers tended to focus on how TC might reduce labour turnover amongst managers and drifted off into a description of motivational theorists and methods. This was not the purpose of the question.

Section B

Question 6

Perhaps surprisingly this was more popular than question 7, which required candidates to come to a clear recommendation between two alternative strategies – a question style that often helps to clarify for candidates the nature of the analysis required. Answers to this strategic analysis question varied considerably in quality. Some candidates merely restated some of the key points from Appendix 1 and Appendix 2 with little attempt to explain the significance of this form of analysis or of the information it had gathered. Better answers analysed how this information might be used by TC to help form and develop future strategies. These answers often understood the true nature of strategic analysis techniques and the central purpose of them. The best responses evaluated the information in the two appendices and the SWOT and PEST analysis processes. For example, one candidate suggested that this rather static form of analysis was likely to be of less use to a company such as TC because of the fast-changing nature of the industry's products and level of competitiveness than it might be for many other businesses. This candidate suggested that the strategic analysis should be undertaken frequently by TC and supported by the use of other techniques.

Question 7

This question led to some effective analysis of the data provided in Appendix 3. Most candidates were able to make a case for both of the alternative strategies – and this is nearly always the best approach to adopt when tackling questions such as this. For example, some candidates suggested that although Option 2 was riskier due to the nature of the diversification involved, this was partly balanced out by the lower capital cost, meaning a lower investment was being put at risk, than with Option 1. Some candidates made good attempts to set the Appendix 3 data in the context of the rest of the case study and this is excellent essay-writing technique. For example, the reference in Appendix 2 to the outline plans of the Government to reduce defence spending is an important factor for directors to consider in making their final strategic choice. It was pleasing to see that most candidates who attempted this question did make an overall recommendation and made some attempt to justify it.

BUSINESS STUDIES

Paper 9707/33

Case Study

Key messages

The high-achieving candidates had clearly prepared thoroughly, including practice in applying their theory knowledge to the case study context. This can be achieved through the use of past papers and mark schemes.

The use of numerical analysis, such as ratios and critical path analysis, should also be supported by an explanation of what the figures mean for the business or project in question.

A good evaluative answer includes judgements throughout, with a well-supported conclusion at the end.

General comments

There was evidence that some Centres had prepared candidates effectively by wide syllabus coverage and also encouraging the use of evidence from the case study to support their answers. In contrast, there were some answers that reflected a more general approach, much less focussed on the case study and more inclined towards generic 'textbook' knowledge and analysis. Success in this case study paper depends very much on candidates' ability to root their answers firmly within the circumstances and events outlined in the case study, once the essential subject knowledge has been demonstrated.

It is also important for candidates to read the questions carefully and show judgement when required. Usually, the first question does not require an evaluative response, but the other non-quantitative questions do, with no marks available for evaluation if the answer is not clearly in context.

Centres can improve candidates' performance in the important skills of application, analysis and evaluation by encouraging them to work through past Paper 3 examination papers and assessing answers using published mark schemes. The importance of answering the precise question asked should be emphasised, as this is key to good results in the case study paper.

Comments on specific questions

Section A

Question 1

This question was well answered by many candidates, who related their answers to problems caused by less profit after tax and less disposable income for consumers. Application marks were gained by appreciating the use of retained profit by SC, but also the fact that residential housing is a luxury good, and as such demand is likely to fall. Also, high trade union membership within the firm may make wage demands likely and higher taxation in the home country could cause a move abroad to be more likely, for instance Option B. Better candidates also commented on the possible income elasticity of demand for housing and the effect of higher corporation tax on SC's business customers. They also observed that the effect on SC may not be that great, due to their strong trading position and the possibly temporary nature of tax increases. However, there was some evidence of a lack of understanding of the nature of direct tax. Some candidates thought that this referred to tax on products, services or even raw materials. This then led to incorrect analysis of the effects, for instance talking about price rises.

Question 2

- (a) The majority of candidates were able to perform the necessary calculation and accurately come to the net present value of the equipment purchase option. A minority of candidates made minor arithmetic errors.
- (b) Most candidates gained some marks in this question, by accurately giving the gearing ratio formula and, in most cases, attempting the calculation. However, most candidates did not add the cost of the new investment to capital employed, although they added the figure to long-term liabilities.
- (c) This question led to a wide range of answers, but the difference between leasing and purchase was generally well understood by candidates and most were able to use their result in part (a) to some extent to support their answer. Application marks were usually gained, often by commenting on economic conditions and linking this to the decision and calculation of extra factors, such as payback and ARR. Better candidates recognised the 'higher risk, higher reward' nature of the purchase option, supported by the increase in gearing and the possible unreliability of forecasted figures in future years. Also, the much lower cost of the leasing option could be met out of retained profit. There was recognition that leasing also has advantages, especially in the context of this type of capital equipment, in terms of maintenance costs paid and the possibility of updated models. However, there were also some very general answers, some of which ignored the calculations and just made generic comparison of leasing versus purchase, without relating to the case.

Question 3

The focus of this question was the importance of customer loyalty and CRM (Customer Relationship Marketing) and those who used this focus for their answers achieved high marks. Application marks were achieved by relating suggestions to this 'insurance type' service, i.e. the yearly fee paid to enable emergency repairs to be carried out. The case also states that the service is expensive and very profitable, so some candidates linked this with the possibility of offering some form of 'loyalty bonus' or 'no call-out' discount. Better candidates also sometimes amplified their suggestions by giving examples of how other organisations try to achieve loyalty by the use of schemes such as future year discounts or loyalty cards. The best candidates also linked the ability to retain customers with the price and quality of the service offered and suggested adjustments that may make customers renew subscriptions. They also often discussed short-term costs versus long-term profit increase and the comparative cost of retention versus new business. However, some candidates misunderstood or ignored the issue of loyalty and gave general answers that often focussed more on enrolling new customers, which was not what the question required. Changing the service to a 'pay per visit' was also not valid as this would not increase loyalty to this part of the company.

Question 4

- (a) There were many correct answers to this question and some Centres had prepared candidates well. Where there were errors, this was often due to confusing nodes with activities and/or leaving activity 'E' as a node unconnected to any other. A few candidates produced rough, inaccurate diagrams, which suggested that they did not really understand the basics of this model.
- (b) Candidates who achieved good marks for the CPA diagram usually also produced good answers considering the usefulness of the technique in **Question 4(b)**. Application marks were gained by relating the diagram to the activities and also commenting on float times. Better candidates also identified activities whose duration may be more unpredictable, possible reasons for delay, such as bad weather, and also activities that SB does not have experience in, such as training hotel staff and hotel IT systems. However, some candidates produced very general 'textbook' responses that gained some marks for knowledge and general analysis of usefulness of CPA but were unable to access evaluation marks because they did not put points in the context of the case.

Question 5

This question was extremely accessible and elicited some very high-scoring responses. There was a large volume of information in the case about the two prospective candidates for HR Director and answers made an attempt to compare these in the context of the case and SC's requirements. Application marks were gained by making the links, rather than merely repeating information from the case. Better candidates identified that Candidate C has a style more similar to the previous HR Director, inclining towards 'soft HRM' techniques, whereas Candidate D will take the department more in the direction of 'hard HRM', so is possibly more suitable, given the tougher macroeconomic conditions. Surprisingly, very few candidates identified the

lack of a job description and person specification and only the best answers considered that the final decision would be made by way of an interview. A few candidates copied material directly from the case, making only limited attempts to match the candidates to the company's needs, but even these answers scored the marks for knowledge and application plus low level evaluation for picking one or other candidate.

Section B

Question 6

This was a question about strategic choice techniques. However, some candidates thought it required them to choose between option A and option B. It was evident that students find this area of the syllabus challenging and responses were variable in quality. The better candidates attempted to discuss the options through use of the techniques, most commonly Ansoff's Matrix and Force Field analysis, and also suggested other techniques and possible sources of information, such as the use of investment appraisal. However, a significant number of answers focussed on knowledge of the techniques, rather than how they might be used in this context.

Question 7

This question about contingency planning was a less popular choice and there was evidence that this concept is often covered very much in overview, rather than applied to specific situations. Many candidates gained application marks. There was specific reference in the case to the 'SureBuild' takeover and attendant problems with potentially contaminated sites and the flood incident, which enabled application marks to be gained by linking this to future contingency planning ideas. There were very few excellent answers to this question. Those who scored high marks typically identified ways in which contingency planning could have limited the company's liability in past situations, such as the flooding, but also suggested future applications, for instance by suggesting flood-resistant building techniques. Looking beyond the flooding disaster was a route taken by very few candidates. Having said this, better answers identified that it is 'impossible and impractical' to cater for all possible disasters, especially those that have such a low probability of occurring. Also, the cost of contingency planning was not really specifically applied, except in the best answers.