

Examiners' Report

June 2016

IAL Business Studies WBS01 01

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Introduction

Section A

All questions in Section A are the Supported Multi Choice Questions (SMCQ). Candidates tend to be able to identify the correct answer most of the time in part (a). However, a significant number of candidates will not go on to develop **why** the answer is correct in part (b). They are then unable to gain further marks for fully explaining their correct choice of answer. A number of candidates repeated the words from the question or stem in their answers which is not rewarded as application.

A significant number of marks for these SMCQ can be gained for explaining why other distractors are wrong. However, these responses need to be fully applied explanations and not just a definition. For example, candidates often just state 'X is wrong' and then give a definition which gains no marks. This response needs to be applied in relation to the business or issue in the stem or question. For example, X is wrong because - then explain how or why it does not apply.

In terms of applying the person, business, concept or issue in the question, it is not enough to just mention the name of the business, or quote from the question stem. The candidate must do something with the information to ensure it is fully applied in some way.

In a significant number of cases, the Section A responses offered definitions that were not related to the topic context of the question but picked up on any business term in the question.

Section B

It was heartening to see many more candidates attempting evaluation level responses in the essay type question. This resulted in candidates being able to access the available higher levels marks.

However, candidates need to be aware that in terms of applying the person, business, concept or issue in the question, it is not enough to just mention the name of the business, or quote from the question stem. Candidates really must do something with the information to ensure it is fully applied in some way.

One way of identifying whether an answer is truly applied is to use the 'Cadbury Rule'. If you can substitute the name of the business in the response with 'Cadbury' and it makes no difference to the answer, it is generic and not truly applied. However, if using 'Cadbury' prevents the answer from making any sense, because it can only be related to the business in the stem or question, it is likely to be fully applied.

When candidates do not truly apply their answer, it limits the number of marks they can access. A well analysed or evaluated response will be limited to the previous level if there is no application. In reality, this means a well analysed response that is not applied to the context in the stem or question will only be able to be rewarded with a maximum of 4 marks.

Question 1

The majority of candidates scored quite well on this question as most were able to link primary research to first hand data. Fewer candidates were able to explain why a focus group was primary research and a significant number merely offered another definition, usually of market research. Distractors were sometimes explained well but too often were vague and not linked back to the question to explain why this response was incorrect.

This was quite a good response that achieved all four marks.

Part (a) answered correctly

Part (b) answered partly to explain why (a) is correct and to dismiss the distractors.

- 1 Online bank *First Direct* carries out market research to improve its products and customer services.

(a) Which of the following is an example of primary research for *First Direct*?

(1)

- A Government statistics
- B Focus groups
- C Company reports
- D Market intelligence reports

Answer

B

(b) Explain why this answer is correct.

(3)

Primary research is ^{new} data which is collected first hand, for a specific purpose. Focus groups are an example of primary research as new information is found about thoughts and opinions of people. A, C and D are wrong as these are examples of secondary research which is already existing, available for general use.



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Examiner Comments

Defining primary research as first hand (original) data for a specific purpose. (1)

Analysis mark given for new information about thoughts and opinions. (1)

No application to First Direct at all so this mark cannot be given.

However, in dismissing distractors, the comment 'secondary research, already existing, available for general use' is acceptable for the dismissal of distractor A and was rewarded with a mark. (1)



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Examiner Tip

When dismissing distractors, they should be dealt with by separate responses and developments for each one. There will never be a case where one answer will be accepted for all other distractors. Very often such a response is not developed well enough to be rewarded with any mark. Candidates can lose valuable marks in this way.

This example is a rare exception.

In this example, the candidate has incorrectly answered part (a) and then misses the opportunity to access two marks for part (b)

1 Online bank *First Direct* carries out market research to improve its products and customer services.

(a) Which of the following is an example of primary research for *First Direct*?

(1)

- A Government statistics
- B Focus groups
- C Company reports
- D Market intelligence reports

Answer

D

(b) Explain why this answer is correct.

(3)

Market intelligence ^{reports} gives us a report of the market that the business is about begin invest in. It tells us about the rate, Demands etc of the business in their respective Market. C is wrong because they can not get personal report of a company. B is wrong because Focus groups are focused on specific groups and has no relation with primary research. Government statistics are the statics that the business needs to follow, it has no relation with primary research.



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Examiner Comments

Part (a) is incorrectly answered which means the responses that follow, explaining why this answer is correct, cannot be rewarded with any marks.

In dismissing the distractors, the candidate had not explained why they are wrong:

C is wrong because.... the answer given is incorrect and not related to the question on primary research

B is the correct answer so cannot be dismissed as a distractor. However this response lacks understanding of what is meant by primary research

Government statistics (distractor A) were dismissed as 'the statistics the business need to follow, it has no relation with primary research'. Had the candidate stated why they were not primary research, for example by adding '...because they are collected by the government for a different purpose meaning they are secondary research' the candidate could have been rewarded with a mark, even though (a) is incorrect.



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Examiner Tip

When dismissing distractors, the candidate can ensure they include all the elements required by stating why it is incorrect, for example, in this case stating why they are NOT primary research.

State what the distractor is, why it is incorrect and developed in relation to the question:

For example: A is incorrect because government statistics are usually gathered to give an overall count of a population. It is secondary research because it is collected by someone other than First Direct.

Note: definitions of distractors are not rewarded with a mark - the marks are given for the development of the answer.

Question 2

Most candidates were able to identify that premium pricing was linked to the ability to charge high prices due to quality and reputation and gained a mark for this. A significant number were not able to identify that the high price charged was in **comparison** to competitors which was an important point in premium pricing. Otherwise in explaining higher pricing they could also be describing price skimming. A significant number only offered definitions of pricing strategies and premium pricing.

Very few candidates developed their definition to explain that premium pricing would lead to high profit margins but the use of the 69% of total market profit and 8% market share was usually well applied. Distractors were not well dismissed and candidates were often confused between the different strategies. For example, competitive pricing and predatory pricing were often incorrectly explained in place of each other.

This was a well developed response but did not refer to Apple or the mobile phone market except in dismissing the final distractor. The candidate did eventually receive full marks for this response.

2 In 2012, Apple took 69% of worldwide mobile phone profits with only an 8% market share.

(a) Which **one** of the following is the **most likely** pricing strategy used by Apple that contributed to this level of profit?

(1)

- A Predatory pricing
- B Penetration pricing
- C Competitive pricing
- D Premium pricing

Answer

D

(b) Explain why this answer is correct.

(3)

Premium pricing - charging more ~~##~~ for the product than ^{the costs of} similar products ~~costs~~. So luxury pricing is used.

Premium pricing allows high prices to be set so more profit per unit is generated, so less market share is needed to gain more profit.

Penetration pricing is wrong because it is used only when a new product enters the market and aimed on increasing market share with less profits rather than other way around.

Predatory pricing is to 'destroy' competitors - drive them out of business & requires low ~~costs~~ prices which wouldn't generate 69% of worldwide ^{mobile phone} profit with only 8% market share.

(Total for Question 2 = 4 marks)



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Examiner Comments

Part (a) correct (1)

Defining premium pricing was rewarded with a mark because it compared 'the costs of similar products'. The mark scheme insists on the element of comparison in defining premium pricing, otherwise the candidate's response could have equally referred to price skimming.

No reference to Apple, its market share or profits so no application mark given.

Analysis of the results of premium pricing is accurate and well explained. (1 mark)

At this point, the candidate has gained 2 marks for why (a) is correct. To access the final mark they must correctly dismiss one of the distractors.

Penetration pricing (distractor B) defines/explains what it is but does not develop it in terms of Apple's share/profits of the mobile phone market. The term 'rather than the other way round' is not a clear reason for dismissal so this response is not rewarded with any marks.

Predatory pricing (distractor A) explains what it is, then explains why it is wrong (requires low prices which would not generate 69% of profit with only 8% market share) which is applied to the question so the final mark is given for this response.



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Examiner Tip

Many candidates are losing easily accessed marks by not referring to the business/industry/issue identified in the stem or the question.

In order to achieve application marks, the candidate needs to state **how/why** the business/industry/issue mentioned relates to their response.

At first read through, this is a very articulate answer. However, it only scored two marks for part (b).

2 In 2012, Apple took 69% of worldwide mobile phone profits with only an 8% market share.

(a) Which **one** of the following is the **most likely** pricing strategy used by Apple that contributed to this level of profit?

(1)

- A Predatory pricing
- B Penetration pricing
- C Competitive pricing
- D Premium pricing

Answer

D

(b) Explain why this answer is correct.

(3)

Premium pricing is setting a high price for the product for the quality and ^{uniqueness of} difference of the product compared to competitors. Apple charges premium prices for their mobile phones due to the high quality of ~~their~~ and unique features of the iPhones they produce. Hence, people are still ready to purchase their phones. Hence, option D is correct. However, if they charge a predatory pricing which is below the cost of production in order to avoid other mobile companies to sell in the market they would not be able to make profits and they ^{have} are only ~~69%~~ ^{8%} of market share. So, option A is incorrect.

(Total for Question 2 = 4 marks)



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Examiner Comments

There is an attempt at application by mentioning Apple's mobile phones but only in terms of quality and uniqueness of their iphones. This is still a knowledge mark which has already been rewarded and cannot be given twice. At this point, the candidate needs to be discussing Apple's profits and market share. (0 marks)

Dismissal of distractor A is excellent. It avoids mere definition and explains the impact of predatory pricing, for example, below the cost of production, would not be able to make profits; includes reference to the stem/question, for example, other mobile phone companies/only 8% of market share. (1 mark)



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Examiner Tip

Each question has the potential to be rewarded with marks for Knowledge, Application and Analysis.

If candidates write their responses in terms of these three elements they will give themselves the best chance to access all of the marks.

Question 3

A significant number of candidates offered a good definition of mass marketing and then developed this to make the link to TV advertising. Most candidates attempted to explain a distractor, usually niche marketing, but did not link their response back to TV advertising and gave a generic description of advertising generally so could not be rewarded with a mark.

This is an example where a candidate gave the correct answer to part (a) but did not develop their response in terms of knowledge, application and analysis in part (b). This meant they did not access any of the marks for part (b).

Dismissal of the distractors was insufficiently applied and/or developed to allow any marks to be rewarded.

3 In 2013 cereal manufacturer Kellogg's spent £6m on TV advertising. As a result, sales rose by 10%, with a sales value of £88m.

(a) This strategy could **best** be described as an example of:

(1)

- A niche marketing
- B mass marketing
- C market mapping
- D test marketing

Answer

B

(b) Explain why this answer is correct.

(3)

Mass marketing is trying to raise your sales by finding new ways. A is wrong because niche marketing is finding a ^{small} gap in the market and targeting that small segment with high prices. where here they are not targeting a small segment but a large segment. C is wrong because market map is a graph which shows the price and quality of the products in the same market where as this is not a graph but advertising. D is wrong because test marketing is making the customers test the product and getting their ideas about the product.



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Examiner Comments

Knowledge: incorrect definition of mass marketing.

Dismissal of distractor A, is mainly just a definition of niche marketing. The attempt at development '...they are not targeting a small segment but a large segment' is not related to either Kellogs or TV advertising so is not applied to the question.

Dismissal of distractor C is a definition of market mapping but the development only mentions advertising generically. The answer needs to refer to mass marketing and/or mass media such as TV advertising to be truly applied.

Dismissal of distractor D is a simple definition with no attempt at application or development at all.



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Examiner Tip

The key to accessing as many marks as possible is to remember the importance of application. It is not enough to just mention the business/industry/issue but to use the information to develop the answer in terms of the cause, consequence or impact.

Question 4

The majority of candidates answered this question on the impact of increased raw material costs accurately and well, correctly using calculations rather than definitions.

This is typically how well answered responses to this question were set out.

- 4 Sarah and Steve Bennett, co-founders of Jewellery Maker, prepare monthly cash flow forecasts.

July 2016 Cash Flow			
Cash Inflow	£m	Cash Outflow	£m
Cash sales	2.3	Wages	0.6
Payments from debtors	0.6	Raw materials	$1.1 \times 1.1 = 1.21$
		Rent	0.7
Total	<u>2.9</u>	Total	<u>2.4</u> 2.51

- (a) What would the cash flow be for July 2016 if raw material costs increase by 10%?

(1)

- A £0.11m
B £0.39m
C £0.50m
D £0.61m

Answer

B

- (b) Explain why this answer is correct. (Show your working.)

(3)

Cash flow is cash inflow - cash outflow

$$\text{Raw materials} = (1.1 \times 10\%) = 1.1 \times 1.1 = \underline{\underline{1.21m}}$$

$$1.21 + 0.6 + 0.7 = 2.51m \text{ New cash outflow}$$

$$\text{Cash flow} = \frac{2.9}{\text{cash inflow}} - \frac{2.51}{\text{cash outflow}} = \underline{\underline{0.39m}}$$



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Examiner Comments

This format clearly sets out how the correct answer was selected for part (a)

Calculation of 10% increase of raw materials = 1.21 (1)

Calculation of change in cash outflow = 2.51 (1)

Calculation of cash inflow (2.9) minus new cash outflow (2.51) = 0.39 (1)



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Examiner Tip

When faced with a calculation question in supported multi-choice questions, candidates should complete the calculations in part (b) first and then select the correct answer for part (a), rather than select an answer in part (a) and then try to make their calculations fit their guess work.

Question 5

This definition on inflation proved challenging for many candidates. A significant number attempted a definition that began well, but was often incomplete. Most did not include the 'over time' element and lost an easily available mark. Most candidates offered a well explained development of rising costs of living resulted in the need for higher wages to purchase the same level of goods and services. Again the distractors were sometimes not related back to the question and were merely assertions.

This example demonstrates how the candidate knew the correct answer for part (a) but did not explain why it was correct clearly enough to gain any marks for part (b)

5 In July 2014 the annual rate of inflation in India had risen to 7.96%.

(a) Which **one** of the following is the **most likely** effect of a rise in inflation on Indian manufacturers such as *Tata Steel*?

(1)

- A Exports increase
- B Costs of supplies decrease
- C Employees demand wage increases
- D Investment in new technology increases

Answer

C

(b) Explain why this answer is correct.

(3)

Inflation - a rise in the ~~avg~~ average price level.

As inflation occurs workers demand higher wages so firms cost rises, firms prices and workers again demand higher wages so the spiral continuous.

A is incorrect as inflation occurs exports decreases, because cost of production increases.



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Examiner Comments

Part (a) is correct

Part (b):

Definition of inflation is incomplete as it must refer to either a **persistent** increase of average price levels or indicate the rise takes place **over a period of time**.

The question asks why is the answer 'employees demand wage increases' as a result of inflation correct?

In this example the candidate discusses the results of rising costs to Tata Steel, which is not the reason why C is correct. The reasons are because the cost of living will rise meaning employees will pay more for the same goods and services. The impact will then be employees will demand higher wages to maintain their standard of living. Clearly the candidate understood the results of inflation but really needs to check their understanding of the question.

Dismissal of distractor A is an assertion, which is not applied to the question at all and needs some reference to the 7.96% rate of inflation in India



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Examiner Tip

As this is an applied AS level paper, the requirement is always for a full definition that includes all of the key elements. Incomplete definitions cannot be rewarded with a mark.

An example of a very well developed response. Not only did this candidate gain all three marks for explaining why part (a) was correct, but they also dismissed one of the distractors very effectively.

5 In July 2014 the annual rate of inflation in India had risen to 7.96%.

(a) Which **one** of the following is the **most likely** effect of a rise in inflation on Indian manufacturers such as *Tata Steel*?

(1)

- A Exports increase
- B Costs of supplies decrease
- C Employees demand wage increases
- D Investment in new technology increases

Answer

C

(b) Explain why this answer is correct.

(3)

Inflation is the sustained or persistent rise in the general price level of a country over a given period of time.

Option C is correct because, when the annual inflation rate of India rises up to 7.96%, it means that the prices of goods and services have also to rise. So, in order to buy or meet up with the price hikes or employees will demand for more wages.

Option B is incorrect because, when the inflation rises to 7.96% in India, it means that cost of raw materials and other things are increasing. So, the cost of supplies will increase.



ResultsPlus Examiner Comments

Part (a) correct
Part (b)

Definition complete and correct. The candidate discusses sustained/persistent rise in general price levels over a period of time. A model answer. (1 mark)

The 7.96% inflation rate is applied to the rise in prices of goods and services in India. (1 mark)

The impact of inflation is analysed and identified 'in order to keep up with prices employees will demand more wages. (1 mark)

Distractor B is perfectly dismissed by applying the impact of the 7.96% inflation rate on suppliers in India, which means the cost of supplies cannot possibly decrease. A great example of how to dismiss a distractor.



ResultsPlus Examiner Tip

Candidates who structure their answer to give a correct definition of the key term in the question, apply their response to the business/industry or issue, show analysis in the result or impact and offer at least one well dismissed distractor will maximise their chances of accessing full marks for supported multi choice questions.

Question 6

Most candidates defined demand very well. A small number of candidates were not able to develop their answer in making the link between the decrease in supply and the rise in price of cocoa butter impacting on demand. Dismissal of the distractors was usually well answered and applied to the context of this question.

An example of where an incomplete definition cost the candidate a valuable mark

5 Palm oil is a substitute for cocoa butter. In September 2014 demand for palm oil increased.

(a) Which **one** of the following is the **most likely** explanation for this increase in demand for palm oil?

(1)

- A Decrease in the supply of cocoa butter
- B Decrease in the price of cocoa butter
- C Decrease in the supply of palm oil
- D Decrease in the subsidies for palm oil

Answer

A.

(b) Explain why this answer is correct.

(3)

Demand is the willingness of a customer to buy a product with a given price. If the supply of cocoa butter decreases, its price will increase, which will decrease the demand for cocoa butter as customers will look for cheaper alternatives such as palm oil which overall will increase the demand for palm oil.



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Examiner Comments

Part (a) is correct

Part (b)

Definition misses key elements of demand. Customers may be **willing** to purchase a product but unless they have the means they are not **able to do so**, so both willing and able must be present. Similarly, at a **given price** is correct but it must include at a **given point in time** as the goods may not be available at their price point by the time they have the means. (0 marks)

The candidate recognises the effect on price if the supply of cocoa butter decreases. (1 mark)

They also correctly identify the impact of this as 'customers will look for cheaper alternatives which increase the demand for palm oil'. (1 mark)



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Examiner Tip

Practise model definitions to ensure that easy marks are not lost.

Question 7

(short essay) Most candidates accessed two knowledge marks by identifying relevant entrepreneurial characteristics. However, many candidates did not select particularly good evidence from the case study to develop those examples and often missed out on application marks as a result. Very few candidates offered little in the way of analysis. An accessible question but opportunities to develop points were not taken by candidates.

This is a clear example where the candidate has identified two entrepreneurial characteristics but has not fully developed the response to access all the marks.

- 7 Explain **two** entrepreneurial characteristics that Ashish has demonstrated in making Mara Group successful.

An entrepreneur is a person who takes the financial risk of opening a new business.

Mara has qualities to be a successful entrepreneur, like the fact that he is a risk taker, when he was 15, he dropped school and started a business, with a 5,000 \$ loan from his family.

Another good quality is that he is resilient, he does not give up, he said that the first 10 years were not easy, he did not give up and ended up being a very successful man.



ResultsPlus Examiner Comments

Knowledge: Risk taker (1 mark)

Application: Started with \$5000 loan from family (1 mark)

Knowledge: Resilience (1 mark)

Application: The first 10 years were not easy but he never gave up (1 mark)

Neither characteristic has been developed to show analysis.



ResultsPlus Examiner Tip

When developing a response for analysis, discuss the reason why, the cause, the consequence or the cost of the points made in the application for the final marks.

For example, the analysis of the risk taker response could have included either, 'which meant that Ashish risked disappointing his father' or 'losing a large sum of his family's money'.

For example, the development of resilience could have stated '... and he continued to build the very successful Mara Group which is making \$200m per year in revenues'.

This is an example where the candidate shows a good level of knowledge of what entrepreneurial characteristics are, but has not selected any application from the case study evidence.

No analysis marks accessed.

7 Explain **two** entrepreneurial characteristics that Ashish has demonstrated in making Mara Group successful.

An entrepreneurial characteristic is the personality traits that an entrepreneur must possess in order to run and set up a successful business.

In the case study ~~it~~ Ashish possesses a strong sense of perseverance and high ambitions.

Perseverance helped Ashish to take risks to setup many businesses and ~~too~~ being very ambitious has led Ashish to own many businesses globally and win him World young entrepreneur of the year in 2013.



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Examiner Comments

Knowledge: Good definition of entrepreneurial characteristics which is worth 2 marks.

Knowledge: Identifies perseverance and high ambitions each worth 1 mark.

However, there are only two knowledge marks in total for this question so double marks cannot be rewarded.

The statements that follow are assertions, not application or analysis.

For example, 'Perseverance helped Ashish take risks' (how does perseverance relate to risk?) 'to set up many businesses' (explain how this is perseverance) and...

For example, 'being very ambitious has led Ashish to own many businesses globally' is nearly there but needs to say how this relates to ambition. What is ambition and how does owning many businesses make him ambitious?

Winning the world's young entrepreneur of the year is not an entrepreneurial characteristic, nor the reason he is ambitious or perseveres. It is a result of being recognised by his peers.



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Examiner Tip

The case study evidence will give clear indications of entrepreneurial characteristics that can be applied in context. This will assist the candidate in responding to the question more easily.

Question 8 (a)

(short essay) This question was answered reasonably well by many candidates who offered a definition of a partnership although many did not make the clear link to ownership and merely referred to the running of a business. A significant number of candidates named a whole range of benefits of partnerships rather than develop **two** as required by the question. They did not develop their answers and, as a result, the responses lacked analysis.

A significant number of candidates did not answer the question asked. They either stated disadvantages rather than advantages or discussed the question in the context of a private limited company. When present, application was usually gained through the "father as the chairman" route but typically development marks were not gained.

This is an example of the candidate demonstrating a good knowledge of what a partnership is. They list several advantages but do not go on to apply or analyse any of them. So whilst the candidate has written a substantial response, they cannot move above knowledge marks for their answer.

8 In *Mara Group*, the "family partnership remains firmly in control and there are no plans to become a limited company." (Evidence B Lines 19–20).

(a) Explain **two** advantages for *Mara Group* of remaining a partnership.

(6)

Partnership is a form of business which as owners from 2-20. The two advantages of being a partnership can be availability to more contacts and dividing the work between the owners. When there are more owners there is more chance of reaching to a larger larger amount of contacts which can help the business improve its customers coming to the business. Dividing the work between the owners is another advantage which the owner can specialise more easily in their area.

Also, if one of the owners take a break or don't come to work the flow of the work is not affected since there are other owners to cover for few days.

Also, because of more owners more money can be invested in the business which can help for the expansion.



ResultsPlus Examiner Comments

Knowledge: Partial definition of partnership referring to ownership, on its own would have scored 1 mark.

identifies two advantages: availability of more contacts and division of work. (2 knowledge marks)

However, there are only two knowledge marks available for this question so the most that can be rewarded here is 2 marks in total.

Attempt at development is about reaching more contacts which repeats the previous point. This does not explain how/why this will help its customers coming into the business. (0 marks)

Dividing the work is a repeat of the second named advantage. 'Can specialise more easily' is not application or analysis of the point made. (0 marks)

Everything else just identifies more advantages. There is no reference to the family partnership or Mara Group and no analysis.



ResultsPlus Examiner Tip

Definitions of partnerships need to include ownership, contributions, shared liabilities, profits and losses. If any of these points are missing, candidates can only be rewarded with partial marks.

A good example of how a candidate can access full marks when answering the advantages of Mara Group remaining a family partnership.

- 8 In *Mara Group*, the "family partnership remains firmly in control and there are no plans to become a limited company." (Evidence B Lines 19–20).

(a) Explain **two** advantages for *Mara Group* of remaining a partnership.

private decision, ownership

(6)

A partnership has unlimited liability and ~~can~~ can have between 2 and 20 partners.

By remaining a partnership it means that all the control is kept within the business and the partners can ^{make} keep all the decisions. Ashish is at the top, being the founder with his father.

as the chairman. By being able to make all the decisions it means that Ashish can expand the business in the way that he wants it, without the worry of takeover or becoming too big and losing its reputation.

In addition it means that all profits are shared out between the partners. Mara Group generated approximately \$200m in revenue. So in the ~~area~~^{area} of partnership it will state how much of the profit each partner gets. By staying a partnership they will not have to pay out dividends to shareholders, so they can get higher shares of the profit.



ResultsPlus Examiner Comments

The candidate has set this response out clearly and logically. They start by identifying the advantage (knowledge) then offers application followed by analysis.

Knowledge: Control is kept within the business. (1 mark)

Application: Ashish as founder/father as chairman. (1 mark)

Analysis: Partners can make all the decisions, which means that Ashish can expand the way he wants and there are no worries about being taken over. (1 mark)

Knowledge: Profits are shared. (1 mark)

Application: Mara Group generated \$200m in revenues. (1 mark)

Analysis: Will not have to pay out dividends to shareholders. (1 mark)



ResultsPlus Examiner Tip

Setting out a response in the logical format of knowledge, application and analysis of the points made will help candidates access the full range of marks available.

Question 8 (b)

(short essay) This question was a very good differentiator in identifying candidates who understood what was meant by the digital economy. A small number of candidates answered the question in terms of the technologies available, referring to mobile technologies and opportunities to expand online banking in Africa.

However, a significant majority of candidates showed confusion about what the digital economy is. A significant number also seemed to confuse it with the online purchase of stocks and shares. Many candidates did not recognise that Atlas Mara was a distinct division of the Mara Group, and repeated similar arguments to those used in other questions. For example, Q11, discussing tourism, agriculture and marketing, instead of using the stimulus material about banking in Africa. This led to poor development of responses which meant application and analysis marks were often not accessed.

This is an example where the candidate shows some knowledge of the digital economy but is unclear on how it relates to a banking business such as Atlas Mara

(b) Analyse the impact the digital economy could have on Atlas Mara.

(6)

Digital economy is the economy based on technology. E-commerce is part of digital economy and its buying and selling goods online rather than in stores. Digital economy has a huge impact on Atlas Mara. Since Atlas ^{Mara} ~~Mar~~ operates in more than one place and the improvements of digital economy would help in the success of Atlas Mara. On the other hand Atlas Mara is also digital economy would help Atlas ~~Mar~~ ~~Mara~~ Mara since it's also ~~op~~ operates in the stock exchange. ~~On~~ On the other hand digital economy may not be so important on Atlas Mara since it equires banks and banks ~~are~~ aren't really based in the digital economy.



ResultsPlus

Examiner Comments

Knowledge: refers to the use of technology and e-commerce in terms of the digital economy.
(2 marks)

Application: The reference to Atlas Mara operating in more than one place is not true application as this could refer to any multi national business. If the candidate had referred to some of the countries in the case study evidence, they would have accessed the application mark.

Analysis: This is not carried through. The candidate makes assertions such as 'Digital economy has huge impact on Atlas Mara 'and 'improvements would help in the success of Atlas Mara' without explaining how the digital economy would do this.

There is a reference to the stock exchange which is not the focus of the question.

The attempt at evaluation is not required for this question but the response is incorrect in its assertion that banks are not really based in the digital economy.



ResultsPlus

Examiner Tip

Application to evidence provided in the case study is really key to accessing marks in IAL Business Studies.

The candidate has attempted to relate the digital economy to Atlas Mara by identifying several potential impacts but is not quite on target with their development. A slight change of emphasis would have given this candidate several marks.

(b) Analyse the impact the digital economy could have on Atlas Mara.

(6)

The impact of the digital economy on Atlas Mara could be more profits as Atlas Mara was listed on the stock exchange of London in December of 2013 with its first round of share issues raising \$325 m of finance.

Another impact would be that the digital economy would help Atlas Mara grow as more people would be buying its shares, also contributing to it becoming popular. It could be more well known through the use of technology and more popular.

Another impact is that using the digital economy would help Atlas Mara improve communication with customers and internal communication within the company as well.



ResultsPlus
Examiner Comments

Reference to the listing of Atlas Mara on the stock exchange is not relevant to this question. The impact is on the operations of the stock exchange. Atlas Mara and other companies could be listed and raise funds before the advent of digital media.

Reference to the digital economy helping Atlas Mara grow, is not applied or analysed. The candidate identifies it could help it become 'more well known' but needs to refer to how and why. For example 78% of Africans own mobile phones, which means Atlas Mara could have used mobile phone apps for digital marketing to help them become more well known to potential customers.

Reference to the opportunities to communicate more effectively with customers or internally again needs to state how or why. For example, with Atlas Mara located in several countries across the African continent such as Rwanda and Kenya means the use of digital technologies would save travel time and money by arranging online meetings.

Question 9 (a)

(calculation) Very well answered by the majority of candidates who knew how to calculate a gross profit margin, including the recognition of the need to use % in the final number. A small number of candidates did not attempt this question.

This is a very clear and well set out answer. It is easy to identify where the marks can be rewarded.

- 9 *Mara Group* is making "approximately \$200m per year in revenues" (Evidence B Line 1 and 2). It is thought that *Mara Group* made \$60m gross profit last year.

(a) Using these figures, calculate *Mara Group's* gross profit margin. (Show your working). (1.) C.O.S.

(4)

$$\text{Gross Profit} = \text{Sales revenue} - \text{Cost of sales}$$

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$$

$$= \frac{60}{200} \times 100$$

$$= 0.3 \times 100$$

$$\text{gross profit margin} = 30\%$$



ResultsPlus

Examiner Comments

The candidate has correct knowledge of the formula for calculating a gross profit margin.



ResultsPlus

Examiner Tip

When calculating any margin remember to use the % sign in the answer to ensure the final mark is not lost.

This example indicates the candidate knew the elements of the formula for calculating a gross profit margin. However, by not quite placing the X100 in the correct space, the whole calculation went wrong.

9 *Mara Group* is making "approximately \$200m per year in revenues" (Evidence B Line 1 and 2). It is thought that *Mara Group* made \$60m gross profit last year.

(a) Using these figures, calculate *Mara Group's* gross profit margin.
(Show your working).

(4)

$$\text{formula} = \frac{\text{Sales} \times 100}{\text{gross profit.}}$$

$$= \frac{200 \times 100}{60}$$

$$= 333.3$$



ResultsPlus Examiner Comments

The formula requires sales/gross profit x 100. However, this candidate put the x 100 in the top line giving sales x 100. This was calculated first then divided by 60 which put the whole calculation out.



ResultsPlus Examiner Tip

When calculating any percentage or margin, the **last** action should be x 100.

Question 9 (b)

(Level of Response)

This question was answered in extremes. Where candidates were clear in their understanding of what a secured loan was, they usually developed their answers well and gained good analysis and evaluation marks. However, a significant number did not specify secured loans and only offered an analysis and evaluation of generic bank loans, and did not apply these to the context.

A significant number seemed unclear what a long term secured loan might be used for. Some said it could be used to help with cashflow which is not an appropriate answer. Evaluation was rarely contextualised on both sides.

This example shows a lack of understanding of what is meant by the term secured loans. The response discusses generic bank loans. There is little understanding of the level of risk Ashish is taking in using this method of finance.

(b) Assess the benefits for Ashish of using secured loans to finance the *Mara Group* (Evidence B).

(8)

Secure loans are loans given that are not connected to your personal assets.

By Ashish using secure loans to finance the Mara Group this benefits him because the money that he loans he knows that he is getting back. For example, a normal bank loan, the bank will see if you have enough money or assets, like a house or a car, to pay back the loan if not possible after a period of time. However with a secure loan Ashish feels more relaxed and safe because he knows that no assets will be taken with him.

The drawbacks ~~to~~ on the other hand are that with secure loans there are still going to be interest rates to be paid. Ashish's interest rates were very high, 36%. With this money that was involved with interest rates

Ashish could have done something ~~else~~ ^{invested it}
~~invested it~~ in his business instead of having it
being charged as a loan. However, a loan does give
the money fast but does come with interest.



ResultsPlus

Examiner Comments

Level 1: Knowledge is not clearly demonstrated. The candidate stated secured loans are not connected to personal assets.

Level 2: Application is incorrect. It discusses 36% interest rates which refers to an earlier loan from a money lender, not a secured loan from the bank.

Level 3: Analysis states that Ashish is using secured loans because the money that he loans he is getting back. Ashish is the one taking out the loan, not lending the money out.

Further attempt at analysis states 'normal bank loan...will see if you have enough money or assets like a house or car'. This is describing a secured loan. With a secured loan, Ashish can relax and be safe because...no assets will be taken. This shows further lack of understanding as it is the wrong way round.

Level 4: Attempt at evaluation makes statements about interest rates but no comparison so is not a true evaluation.



ResultsPlus

Examiner Tip

Make sure the case study evidence has been read through fully before answering the question. Apply the relevant sections of evidence to the specific question.

Question 10

(Levels of Response)

Overall, this question was well answered from a theoretical point of view, but many candidates did not realise the issue with the scale of the research across Africa as a continent as an easy route to achieve contextualised evaluation. This lack of context often meant candidates were limited to Level 3.

A significant number of candidates wrote generic responses describing Market Research and the different primary and secondary methods that could be used, without specific analysis of its importance to banking services. A significant number discussed Africa as though it was a country rather than a continent, which meant they missed the opportunity to consider differences between countries like Kenya and Rwanda.

Evaluation was often present but brief and limited to very simple statements. Usually stating the expense and time of the undertaking. There were lost opportunities to relate this specifically to the size and range of the continent and therefore the differing cultures and requirements of differing areas so this limited marks gained.

A significant number of candidates did not answer this question.

This example clearly analyses the use of market research to Atlas Mara.

10 Assess the usefulness of market research to *Atlas Mara* as it expands its banking services in the African market (Evidence C and Evidence D).

(12)

Market research is the collection, Presentation and analysis in formation relating to marketing and consumption of goods and services. Market research would help the business on finding out what the consumers wanted in the African market. Atlas Mara could use Primary research which refers to finding out first hand information using focus groups, interviews one on one and questionnaires. In Africa only 24% of Africans have access to a bank account, only 78% of Africans have mobile phones. Market research could help the business find out why only this percentage uses phones and how this problem could be solved. Secondary research is information which already exists such as ~~sa~~ statistics. Atlas Mara could use Government statistics of ~~B~~ Africa to find out poverty rates.

and unemployment rates. Market research could help Atlas Mara overcome the huge opportunity to service millions of people who need to access to capital through new models.



ResultsPlus

Examiner Comments

Level 1: Knowledge - definition of market research.

Level 2: Several good applications. 24% of Africans have access to bank accounts/78% have access to mobile phones.

Level 3: Analysis appears in line 4 - help the business find out what the consumers wanted and at the end opportunities to service millions of people who want access to capital through new markets, which is also application.

No evaluation attempted

Additional information about primary/secondary research. belonging to another question and therefore not relevant to this question.



ResultsPlus

Examiner Tip

Each question requires a very specific answer. The application and context to any question is only found in the case study evidence and not in previous questions.

In this example, the candidate has included part of the answer and distractors from Question 1. Marks will not be rewarded again in a different question.

This example is very light on analysis but does have some evaluation and application. This means it can access the evaluation marks without a great deal of analysis.

10 Assess the usefulness of market research to Atlas Mara as it expands its banking services in the African market (Evidence C and Evidence D).

(12)

Market research is anything that provides information about the market and business clients. The types of market research includes Questionnaire, focus groups, observation etc.

It is very important for Atlas Mara to know the other competitors that provide banking services and the rate of interest they charge. Also, the spending habits and saving habits of people ^{in Africa} is also important before ~~to~~ ~~carry out~~ before entrance as if people spend more they're more likely to borrow money.

Market research provides information of the customers and their spending patterns and help to segment the market according to different group of people. For example a fixed percentage ~~to~~ of interest could be changed from student loans.

This also helps Atlas Mara to plan its activities according to the market it operates in. ~~If the~~

Atlas Mara paid \$265m cash and shares to buy BancABC which operates in Zambia, Botswana, Tanzania, etc. ~~So the~~ ~~Atlas~~ ~~Mara~~ ~~is~~ Atlas Mara also could ~~take~~ ~~so~~ ~~a~~ use some promotional activities like advertising on online where a large customer base could be accessed,

However, sometimes market research may go wrong ~~if~~ as ~~the~~ ~~s~~ as it may provide inappropriate information and may cause bias. In this case the planning of Atlas Mara would ~~also~~ all go waste/useless. Market research is also very expensive and takes a lot of complex procedures, ~~it~~ and more time. By the time the market might also be changed and entrance of new banks also ~~discre~~ decreases the customers of Atlas Mara, and therefore fall in profitability. ~~To~~ To sum up, I would suggest Atlas Mara to use market research as it provides a lot of significant information for the ~~entrance and survival~~ of the business bank.



ResultsPlus

Examiner Comments

Level 2: Application discusses BancABC and present in the discussion about relevant types of market research related to Atlas Mara such as fixed interest loans.

Level 3: Analyses the type of information marketing research could produce like spending and saving habits.

Level 4: Evaluation is on the second page as simple statements. Information may be inappropriate and biased, time consuming and expensive. Hence it scored low level in context and one sided evaluation.

Question 11

(Levels of Response)

This was a question which offered great opportunities for some candidates to gain marks by demonstrating their understanding of the likely impacts of inflation and exchange rates. Only a very few were able to gain the highest available marks by offering an understanding of the **dependency** of any effects upon the **extent** of change.

Candidates who identified what exchange rates and inflation were and how they impacted on the Mara Group were able to access more marks.

Some candidates seemed to misunderstand economic factors. There was a tendency to just "flip" the advantages, and state that the opposite as a disadvantage, which is not true evaluation, so they often limited their answers to L3.

A significant number of candidates stated that inflation automatically means the company makes more profit, ignoring increased cost implications. A large number of candidates thought that low inflation means that prices are falling.

A significant number of candidates did not answer this question. As this is the final question it is not clear if this was due to choice or because they ran out of time.

This is an example of a good analytical answer that had to be restricted to the top of Level 2 because there is no application at all.

11 Evaluate the likely impact of exchange rates and inflation on *Mara Group*.

(14)

Exchange rates

Exchange rates refers to the different currency values of other countries. Exchange rate can make the service expensive because each country has different value of money. The actual price of the product could be cheaper in the producing country but when the money is converted the price could be way higher for ~~the set~~ where the good and service are being sold. Exchange rate could cause the business lost because they would have to lower their ~~pr~~ price in order to receive ^{sales} ~~sets~~ in ~~that~~ that particular country. Mara Group would have to make their products ~~the~~ cheaper due to that quality of the product would decrease.

Inflation

Inflation refers to the increase in general price level over a period of time. Each country has different ~~exchange~~ inflation rate. Higher the inflation rate better for the producing country because during ~~the~~ ~~into~~ inflation the money value decreases.

Consumers in the country would have to pay more for the product than the other countries. ~~Inflation~~

There are two types of inflation cost push and demand pull. Advantages of inflation creditors gain and debtors lose because the debtors would be ~~receiving~~ receiving the same money back but now the value of money is lower. Creditors gain because the value of money decreased but they are still giving the small amount back. During inflation prices of goods go up but the income of the consumers don't and they have sell spendable income, and then they would buy sell goods putting the businesses out because they have sell sales and ~~for~~ that would cause the workers on losing their jobs and that would leave to unemployment in the ~~the~~ country.



ResultsPlus

Examiner Comments

Level 1: Definitions of both exchange rates and inflation are fully developed.

Level 2: No application at all. No reference to Mara Group, its business activities or locations.

Level 3: Analysis is quite well done. However, because there is no application from the case study evidence, marks are limited to the top of the previous level. In this case Level 2 for 4 marks. Had this been fully applied, the candidate could have scored 7 marks.

No evaluation present.



ResultsPlus

Examiner Tip

The importance of application cannot be emphasised enough. When application is missing, it can have a huge impact on the number of marks that can be accessed.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

Dismissing Distractors:

In answering supported multi-choice questions (SMCQ) definitions of distractors (the incorrect options) are not rewarded with a mark. The marks are given for the development of the response.

When dismissing distractors, the candidate can ensure they include all the elements required by stating (i) what the distractor is (ii) why it is incorrect and (iii) developed in relation to the question or stem. For example: A is incorrect because (i) government statistics are usually gathered to give an overall count of a population (ii) it is secondary research because (iii) it is collected by someone other than First Direct.

When dismissing distractors, each should be dealt with by a separate response and development. There will never be a case where one answer will be accepted for all other distractors banded together. For example, (A, B and C are wrong because they...). Very often such a response is not developed well enough to be rewarded with any mark. Candidates can lose valuable marks in this way.

Structuring Responses:

Each question has the potential to be rewarded with marks for Knowledge, Application and Analysis.

If candidates write their responses in terms of these three elements they will give themselves the best chance to access all of the marks.

Knowledge:

As this is an applied AS level paper, the requirement is always for a full definition that includes all of the key elements. Incomplete definitions cannot be rewarded with a mark.

The case study evidence will give clear indications of the knowledge requirements asked in the question. For example, entrepreneurial characteristics that can be applied in context. This will assist the candidate in developing the question more easily.

Application:

Many candidates lose easily accessed marks by not referring to the business/industry/issue identified in the stem or the question.

The key to accessing as many marks as possible is to remember the importance of application. It is not enough to just mention the business/industry/issue as candidates need to state **how/why** the business/industry/issue mentioned relates to their response.

Analysis:

When developing a response for analysis, discuss the reason why, the cause, the consequence or the cost of the points made in the application for the final marks.

Setting out a response in the logical format of knowledge, application and analysis of the points made will help candidates access the full range of marks available.

Calculations:

When faced with a calculation question in SMCQs, candidates should complete the calculations in part (b) first and then select the correct answer for part (a), rather than select an answer in part (a) and then try to make their calculations fit their guess work.

In any calculation SMCQ, the marks are given for demonstrating how the answer to part (a) was arrived at. That means the marks are rewarded to the workings. Always show your workings in every calculation question.

When calculating any margin remember to use the % sign in the answer to ensure the final mark is not lost.

When calculating any percentage or margin, the **last** action should be $\times 100$.

Point to note:

Candidates cannot be rewarded twice for the same answer. Each question requires a very specific answer. The application and context to any question in Section (B) is only found in the case study evidence or from their own knowledge and not in previous questions.

For example, candidates who include part of the answer and distractors from Section A SMCQs in short essay or levels of response questions will not be rewarded again.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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