



**General Certificate of Secondary Education
June 2011**

Business Studies

413002

(Specification 4133)

Unit 2: Growing as a Business

Report on the Examination

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General Comments

This was the first time that the Unit 2 examination paper had been sat. The paper performed well, allowing students of all abilities to demonstrate their business skills. The style of paper followed the Unit 1 format of having three questions each based on a different business scenario. As with Unit 1, there was an incline of difficulty as the students progressed through the paper both within each of the three questions and between Questions 1 to 3.

Centres should be congratulated as the majority of students seemed to be well prepared for the examination. Students were able to identify with the scenarios and so were able to demonstrate and apply, analyse and evaluate business concepts and situations.

Centres should note some common practices that stopped students from gaining the higher level marks:

- Many students started their responses by defining the terms used in the question. For instance, in Question 1(b), some students explained what an objective was, what the acronym SMART means, or how an objective differs from an aim. This approach is unnecessary as it does not address the question being asked and, therefore, fails to attract marks. Instead, this merely distracts the students and uses valuable time.
- In order to access the higher level of marks, it is usually necessary to place the response firmly in the context of the business in the scenario. To aid this, the scenarios will contain 'hooks' or items of information that give the students the opportunity to tailor their explanations to the business. Some students were in the habit of just mentioning the business concerned, or providing a generic response that could apply to any business.
- When given a choice of possible actions in the final analytical/evaluative questions, such as 2(d) and 3(c), students do not need to write in depth on the arguments of both choices. It is perfectly acceptable for the students to select one solution and provide a balanced argument and clearly supported judgement for that choice alone. Students, however, will not be penalised for writing about both alternatives.

Question One

- (a) This question was designed to ease the students gently into the paper. As limited liability is a term that is common to both Units 1 and 2, it was disappointing that a third of the students failed to score any marks at all on this question. Some students mistakenly believed that businesses were limited in what, or where, they could trade; some thought they were government controlled and others described unlimited liability.
- (b) This question received much better answers. Many students were restricted to Level 1 in the mark scheme, however, because their responses could have applied to any business rather than *Fine Tune Aerials Ltd (FTA)*. Those students who explained their answer by using information in the scenario, such as *FTA*'s stated objective of doubling its sales revenue within five years, scored more highly.
- (c) A number of able students used this question to demonstrate their knowledge of the different forms of economies of scale, but sometimes without really addressing the question being asked. What often appeared in such cases was the detailed reproduction of notes rather than applying and analysing the concepts in the context of *FTA*. The benefits of growth did not have to be restricted to cost savings, there were many other areas that students could have followed. Good responses, once again, used the information contained in the scenario to provide the basis for their application of business ideas and then went on to analyse these points.
- (d) This question allowed students to consider the arguments for and against *FTA*'s proposed relocation. Most recognised the benefits that a larger market could provide, but without realising the challenges of relocating in a large city. Some supported their advice with incorrect statements, such as *FTA* would have a larger market share if it moved to a big city. Better responses attempted to weigh up the potential increase in demand with the increased costs of operating in a city. Only a small number of students remembered that *FTA*'s objective was about revenue increasing and not profit, which would have some bearing on the decision to move. Evaluation proved difficult to some students who said little more than they supported (or rejected) the move without direct reference to anything they had written beforehand or after. Good evaluation used the analysis to form a judgement, which was a clear development from the arguments presented.

Question Two

- (a) This question was well answered with most students able to identify two promotional methods suitable for the business. Those who went on to describe the methods, rather than merely identifying them, usually found it easy to gain maximum marks for this question.
- (b) Successful students saw cost savings resulting from cutting out a stage of the channel of distribution, and suggested that this saving was passed on to the customer. Other acceptable answers were offered and providing that explanation was included, Level 2 marks were awarded.
- (c)(i) This proved to be straightforward for most students, with a large proportion scoring both marks.
- (c)(ii) This question differentiated well as students were able to demonstrate their knowledge of quality control methods. Total Quality Management was frequently given as a method, but a significant number of those offering this technique had a limited understanding of the concept. The question did ask the students to explain the method, so doing no more than identifying it restricted the answer to Level 1 marks.
- (d) Many students produced commendable answers that explored the short and long-term incentive effects of the two options given. Only a small number considered the relative costs to the business, or financial benefits to the employees, of the two options. A common approach was to speculate how the employees might respond to the method chosen. Good use was made of the scenario in identifying current low wages as a concern of the employees and many students used this to support their own arguments. As with Question 1(d), students tended to present cogent arguments, but found it more demanding to form judgements and offer evaluation that went beyond repetition of the analysis. As a result, only a half of the students accessed the higher evaluation marks by providing convincing support for any decisions they had made.

Question Three

- (a) Most students were able to score at least one of the two marks for this definition question. Some clearly had used the financial table in the scenario to identify that expenses was a form of indirect cost not forming part of the costs of sales. A large number used a suitable example to support their understanding of the term.
- (b)(i) The vast majority of students were able to perform the calculation without any undue difficulty. Answers in any form – 44%, 0.44, 44/100 or equivalent - were accepted.
- (b)(ii) Simplistic answers merely stated the information contained in the data, such as gross profit rose from £6 to £7 million. Such responses were limited to the single Level 1 mark. Better answers attempted to explore the figures, such as by looking at the percentage change in the profit values. The best answers offered some brief explanation of why the net profit margin had fallen, with net profits increasing, by referring to revenue and/or costs.
- (c) A large number of students misread the data, failing to notice that the figures given in the table were thousands of pounds. These candidates, therefore, thought that *Healthy Life Styles Ltd's* (HLS) retained profits for 2010 were £2500 rather than £2.5 million. This clearly had an impact on their decision of what would be the more suitable funding method for the business's £3 million expansion plans. These students were not directly penalised for this error, but it clearly restricted their choice to a bank loan as a suitable method. Other than this point, most students were able to go on to explore the implications to *HLS* of funding the new gym with marks for analysis and evaluation slightly better overall than the comparable responses in 1(d) and 2(d).

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