BUSINESS STUDIES

GCE Ordinary Level

Paper 7115/01
Short Answer/Structured Response

General comments

The general standard of scripts was similar to previous years. The paper discriminated effectively across the full ability range. Most candidates could make a meaningful attempt at all questions and there were very few really weak scripts. A number of candidates found it difficult to develop their answers fully, especially where the command to explain was given. There is a tendency for weaker candidates to identify and state rather than to explain or justify. This inability to follow the requirements of the question means that a significant number of marks become inaccessible to the candidate. There was no evidence of any time pressure on candidates.

Comments on specific questions

Question 1

(a)   Most candidates could identify two factors that might need consideration prior to a location decision. However, many found difficulty in explaining why these factors mattered.

(b)   Most answers here made reference to pollution related issues or possibly social costs. A few commented upon job creation strategies and balanced development. Generally well answered.

(c)   A number of answers made reference to more than two ways and consequently failed to explain the choices. This results in a loss of marks as a maximum of two marks can be awarded for identifying methods. This important examination technique must be emphasised to all candidates.

(d)   The majority of candidates made a plausible case for encouraging competition. Those who argued against were usually muddled in their thinking.

Question 2

(a)   A wide range of answers was given and the vast majority scored two marks here.

(b)   Most answers identified a context, i.e. when a method might be used, but many were unable to give reasons as to why. Thus only half the marks were gained.

(c)   The concept of a span of control was well known. However, knowledge of the problems associated with too large a span was much less understood.

(d)   This question proved a very good discriminator. The concept of delegation was well understood by many. However, many candidates struggled with part **(ii)**, having little real understanding of what might sensibly be delegated. There seemed some evidence to suggest that some candidates learn terms but have little real appreciation of their true meaning.

(e)   This was an area of the syllabus that was well known to all but a few. Some answers focused on narrow functions that sometimes overlapped.

Question 3

(a) This question proved surprisingly difficult. A number of answers were the wrong way round, i.e. confusion between direct and indirect. The percentage of costs accounted for by labour was correctly answered by better candidates. A surprising number of answers incorrectly calculated the total costs of the business.

(b) Most answers included some reference to the impact on costs of growth in size of a business. Only better answers referred to increases in unit costs.

(c) Many textbook answers were given here, usually accurately. This was a simple accounting definition question which was well known to most.

(d) Most candidates used a balance sheet as their example of a financial statement. They usually made reference to items that would be found on a balance sheet such as fixed and current assets. However only the better candidates were able to explain what such a statement showed about a company e.g. its capital employed financial structure or its liquidity position.

Question 4

(a) For many candidates there were a number of easy marks to be gained here. However, a significant number of answers failed to note that in 1997 the business was making a loss and hence they stated that the profits had risen by $1 million.

(b) This question differentiated well. Most candidates were able to gain some marks, probably by making rather simplistic comments like private sector business makes more profit than public sector business. The Examiners were hoping to see answers that contained reference to the fact that private sector businesses are more commercially driven and hence are likely to place greater emphasis on cost cutting and revenue generation. Hence the reduction in staff and the increase in fares. Better candidates did indeed focus on these kind of issues.

(c) Many answers here made reference to what information might be gathered by market research but relatively few stated what use this information might be to the management and hence why the research is carried out.

(d) Again, some candidates tried to answer this by making reference to more than two methods at the expense of an explanation. The focus of too many answers was on identifying methods rather than on showing how they might positively influence the number of users of the railway system.

Question 5

(a) Well answered by almost all.

(b) This question was not very well attempted. Too many answers made broad reference to the loss of output impact. This would of course only really be valid if the vacancies remained unfilled. Better answers referred to extra recruitment costs, retraining costs and impact on morale.

(c) This part was frequently answered in vague and imprecise ways.

(d) In part **(i)** many answers referred to methods of motivation rather than what the concept actually means. Identifying a method of motivation in **(iii)** proved straightforward. However, explaining how it might enhance motivation proved much more challenging.

General comments

The overall standard of scripts was similar to last year. As always, there were very big variations between Centres. However, there were very few really weak scripts. There is growing evidence that more candidates are trying to apply their answers to the context of the case. All questions proved accessible to at least some of the candidates. Few candidates appeared to suffer from time related problems.

Comments on specific questions

Question 1

The definition questions pose surprising problems for many candidates. Frequently, they try to explain a term by using the term in their answer. This is unacceptable. Furthermore, weaker candidates fail to develop, illustrate or apply their answer to the case. Thus, frequently they gain one mark out of three for some understanding but fail to score more because there is simply no, or inadequate, development. The most frequent types of errors were as follows.

(a) There was too much emphasis on the word private. This, after all, fails to differentiate this type of business from PLC.

(b) Examples of seasonal demand were often completely unrelated to the context of the case.

(c) Candidates failed to distinguish between gross profit and gross profit margins.

(d) There was a lack of emphasis on the future element inherent in a forecast.

Question 2

(a) Although most candidates were aware of the concept of market orientation, some felt it was a part of the marketing mix and hence was somehow involved in generating sales.

(b) This question was generally well answered, often by direct quotation from the text of the case. Centres should, however, remind candidates that it is necessary to develop a statement to enhance meaning. Thus, simply stating that the company aims to predict demand is the starting point for a development along the lines that this indicates that the business produces products in line with anticipated requirements of consumers, and hence is essentially market orientated.

Question 3

This whole question proved difficult for some candidates.

(a) Some answers were largely descriptive, with no reference to the data to help support points. Key points, such as the rise in the return on capital, were often missed. Furthermore, often answers failed to note the growth in product diversification over the time period. Candidates need to be encouraged to interpret data and to draw simple conclusions from the information.

(b) A significant number of answers simply stated a 20% change (90 – 70%). This was a fundamental error, showing a total lack of understanding of the information presented. The correct answer was $12.2m.

Question 4

(a) The advantages of investment in new technology were known to many candidates. However, many also found it difficult to relate the theoretical gains to the context of the case. Indeed, frequently there was no mention of the clothing trade at all.

(b) Most candidates were aware of sources of funds for a business. However, all too few were able to select sources that would be appropriate for long term investment in fixed assets. Furthermore, few were able to focus their answer on criteria such as appropriateness, cost, impact on financial balance, security. Generally, this part was disappointingly answered.

Question 5

(a) There was a tendency here to repeat what was given in the text, with little by way of comment. Clearly, if employees do not have the appropriate skills needed to use the new technology, then the potential benefits that should be generated simply will not occur. This should have been the focus of the answer.

(b) This was quite well answered. Most candidates recognised that external recruitment or increased training for existing staff were the methods that should be used.

Question 6

(a) Problems related to stock levels were well known to an encouraging number of candidates. Most were able to relate their answers quite effectively to the case. A few seemed to think that the business built up stock deliberately, to cope with an unexpected surge in sales. This seemed unlikely to be the situation.

(b) Many answers focused solely on space related costs. Relevant though these undoubtedly are, candidates need to be more aware of the opportunity cost of funds tied up in stock and also the adverse impact that it has on cash flow.

Question 7

This question proved quite challenging for many candidates.

(a) Weaker candidates answered this part by attempting a definition of market segments. There was often insufficient emphasis upon the benefits to be gained from this approach. Too often answers were vague, such as 'it leads to more sales', with no attempt to explain why this might be so.

(b) Relatively few answers went beyond a simple idea, such as what happens if the segment does not like their products. This question differentiated very effectively between candidates.