

# BUSINESS STUDIES

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Paper 9707/11  
Short Answer/Essay

## Key Messages

- Candidates need to ensure that they are aware of recent amendments to the syllabus for this examination. (Some candidates struggled with **Questions 1(a)** and **5(a)** which tested concepts added to the 2011 syllabus, which was first available on the Cambridge website in 2009.)
- Candidates should note that accurate and succinct answers for 2 and 3 mark questions in **Section A** are acceptable rather than lengthy `essay type` responses.
- It is important that candidates take a little time to carefully consider and interpret each question before commencing writing. This is to ensure that the constituent parts of each question are addressed and that focus is established and maintained.
- Candidates are reminded that in **Section B** the higher levels of marks are reserved for those answers that produce analysis and evaluation to support knowledge and understanding.

## General Comments

**Section A** proved to be generally accessible to most candidates although **Questions 1(a)** and **2(a)** were challenging to some.

**Section B** however proved to be more challenging. Candidates who were not prepared to answer the Finance and Accounting question (**Question 6**) often had difficulties in responding confidently to both parts of the other two optional questions.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

- (a) This question was not well answered. A significant number of candidates were unable to accurately describe the characteristics of a social enterprise organisation and consequently were unable to state relevant aims of this distinctive business unit. Those answers that recognised that a social enterprise organisation is one that uses business and entrepreneurial methods in the pursuit of social objectives were able to identify relevant triple bottom line objectives such as profit to invest in social and environmental activities, fair employment practices and the distribution of real economic benefit to society.
- (b) There were many more confident answers to this question. The strongest answers were those that referred to the qualities and characteristics of successful entrepreneurs such as risk taking, passion and creativity that – given the correct context and support – could lead to stimulating business initiatives and performance. Weaker answers often focused on the characteristics of small businesses rather than on the entrepreneurial drive that led to such businesses benefitting economies.

#### **Question 2**

- (a) The majority of candidates were able to give at least a partial definition of `workforce planning` although weaker candidates saw it as workers planning their work. Some candidates went beyond a succinct definition such as `analysing and forecasting the numbers and skills of a company's workforce required to achieve business objectives` and drifted into discussing issues more relevant to part (b).

- (b) The strongest answers were able to build on the definition given in part (a) and expand the definition to exemplify some specific operational HR activities such as recruitment and selection, training and development and motivational methods, together with reference to some more strategic activities such as culture change.

### Question 3

A number of candidates had some difficulty in addressing all three issues in this demanding question - diseconomies, expansion and location. Some weaker responses interpreted this question as a location of industry question and consequently drifted into a non-relevant discussion. Stronger answers identified relevant potential diseconomies of scale such as coordination and/or communication problems over multiple sites and described how such diseconomies could present problems for businesses seeking to expand.

### Question 4

- (a) A large majority of answers to this section were able to secure both marks by giving a succinct definition of 'start up capital' such as 'the initial investment required to set up a business in terms of the expenditure on say premises and/or equipment'.
- (b) Again there were many confident responses to this question with sources of start up capital such as bank loans and private funds the most common suggested. Strong answers recognised that the sources might very well be determined by the type and size of the start up business. Some weak responses either identified only one source or spent too much time in discussing a particular source.

## Section B

### Question 5

- (a) This was a very popular question and a significant number of candidates were attracted to this question by the perceived accessibility of part (b). For weaker candidates this had two negative results. First, such candidates had little or no understanding of the 'franchise' business form and were therefore unable to gain many marks in part (a) of this question. Second, many weaker candidates simply described the features and characteristics of small businesses in part (b) rather than discuss the importance of small businesses to an economy. This resulted in a relatively low mark for part (b). Stronger candidates were well prepared for this concept and were able to identify relevant business advantages of operating a franchise (such as marketing, brand recognition and training and development) and were able to give local examples of franchise business organisations.
- (b) Strong answers were able to discuss the importance of small businesses to economies in terms of such factors as: providing employment opportunities, small businesses becoming successful and bigger, contributing tax revenue, and providing entrepreneurial flair and initiative. Credit was gained for illustrative local examples of particular small businesses and particular economic contexts.

### Question 6

This was not a popular question. Weak answers often failed to give detailed examples of profitability and liquidity ratios and/or did not address the issue of the usefulness of these ratios. Stronger responses were able to both give examples of how these ratios might provide important indicators of business performance and also point out their limitations. Very strong answers addressed the notion of senior managers and were able to discuss the corporate advantages and limitations of profitability and liquidity ratios.

### Question 7

- (a) The majority of candidates who answered this question were able to define product orientation – an 'inward' focus on products or services – and customer orientation – an 'outward' focus involving understanding customer needs through market research. The difference between the stronger and weaker responses can be explained in relation to the extent of detailed explanation and analysis of the two concepts and the consequent degree of difference established and made explicit.

- (b) This question was not well answered. Many candidates drifted into a descriptive discussion of market research methods and approaches and failed to address the key aspect of this question – the challenge of measuring the impact and effectiveness of market research activity and expenditure. Only the very strongest answers considered the possibilities and limitations of such measures as impact on sales, profits and market share. As with **Question 5**, it would seem that some candidates were attracted to one part of an essay without fully considering their ability to answer the other part of the essay.

# BUSINESS STUDIES

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Paper 9707/12  
Short Answer/Essay

## Key Messages

- In **Section A** it is important that candidates include in their answers a brief and accurate definition of the concepts and terms mentioned in the question.
- Candidates should recognise that accurate and succinct responses for 2 and 3 mark questions are what is required rather than lengthy page long discussions.
- In both sections of the Paper, but particularly in **Section B**, candidates should ensure that they maintain focus on the specific question asked rather than just write as much as possible about a topic or concept.
- In **Section B** the higher bands of marks are reserved for answers that provide analysis and evaluation to support knowledge and understanding.

## General Comments

Candidates were generally able to respond with confidence to **Section A** of this paper and in most cases demonstrate some knowledge of the majority of concepts being assessed.

Many candidates however found **Section B** to be more challenging. It is important to note that amendments and additions were made to the syllabus for first examination in 2011 (this syllabus was published in 2009). Business units such as social enterprises, cooperatives, franchises and family owned businesses are now included in the current syllabus. Very few candidates were equipped to answer the question on cooperatives in **5(a)**.

There was also a significant level of misunderstanding of the concept of price discrimination in the answers to **Question 7(a)**.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

- (a) Many candidates were able to define 'economies of scale' sufficiently to secure full marks. Stronger candidates made a clear link between an increase in the scale of production and a reduction in average unit costs. Weaker responses referred vaguely to the advantages of being larger and/or referred to lower total costs.
- (b) Most candidates were able to explain clearly two types of economy of scale. The most popular types were purchasing, financial and managerial economies of scale and the strongest responses were able to explain each type in terms of it arising from increased scale and resulting in lower average unit costs. Weaker responses either listed two economies of scale with little explanation of the impact on cost or effectiveness or gave a detailed explanation of one economy of scale but only limited detail on a second example.

## Question 2

- (a) Answers to this question were mixed with many candidates confusing methods of recruitment with selection processes. A small but significant number of candidates gave 'selection' methods such as interviews or aptitude tests rather than methods of recruitment. Some candidates did not respond to the command word 'state' and instead gave lengthy explanations that were not required. Full marks were awarded to the majority of candidates for identifying internal and external methods of recruitment.
- (b) Most candidates were able to distinguish a 'job description' from a 'person specification' although there were varying degrees of explanatory detail given. The best responses usually described two clear and specific characteristics of each and thereby distinguished one from the other – e.g. a job description states what the job involves in terms of its main tasks and responsibilities whereas the person specification outlines the qualifications and skills a successful candidate would be expected to possess. Weaker responses gave vague and rather general definitions of each term.

## Question 3

This question was generally well answered. Although some candidates wandered into general management functions and leadership theory, the majority identified qualities clearly associated with being an entrepreneur such as: resilience in being able to 'bounce back' following disappointment or failure; innovative and creative thinking in terms of product, market and/or service delivery; hardworking, energetic and driven to succeed; and risk taking. Examples were also given, particularly Steve Jobs of Apple. Weaker responses tended to concentrate on the functions of general management such as communicating, planning and coordinating.

## Question 4

- (a) Most candidates were able to accurately define a cash flow forecast as an estimate of the future cash inflows and cash outflows of a business to secure both marks. However some candidates wrote about a cash flow forecast being part of the published accounts of a company which recorded all cash inflows and outflows. Such answers described a cash flow statement rather than a cash flow forecast.
- (b) A pleasing number of candidates were able to explain the uses of a cash flow forecast. Strong candidates usually explained an external use (e.g. supporting an application for a loan or overdraft) and an internal use (e.g. anticipating a cash deficit and determining ways of managing it, perhaps through adjusting debtor and/or creditor days) and thus presented two distinct uses. Some weaker responses confused cash with profit and linked the use of a cash flow forecast to the forecasting of profits or losses.

## Section B

### Question 5

- (a) This was not well answered. It required knowledge and understanding of a relatively new area of the syllabus and many candidates failed to demonstrate any real understanding of a cooperative. Many answers confused cooperatives with partnerships, social enterprises, limited companies or mergers between companies. Some responses discussed the benefits of people doing business together in a very general way without identifying a cooperative as a distinctive type of business organisation. Those candidates who knew what a cooperative was generally scored highly. The most common example of producer cooperatives discussed was that of agricultural cooperatives. Strong answers included an explanation – for example in terms of farmers becoming more effective if they worked together when selling their produce and the benefits of bulk buying their seeds or equipment.
- (b) Although candidates were generally more confident with this section there was often a lack of focus in the answers presented. Many candidates focused on issues such as the benefits that small businesses bring to an economy, the advantages of small businesses and the role of small businesses, rather than on the factors that could *influence the success* of a small business. Strong answers were able to distinguish between internal and external success factors and gave relevant examples often in the context of their own country.

### Question 6

The majority of candidates who chose this question were confident in their understanding of break-even analysis. Almost all candidates could accurately draw a break-even chart. In addition, the uses and limitations were generally adequately stated and explained. Weaker candidates tended to explain the construction and components of a break-even chart in detail with only limited focus on usefulness and limitations. Strong answers gave specific examples of the usefulness and limitations of the concept on business planning. This question offered a real opportunity to engage in analysis and evaluation and stronger responses recognised this and complemented their descriptive material accordingly.

### Question 7

- (a) This section was generally not well answered. Very few candidates answered this correctly. Strong responses recognised price discrimination as a pricing strategy where it is possible to charge different groups of customers different prices for the same product/service, notably where different groups of customers with different elasticities can be kept apart and so charged differential prices. Many candidates were unable to accurately define price discrimination, often mixing it up with other pricing strategies such as predatory pricing. This concept was clearly not well understood by the majority of those who responded to this question. A large number of answers referred to tickets for economy, business and first class – not the same product or service.
- (b) This was more familiar territory for most candidates. While most answers gave sound descriptive definitions of branding and promotion, few were able to analyse how branding could impact on product promotion. Good answers explained how a successful brand could lead to the success of future products launched under the same brand. Only a very limited number of answers recognised both the potential advantages and limitations of branding for product promotion.

# BUSINESS STUDIES

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Paper 9707/13  
Short Answer/Essay

## Key Messages

- In order to be successful on **Section A** questions candidates should ensure that they can give a brief but accurate definition of all terms included in the syllabus.
- When a question asks candidates to 'explain' they should ensure that they offer an explanation of all factors included in their answer rather than just the one that they consider to be the most important.
- Candidates should be advised to take note of the mark allocation for each question and to write an amount that is appropriate to the marks available. For example a brief explanation is not expected to be a whole page long.
- In **Section B** candidates should be aware that their answers must offer some analysis and evaluation if they are to obtain the highest marks. Answers that only recount knowledge of the concept being assessed will not be sufficient to justify the award of high marks.

## General Comments

Candidates were able to answer the required number of questions on this paper and were, in most cases, able to demonstrate some knowledge of the majority of concepts being assessed.

Candidates should be advised to read all questions very carefully and to ensure that they respond fully and precisely to the question as set. For example, in **Section B** candidates did not always respond to all of the elements within a question. For example, in **Question 6** many candidates wrote about the sources of finance but did not make reference to the 'factors' aspect of the question. Candidates must ensure that they can respond to both parts of a two part question because an ability to only respond well to one part of the question is likely to have an adverse effect on the overall mark that can be awarded.

## **Section A**

### **Question 1**

- (a) Many candidates correctly recognised 'process innovation' as being the introduction of a new and/or improved method of production. Several candidates also included appropriate examples such as the increased use of robots in manufacturing.

Unfortunately some candidates misunderstood the meaning of 'process innovation' and described 'product innovation' in their answers.

- (b) Strong answers to this questions explained how flow production allowed large quantities of identical products to be produced in a shorter time than with batch or job production. Several candidates also identified the capital intensive nature of flow production and the benefit of using fewer workers thereby saving on labour costs.

Most candidates correctly identified two relevant benefits but some answers lacked explanation of the second benefit having given a long explanation of the first one. Candidates should be advised that when a question asks for an explanation of two benefits that they should give equal detail in both explanations if they are to obtain full marks.

## Question 2

- (a) This question required candidates to demonstrate that they understood the legally binding nature of a contract of employment. Most candidates showed that they understood what detail might be contained in such a contract but a significant number did not recognise that it is a legal document.
- (b) The majority of candidates demonstrated that they understood the difference between redundancy and dismissal with many candidates offering a precise distinction between the two. Good answers indicated that redundancy occurs when the job is no longer required and that a person might lose their job through no fault of their own but because perhaps the business is experiencing some difficulty and cannot afford to employ the same number of people. Whereas dismissal was accurately explained as when an employee is asked to leave their employment as a result of some misbehaviour, such as stealing, or for breaching terms of the contract of employment.

## Question 3

In answer to this question, it was expected that candidates would identify some possible causes of cash flow problems and then explain the potential impact that each might have on cash inflow and/or outflow.

There were many good answers to this question with the majority of candidates demonstrating a clear understanding of what is meant by cash flow. Many candidates correctly identified at least two reasons why a business might experience cash flow problems; for example, because the business had allowed debtors too long to pay or because of overtrading. Some candidates used 'creditors' when their answer clearly indicated that they were referring to 'debtors'. Care should be taken to use the correct term because it is not always clear to Examiners what was intended and therefore such errors can reduce the marks that can be awarded.

Several candidates identified overtrading as a possible cause of cash flow problems and good answers explained how this might lead to an increased cash outflow while the potential inflow of cash would take some time to occur hence the cash flow problem.

Good answers explained how each factor would impact on cash inflow or outflow while weaker answers identified relevant possible causes but did not explain the link between the identified cause and its potential impact on cash flow.

## Question 4

- (a) This part of this question required candidates to demonstrate that they understood that a mission statement gave only a brief outline of the purpose or overall goal of a business in terms of its objectives and/or values. A mission statement is designed to give direction to the business and hopefully to attract the attention of people external to the business.

Good answers indicated that a mission statement was a broad statement and that it did not give detailed objectives. Several candidates also gave appropriate examples such as the mission statement for their school or college, e.g. 'To educate and inspire the next generation'.

Weaker answers defined a mission statement as being a statement of objectives but gave an indication that the objectives were detailed rather than broader.

- (b) Most candidates were able to offer answers that demonstrated some, and in some cases excellent, understanding of the benefits of setting corporate objectives.

Several candidates gave good explanations of how corporate objectives give direction and focus to a business. Such answers explained how employees would have a clear idea of what the business was aiming to achieve and would then be able to work towards that goal. Many good answers also recognised the usefulness of corporate objectives in monitoring and assessing progress either by an individual or by a department by measuring their achievements against pre-set targets that were agreed in line with the overall business objectives. Such answers identified the need for objectives to be realistic and measurable over a specified time period.

Some responses focused on the motivational benefits that could arise from the setting of corporate objectives but frequently the whole answer related only to motivation hence only one key benefit had been identified and explained thereby precluding the award of full marks.



## Section B

### Question 5

- (a) Many candidates found this part of this question difficult, particularly the required focus on 'family-owned' businesses.

Several candidates indicated some confusion about what is meant by a 'family-owned business'. Many candidates began their answer by stating that family-owned businesses are usually sole traders or private limited companies and then continued their answer by explaining some advantages and disadvantages of each form of ownership. Unfortunately, many such answers did not relate to the 'family-owned' context in the question and therefore could only be rewarded a limited range of marks.

However, some candidates correctly identified that a family-owned business might have several advantages such as shared family values that could influence the way in which the business was managed. Such responses also often reflected on the ease with which communication might take place because the family was used to communicating with each other. However, the negative side of such a business was often identified as being one of nepotism that could cause unrest amongst the employees who were not family members. Another drawback to a family-owned business was the difficulty of disciplining a family member and how this might possibly cause rifts in the family that then had the potential to influence behaviour within the business environment.

- (b) Many candidates were able to demonstrate that they understood what is meant by 'internal growth' but a smaller number were able to discuss this in any depth. Several candidates explained that internal growth is also known as organic growth and that it can be achieved by the opening of additional branches or in some cases by expanding the product range or by taking actions that would increase the customer base such as expanding in to new markets.

Good answers to this part of this question often compared the benefits of internal growth with the possible difficulties associated with external growth. Such responses frequently highlighted the difficulties of merging two cultures if growth was achieved by merger or take-over, whereas with internal growth the employees would retain the culture and values that had already become established in the business.

Weaker responses were able to discuss the general idea of expansion but often focused on the difficulties of financing growth rather than on the wider range of issues associated with internal growth specifically.

Part (b) of essay questions requires candidates to offer an evaluative comment that relates to the context given in the question. In the case of this question a judgement might have been made about why internal growth might be preferable to external growth, possibly due to the benefits of retaining the same corporate culture and/or products that the business is familiar with.

### Question 6

This question elicited a broad range of answers. The stronger candidates recognised the relevance of the context of the business being a private limited company and that the project was a large one and would require a large amount of long-term finance. The better responses then included a discussion that focused on appropriate factors that must be considered when choosing a source of finance such as: the amount of money required; how quickly the money was needed; the time period that the money would be required for; the cost of finance and the current level of borrowing by the business.

Strong answers then discussed which sources of finance might possibly meet the requirements of the business and which might not. Good answers discussed each source in the context of the specific project (the building of a new factory) and recognised that this is likely to be a large sum of money that would be required over a long period. Unfortunately, some candidates suggested sources of finance that would be unlikely to generate sufficient money to finance such a large project. Weaker candidates did not recognise the significance of the size of the project and the potential expense involved in the building of a factory. Stronger candidates gave reasons for dismissing inappropriate sources of finance with reference to one of the factors that needed to be considered; for example, debt factoring would be rejected because it would be unlikely to provide a sufficiently large amount of money.

There were a significant number of candidates who explained what sources of finance might be available to a private limited company but unfortunately they did not discuss the factors that the company would need to consider before deciding which source of finance to use. Whilst such answers often demonstrated a good understanding of sources of finance, the content of their responses did not offer a focus on the 'factors' aspect of this question.

A good answer was required to go beyond demonstrating knowledge of the various sources of finance and to offer some analysis of why particular sources might be more appropriate in the context given in the question. The analysis was also expected to refer to the various factors that the business would need to consider when deciding on which source of finance would be the most preferable.

As with all essay questions, candidates were also expected to offer an evaluative comment – in this case, possibly suggesting which of the factors might be the most important one to focus on when choosing a source of finance for the building of a new factory. All of these considerations would, of course, need to be in the context of a private limited company.

### Question 7

- (a) The key focus in this part of this question was "why". In answer to this part of this question candidates were expected to demonstrate a good understanding of what is meant by 'customer relations' and then to discuss why a retail business would consider them to be important. Many candidates were able to show some level of understanding and to discuss some of the benefits that a retail business might expect to gain from having good customer relations. The benefits that were frequently identified were an increase in sales due to return customers and the fact that a satisfied customer is likely to tell their friends and family about the shop thereby increasing the customer base. Several candidates correctly recognised that good customer relations can be used as a USP if the level of customer service provided exceeds that which is provided by competitors thus giving the business a competitive advantage.
- (b) This part of the question required candidates to focus on "how" customer relations might be improved by a retail business. The majority of candidates were able to offer several possible means by which this might be achieved but only a relatively small number of candidates suggested that staff training might be needed. In many businesses this is seen as an integral part of good customer service in order to ensure that all staff understand how to treat customers well and how to aim to constantly meet customer needs.

Many candidates suggested that special offers be made to loyal customers and also that the customers receive regular communications from the business in order for the customer to be fully informed about new products and offers that are available.

An evaluative comment was also required in order to satisfy fully the requirements of this part of this question. Candidates could have achieved this by offering a judgement about which method of improving customer relations would be likely to be most successful and why.

# BUSINESS STUDIES

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Paper 9707/21  
Data Response

## Key Messages

- Candidates should read all the information carefully and identify factors such as type, size and age of business, product/service sold and target market in order to achieve contextual responses. Use of the data is crucial to gaining marks and should be continually highlighted as an area for attention. Simply restating information contained in the text remains a problem. Candidates should be encouraged to use the context and the data to come to conclusions and show understanding.
- Candidates should be encouraged to fully develop answers when explaining terms such as 'profit'. A simple formula does not show the full understanding which is needed at this level.
- Candidates should read all the questions and identify key parts of the context which will impact on the answer to the issue in the question. Analysis simply means to use the particular business and the factors identified to explain the implications of certain actions or decisions. For example, making general statements that costs will go up or down will only gain limited reward.
- Evaluation should result from the analysis and candidates should be encouraged to make judgements throughout the answer and not just at the end. Terms such as 'this depends on' often lead to evaluation marks when the answer is contextual. Candidates still need to understand that any course of action is not perfect and may rely or depend on a number of factors both internal and external to the business.

## General comments

Performance by the candidates on this paper was mixed in this session. There was evidence that many candidates were responding to the data rather than simply stating knowledge. However some candidates did not effectively use the data that had been provided. Candidates seemed to be able to access both scenarios and there were no significant problems with understanding the questions. There were a few instances of candidates missing out on a question, i.e. candidates attempting only either **Question 1** or **Question 2**. Candidates should attempt all the questions since there is always a possibility of gaining an extra mark or two. Candidates also need to make sure that they have taken account of the command words in each question in order that they can write in sufficient depth to achieve all the marks available. The command words, together with the marks allocated, indicate both the time that should be allocated to each question and the level of skill which is required to achieve the highest reward. Engaging with the data is the objective of this paper and in some cases simple statements of knowledge restricted the reward that could be achieved by candidates. Candidates should also be encouraged to use the information rather than simply repeating data from the paper.

On the whole, the level of knowledge was reasonable with exception of **1(a)**, **1(d)** and **2(d)**. But use of the case and the data remains an area for development for many Centres. This was highlighted in the responses to **1(d)** in particular, where candidates would have been helped by using and understanding the different types of data and information regarding pricing strategy. The idea of a business-to-business organisation still remains a problem to some candidates. Candidates should be encouraged to practice situations using this type of business as much as possible.

This year there seemed to be some improvement in the ability to analyse but evaluation remains a problem for most candidates. Candidates should be encouraged to create a balanced argument of factors and to come to conclusions about their relative importance in the context of the data.

**Comments on specific questions**

**Section A**

**Question 1**

- (a) (i) Some candidates gained at least two marks for showing some knowledge of directors in terms of their role in making important/strategic decisions and for running different departments in the business. The best answers also recognised that the directors were elected by the shareholders. Candidates should be encouraged to develop the explanation in order to show full understanding of the term.
- (ii) Most candidates knew that worker representatives were those people who acted as a speaker or 'voice' of the employees in negotiations with the employers and management. Fewer candidates recognised that these people were elected by the employees to be their representatives.
- (b) (i) Most candidates were able to correctly calculate the new current ratio if the contract is accepted. The majority also showed the method used and therefore managed to gain a mark for an attempt even if the final answer was wrongly calculated.
- (ii) The best answers used the answer to (b)(i) to show how the current ratio had fallen and some were able to analyse this in terms of the effect on ACS. The best answers also used the context of the data to explain and analyse the effect of such a fall on ACS. However, although many candidates understood that a fall in the current ratio may not be a bad thing, they were unable to apply this to the business and to the new contract with the large manufacturer. There was plenty of information in the data for candidates to draw on to support their conclusions. The own figure rule allowed reward for any analysis based on the candidate's answer in b(i).
- (c) This question presented problems to some candidates with many finding it difficult to show knowledge of manufacturing operations in this context. There was also some misunderstanding from candidates who appeared to believe that ACS was the car manufacturer rather than a supplier of parts. The key to this question was to identify factors within the scenario which would impact on the actual manufacturing of the parts. Key issues such as the number and variety of parts which would be required, the quality and reliability and frequent design changes were some of the factors on which the answer might have been based. Some candidates recognised that the job production presently used would need to be changed to batch or perhaps flow production. CAD and CAM could be used to aid changes and variety of parts. Mass customisation and flexible specialism would also be appropriate to mention. In this question candidates were only required to give a good explanation with some simple analysis which might have been based on the effects such changes would have on the employees or the financial situation of ACS.

**Teaching Tip:**

In order to answer questions on topics such as design and manufacturing, it is useful to select specific issues within the data which have a direct impact on the answer. Engaging with the data is the best way for candidates to gain reward in any question. It allows candidates to select only those factors which apply to the business when making important decisions such as the acceptance of a new and potentially very rewarding contract. It also facilitates focus on the specific issue in the question so that time is not wasted on irrelevant content.

- (d) This question required candidates to show knowledge and understanding of pricing strategy with specific reference to competitive pricing. Some candidates were able to recognise the factors such as existing competition, the product to be sold, the key characteristics which might affect the pricing strategy and the inherent costs of accepting the contract. However in many cases the candidates found this a challenging question because these factors were not used to apply the theory of pricing in context. For example there would probably be a number of competitors applying for the contract and therefore competitive pricing might be appropriate. However, as some candidates recognised, in order to make the parts there would have to be substantial investment which might increase costs at least in the short term which might not be covered by competitive pricing. The best answers recognised this and also the reputation of ACS for high quality which might allow ACS to set higher prices in the first instance. The best answers recognised the fuel savings (not applicable to other competitors) which could enable a premium price to be charged.

**Teaching Tip:**

Questions that use the term 'discuss' require candidates to analyse the implications of a course of action to a business and to come to a valued judgement about the factors or criteria which are most likely to have an impact on a final decision. Candidates should be encouraged to identify factors such as age of business, type of business, product and service sold, target market etc. in order to inform such decision making. Use of language such as 'this depends on' or 'the relative importance of' indicates that there will be several issues to be prioritised before a judgement can be made.

**Question 2**

- (a) (i) Most candidates gained some reward for explaining that a niche is a small part of a larger market targeted with a specific product or service. There was some confusion with 'market segment' which could have been avoided if there had been more emphasis on the idea that this part of the market was relatively unexploited.
- (ii) Generally well answered, with many candidates achieving full marks for the idea that 'unique selling point' was a characteristic or feature which set a product or service apart from the competition and therefore could influence the marketing strategies of the business. Examples are always a good way of showing extra understanding.
- (b) (i) Most candidates were able to gain the marks available by calculating the correct answer and showing how the calculation had been carried out. Very few were unable to identify the correct data and gain at least one mark. A few candidates did not use a \$ sign – units are important.
- (ii) This question required candidates to show knowledge and understanding of measuring the size of businesses. Candidates should be encouraged to explain the issue in the question, in this case how the size of the business can be measured. Too many candidates simply restated the information on the paper and some failed to reference size at all in their answers. The best answers recognised the nature of the club and its exclusivity which meant that it could be regarded as 'better' rather than 'bigger'. Others gave a good explanation of how size can be measured in different ways depending on the type of business. Again it is important that candidates understand the specific nature of the golf club and make a judgement about its 'size' in this way.

**Teaching Tip:**

There is always at least one question on this paper which requires candidates to use a calculation and data to comment on an issue in the scenario. Candidates should not simply restate given information. The context of the business also needs to be understood in order to be able to explain the implications of these changes on the business.

- (c) The majority of candidates offered at least one advantage and disadvantage of each of the sources of income. However the majority of candidates found it difficult to use the context of the case and therefore struggled to gain application marks in some cases. There were key points in the data which candidates might have used in order to make the answer contextual. For example the scenario emphasised that EGC targets wealthy business people with some specific unique selling points such as 'small and friendly'. Many candidates explained that increasing members' fees might affect demand dependent on the elasticity but failed to use the context to explain that in this case demand may be inelastic due to the nature of the target market and the unique qualities of the golf club. However it was encouraging to see some good and accurate explanations of elasticity. In terms of the unused land, candidates identified that there may be environmental impacts and some opportunity cost to the club through the sale, but the club would gain a substantial amount of income even if only in the short run.

**Teaching Tip:**

Analysis marks can be achieved by identifying the implications of different causes of action on one or several stakeholders and the business itself. It is important to practise a number of scenarios with different features such as different target markets, business-to-business, business-to-consumer, competition, external constraints and different stakeholders. Candidates should be encouraged to use the context to make it easier to isolate specific results in each case.

- (d) This is a question about how leadership can affect the success of a business in this case the restaurant at the golf club. Candidates needed to recognise that the restaurant's objective was to be 'the best in the town' and what factors would need to be considered if this was to be achieved. These factors might have included customer service, quality of food, restaurant environment, target market and number of competitors in the same market. Candidates could then have analysed how Jan's rather autocratic style of management might have affected the likelihood of achieving these objectives. Most candidates recognised that Jan's leadership style was autocratic and some looked at how this might affect the motivation of the staff who were particularly experienced and already able to do a good job. Candidates had knowledge of the disadvantages (and, possibly advantages) of this type of leadership style and some suggested that a more democratic style would result in greater success. However too many simply restated the data or spent time going through each leadership style and giving the advantages and disadvantages of each. This approach will only achieve a low level of reward because it is not contextualised.

Although there were some good examples of analysis, evaluation remains a problem. This question requires candidates to come to a judgement about the relative impact of different leadership styles on the workforce and ultimately the success of the restaurant. This requires a balanced argument regarding leadership style and its likelihood of success in this particular context.

# BUSINESS STUDIES

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**Paper 9707/22**  
**Data Response**

## Key Messages

- Answer the question set (e.g. see **1(d)** below).
- Manage time effectively – too much time can be spent on 3 mark questions.
- Use context – this is a data response paper and ‘textbook’ answers are not highly rewarded (see **1(d)** and **2(d)** below).
- Be precise when answering ‘explain’ questions.
- Look for ways of showing the skills of analysis and evaluation.
- Spend time analysing questions for: command word and context.

## General Comments

Many candidates made effective use of the case material although it is still a concern that many marketing and HRM answers are largely textbook driven. This is a data response paper and candidates should use the data. Candidates performed particularly well with the open-ended question on liquidity/profitability and the leadership question. There was no evidence of the case material being inaccessible and most candidates understood the questions set.

Knowledge for the ‘Explain’ questions (**1(a)** and **2(a)**) is sometimes imprecise - precision is required to gain full marks. Candidates still need guidance on how to demonstrate evaluation skills.

Some candidates write too much for the 3 mark questions, limiting the time available for the higher mark questions.

**Tip:** Allocate time spent on questions in proportion to the marks available and with respect to the ‘command’ word.

## Comments on Specific Questions

### Question 1

- (a) (i) The term ‘performance related pay’ was explained effectively by those candidates who recognised that payments were made to employees when they reached targets or levels of achievement. Many candidates confused PRP with piece rate, which is payment for each piece of work completed. A few candidates provided circular definitions (e.g. performance related pay is paying people according to their performance) which cannot be rewarded.
- (ii) The term ‘empowerment’ was generally understood to involve giving workers more power. Better answers recognised the delegation of the authority to make decisions and that empowerment often motivated the more responsible employees. Many candidates knew that empowerment goes further than delegation without specifying how.

- (b) Many candidates answered this question well, explaining how technology such as CAD, CAM, mass customisation, automated flow production and so on could be used in the production and design of the Ecocon. Some candidates misinterpreted the question and talked about the design of the product itself – these candidates could gain limited reward when they showed understanding of relevant technology. Good answers referred to the use of CAD in trying out different designs to improve looks and functionality, and different production systems such as CAM to mass produce various models. The use of IT in marketing and market research was only accepted if it was related to improving the product design.
- (c) Most candidates were able to calculate appropriate ratios – the current ratio and the acid test ratio. Weaker candidates simply calculated the ratios without comment. Also, the profit margin ratios (given in the question) were often quoted without any interpretation. Better candidates commented on the trend in the ratios – doubling of profit margins, increased current ratio, unchanged acid test ratio. The best candidates noted a doubling of stock levels which may hint at inefficiencies or may be a necessary feature of moving into a retail market. This was reflected in the significant change of the current ratio but no change in the acid test ratio. Good candidates also noted that the rise in stocks represented an opportunity cost.
- (d) As is usual with marketing questions, candidates wrote a lot about the marketing mix, methodically working through the elements of the marketing mix. However, only better answers related well to the case material. The key features of the situation were: the change in market from builders to final consumers and the ‘novelty’ of the product which may make its features a USP. Candidates who recognised these features will have seen the need to change the promotion strategy (trade magazines and personal selling) to mass marketing, and the impact the USP might have on choosing the pricing strategy. In addition, BAC will need to consider a different supply chain. Candidates who simply listed a ‘good’ marketing mix missed the fact that the question asked for the change to the mix. The best answers showed evaluation skills by arguing which were the most important changes to be made.

**Tip:**

Answers to questions that involve changes to the marketing mix should start with the existing mix and factors influencing it, and then develop a new mix more appropriate to the new situation. The argument should be developed so that key changes can be identified.

**Question 2**

- (a) (i) Many candidates answered this explanation with insufficient precision, simply referring to the need to ‘deduct expenses’. The best answers gave the formula (revenues minus costs), observed that there were different levels of profit (net, gross etc.), that businesses used profits to reinvest or reward owners and that maximising profits is often the over-riding objective of many businesses. A few candidates confused profits with cash flow or with revenue.
- (ii) Few candidates knew that ‘above the line promotion’ referred to promotional activity which is paid for. This includes advertising in the media. It is usually used for mass marketing and can be less suitable to niche marketing or business-to-business marketing. The best answers referred to these features.
- (b) (i) Nearly all candidates calculated the answer correctly as 25%. Those that did not either got the formula upside down or had little idea as to how to calculate market share.
- (ii) A large number of candidates simply repeated the information on business size provided in the case material with many comments along the lines of ‘LFC has fewer employees than BCU’ and so on. Better candidates observed that the information provided was contradictory, with the best answers developing this into the idea that there is no ‘right’ or ‘wrong’ way of measuring business size. This led to the conclusion that the claim could neither be justified nor supported.



**Tip:**

Simply repeating data does not show the skill of analysis. Data needs to be interpreted and developed.

- (c) All candidates made an attempt at mentioning some advantages and disadvantages of the ways of increasing revenue. Better answers used the case material effectively. Many candidates referred effectively to the likely response of fans to the ticket price increase – is the demand elastic or inelastic? Issues were raised such as the possibilities of going and watching other clubs, watching the games on TV and other substitutes, as well as the likely brand loyalty of the fans. Candidates answered less well in relation to the promotion of merchandise. Better answers in this respect referred to the high costs of promotion and questioned whether it would encourage true fans to buy more – it is a niche market.
- (d) This question was generally well answered. The best answers developed the two styles of leadership described in the case and discussed their suitability in the relevant roles – the general manager and the football manager. There is an assumption by some candidates that ‘democratic = good, autocratic = bad’ so it was refreshing to see arguments as to why an autocratic leader might be suitable. Candidates could argue the issues either way – there was no ‘right’ answer assumed. Weaker answers discussed leadership styles in very general terms without application to the case. Some candidates thought that McGregor’s theory is about types of workers rather than styles of leadership. Good answers referred to the high levels of staff turnover and absenteeism and the fact that the football team is now doing well. The best answers argued for the appropriate ‘best’ leadership style in each situation – demonstrating evaluation skills.

**Tip:**

10 mark questions always require evaluation skills to be demonstrated. Time can usefully be spent developing strategies for showing evaluation skills – in this instance justifying the appropriateness of leadership styles in the two situations would be a useful way.

# BUSINESS STUDIES

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Paper 9707/23  
Data Response

## Key Messages

- Centres should encourage candidates to give examples to support their explanations in responding to **Question (a)** in both case studies.
- Candidates performed well in the questions where calculations were required to develop their responses, particularly in **Question 1(b)**.
- Many excellent responses made good use of the case study provided and applied their ideas to each business. Other responses were generic in nature where candidates failed to make specific reference to the case study and to use the data given in developing their ideas.
- Candidates need to understand that discussion questions - **Question 1(d)** and **Question 2(d)** – require evaluative responses. Centres should encourage candidates to offer a conclusion to their answers that highlights/addresses the main issue so candidates can come to a clear judgement with justification. Thus, if candidates are required to discuss how promotion should change, they may have outlined two or three ideas in context, they need to develop their response further by choosing the main change that is required and why.

## General comments

Candidates generally made effective use of the case study material. It was noted that candidates performed particularly well in **Question 1(b)** with most being able to calculate the liquidity ratios and go on to analyse the implications of the results. **Question 2(d)** proved to be the difficult question as candidates needed to show/demonstrate their use of the case study in analysing and evaluating the importance of leadership.

There was some evidence of evaluation being demonstrated. Candidates need to be mindful that when asked to *discuss*, there is an expectation for them to come to a judgement that justifies their main idea. It is important that any judgement should relate to the specific context of the businesses in the two case studies. Candidates need to show they have read, interpreted and selected what they consider to be important data from the case studies.

The case material was accessible to the candidates and the quality of answers generally showed effective use of business language in developing their responses.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) (i) Most candidates demonstrated good understanding of the term “autocratic leadership”. The main elements of one-way communication and centralised decision making were commonly seen. These were often backed up by a good example.
- (ii) Candidates were able to give examples of perks and the reasons why employers offered perks to their workers. Better responses were able to clearly state that perks were received in addition to a worker’s pay/salary.

- (b) This question was answered very well by most candidates, who correctly calculated the current and acid test ratios and then analysed the impact of the outcomes. Good answers analysed the implications well and made clear links to the issue of the higher stock level and the problems that might cause for Turboprop. A few candidates failed to grasp the key issues and described the importance of liquidity with no direct reference to the information in Tables 1 and 2. These were too generic and could apply to any business.

**Teaching Tip:**

When answering a question about liquidity, candidates need to identify what the main problem is. For example, a high current ratio presents a problem for a business and so “high” is not necessarily good! If liquidity is falling, why is it falling? What other information is presented in the case study, for example, a rising overdraft or a significant rise in stock levels?

- (c) Candidates had a clear understanding about the role of Computer Aided Design (CAD) alongside its advantages and disadvantages. Good responses focused on the designers being able to manipulate the design of Ecogen so that it was “small and attractive”. Other candidates emphasised 3D imaging and being able to make improvements to Ecogen based on the visual images. Some candidates gave generic responses, failing to add context to their answers that related their ideas to Ecogen and the features needed for Ecogen. Only a few candidates had weak knowledge of CAD, confusing it with the use of the Internet for market research purposes.
- (d) Candidates made good use of the case study in developing their response. It was clearly demonstrated that candidates understood the reasons why promotion had to change for the marketing of Ecogen and **how** this might happen. Issues included: informative and mass advertising to reach the household market, the methods that should be employed to reach the mass market and the advantages/disadvantages of these methods. There was some excellent analysis demonstrated where some candidates commented on budget implications given the declining liquidity of Turboprop.

**Teaching Tip:**

When asked to discuss **how** an aspect of the marketing mix might change (such as promotion in this question), Centres should encourage candidates to choose two or three changes and to analyse them in context. For evaluation, candidates should choose the main change and go on to justify why this is the most important, making clear reference to the case study; for example, Ecogen is a new product and Turboprop have never sold to the end consumer before, so being able to raise awareness is important.

**Question 2**

- (a) (i) This question proved difficult and it was surprising how many candidates could not offer a clear definition of demand. Other candidates were able to offer a good definition and to give an additional feature such as a factor that affects the price. Most candidates demonstrated partial understanding of demand with an idea about “willingness and ability to pay” not always referring to the importance of price.
- (ii) This was generally well answered when candidates were able to give relevant examples. There was a sense of confusion where some candidates stated that below the line promotion is not paid for. The key to good understanding of below the line promotion is the fact that it is paid for by the business but the business does not pay for it externally, for example, to a TV company.
- (b) (i) Almost all candidates correctly calculated the answer of 5.
- (ii) Most candidates were able to explain ways of improving the cash flow in context, usually from asking sponsors to pay in advance or selling tickets in advance of the event. For the few candidates who needed to improve their responses, this was by using the context in Table 3 rather than generically writing about increasing receipts or decreasing payments.

- (c) Answers to this part of the question were generally good with most candidates being able to select two stakeholders, commonly employees and customers, relating their ideas clearly to the event. Some responses were descriptive rather than analytical. Some candidates failed to understand that they must focus on the effect that the event will have on the stakeholder and not DSC. In some responses candidates did not develop sufficiently how the stakeholders were affected but more so DSC via possibly higher profits and an improved reputation.
- (d) The ability for candidates to relate their ideas to the case study was limited and so it was more common on this question to find generic answers that discussed at length emotional intelligence, features of good leadership and the importance of motivation. Candidates need to make more solid use of the context in this question especially considering the amount of context that could be applied from the case study; for example, Imran might need the skill of negotiation in being able to deal with suppliers and sponsors and/or skills of organisation in being able to manage the cash flow situation and ensure that deadlines were met. Candidates need to understand the importance of evaluation in being able to come to a decision on the importance of good leadership at DSC. Did they feel other factors were just as important, such as finance? A few candidates demonstrated very good evaluation skills by justifying that without good leadership the event will be likely to fail and why they felt this to be the case.

#### **Teaching Tip**

It is important for candidates to avoid generalised answers. In this question, candidates should have stated who the leader(s) is/are in the case study and the challenges they might face in ensuring the success of the event. This will enable them to more effectively use the context of the case study as they develop their answers.

# BUSINESS STUDIES

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Paper 9707/31  
Case Study

## Key Messages

- Calculation questions often lead to full marks but candidates need to be clearer about what their results mean for the business.
- Teachers are advised to give much practice to candidates in answering ratio calculation questions
- Time management by candidates is often very good on this paper.
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions. Effective application of an answer not only gains marks for this skill but also the opportunity to gain marks for evaluation.
- Essay answers to **Section B** questions could be improved if candidates were made more aware of the significance of recent changes to the syllabus e.g. strategic decision making techniques.

## General Comments

There was a wide spread of marks on this paper with a small number of well prepared candidates being awarded high marks. There was no evidence of the case study material having been misread or misunderstood and this observation applies to the questions in **Section A** too. There was some evidence that answers to **Section B** questions could have been improved by more careful reading of the questions. This point is expanded upon below.

There was further evidence that some Centres continue to impress upon their candidates the important principles behind “case study” based examinations and prepare these candidates with a lot of past paper practice. It is still true to say that the best way to prepare A Level candidates for the academic challenges presented by this paper is to set several “mock” examinations using past papers and for these to be marked to CIE standards using the mark schemes made available to teachers. Such exposure to previous 9707 paper 3 examinations helps build the key skills of application and evaluation.

In contrast, candidates from some Centres did not appear to be so well prepared. In some instances answers could have been improved significantly if there had been fewer gaps in candidates’ subject knowledge. In addition, improvements would also have been made if more candidates had understood the real meaning of “application” on a case study paper which is not exemplified by copying out several lines of text.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess 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.

It is encouraging to report that not only is the international popularity of this A Level subject increasing but also that the Examiners continue to see some scripts of impressive quality. The best scripts read by Examiners were outstanding not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## Comments on questions

### Question 1

This proved to be an accessible question. Most candidates were able to make some observations about the benefits of the business operating in three separate divisions or profit Centres. The evidence given in the case was effectively used by some candidates who analysed, for example, the advantages to management of being able to measure and analyse the different financial performances of these three divisions. Some answers could have been improved by focusing more clearly on the organisational and management benefits of separate divisions rather than on the multi-product nature of the business.

### Question 2

- (a) There were many correct answers to both of these ratio calculations and some candidates laid out their formulae and workings most neatly. This is excellent examination technique. It was noticeable how many candidates were able to calculate cost of goods sold correctly from the information given. Candidates from some Centres were unable to start answering this question, perhaps because they had not gained experience at selecting appropriate accounting formulae and identifying the data from a summary set of accounts that must be used to calculate the results.

*Examiner's tip: Always encourage candidates to write the appropriate formula being used in their calculations – the correct formula will gain at least one mark even if the calculations are completely incorrect. Over a number of sessions, all of the accounting ratios listed in the syllabus will be examined.*

- (b) It was not surprising that those candidates who had a very sound understanding of ratio analysis, as demonstrated in their answers to (a), were usually able to understand the main focus of this question. More candidates understood “inventories” than “accounts receivable”. Answers could have been further improved by including relevant evaluative comment. The key prompt word was “assess” and this requires candidates to weigh up whether these two proposed measures were, in fact, the best ways to improve financial efficiency. To make such a judgement the potential limitations of cutting inventories or reducing credit periods for customers needed to be analysed too.

*Examiner's tip: Candidates should be encouraged to give a definite answer in support of one option or another to those questions that demand a clear judgement or assessment of alternatives. This decision should, of course, be supported by preceding analysis of the key factors influencing it.*

### Question 3

This proved to be a very accessible question and it produced some of the best answers on the whole paper. Many candidates were able to differentiate between the three main leadership styles, identify which PB manager was adopting which style and then discuss the advantages and disadvantages of each style for the different divisions. The very best answers concluded that in some cases the style being used was appropriate but that in others, a more flexible approach to leadership might be more effective. This was really good evaluation, using the case study context effectively. Some candidates' answers could have been substantially improved by a clearer explanation of different leadership styles – some answers did not make any specific reference to a “style” – and by more detailed use of the information provided about the leadership of the three separate divisions.

### Question 4

- (a) A minority of candidates were able to accurately calculate the two average rate of return results. The most common error was to not subtract the capital cost of building the new factories. A significant number of candidates were not able to make a start to this question and this suggests that they had gained insufficient experience at handling numerate data to obtain investment appraisal results.

*Examiner's tip: Investment appraisal questions will continue to be set on A Level Business Studies papers. Candidates are encouraged, in their examination preparation, to answer many of these questions which have appeared on previous paper 3 exams. Confidence in handling the data and the formulae comes from much practice at solving these problems.*

- (b) Some answers to this question used the data in Appendix 2 selectively and made significant analytical points which were applied to the location decision featured in the examination paper. Some candidates attempted to use the data to obtain further numerate results, such as break-even levels of production. High marks could be gained even if incorrect results – or in some cases, no results – had been calculated in part (a).

In contrast, many answers could have been substantially improved by the use of a more selective and analytical approach when discussing a range of data. These skills are widely used by management which is frequently confronted by a vast array of data which has to be sifted through to identify the key points that apply most closely to the business. Some candidates attempted to write a line or two about every value in Appendix 2 and because they were, consequently, so short of time their comments were often no more than, for example, “unemployment is three times higher in Y than in X”. This restatement of the data, albeit in a slightly different form, earns no marks as it does not demonstrate knowledge, application or analysis. A more effective comment was: “Much higher unemployment in Y might lead to lower wage rates which could be important to this business which mass produces bikes in a price sensitive market”.

The question did require candidates to make an overall recommendation. Although most candidates did this, the clarity of evaluation of some answers could have been improved by avoiding giving conflicting overall recommendations at different stages of the answer.

### Question 5

Nearly all candidates gained access to some marks on this question and the general level of understanding of price elasticity of demand was good. The best answers focused on developing a much clearer brand identity for this range of bicycles, perhaps supported by tangible improvements in bicycle design or features. The cost of these measures was then occasionally weighed against the potential revenue benefits to be gained from a less elastic demand. Many answers could have been improved by a clearer focus on reducing price elasticity rather than increasing sales. Sales could, indeed, have been increased by reducing the price of the bicycles, but this was not the point of the question. This was directed to how the business might increase sales and profits without the need to reduce prices.

### Question 6

This was the more popular essay question by far. The best answers not only attempted a SWOT analysis for PB but also discussed the usefulness of this method of strategic analysis to this company. The most evaluative responses then developed these arguments further by discussing the limitations of SWOT analysis in this case and the importance of undertaking other forms of strategic analysis before taking important strategic decisions.

Many candidates' responses would have benefited from a clearer reading of the question. It was not specifically asking for a SWOT analysis to be undertaken – although, as indicated above, this could form the basis of a very effective answer. Many answers could have been improved by going beyond a simple listing of this company's strengths, weaknesses, opportunities and threats and assessing the value of this form of analysis to PB. This was the main focus of the question.

### Question 7

There was a clear distinction in the answers to this question between those candidates who had been well prepared for the demands of the revised syllabus and those who had not. Candidates who did not read the question carefully tended to write only about the contrasting benefits of the two strategies. This was not the focus of the question, which required candidates to assess various decision making techniques (Section 6 of the new syllabus) and to evaluate their usefulness and effectiveness in this case. Many answers could have been improved not only by candidates gaining a clearer understanding of the purpose of the question but also by incorporating a more evaluative approach. **50% of the marks for the two Section B essays are awarded for demonstrating effective evaluation in the context of the case study business.** This report ends with a reminder for candidates about how these marks might be gained.

*Examiner's tip: Evaluation skills can be demonstrated in a number of ways: prioritising factors or techniques, assessing their relative importance to the business or business decision in the case study, giving a justified conclusion or decision, questioning the data used or the models that have been applied. Where relevant, it might also be useful to explain how a particular decision might be further influenced by data (or decision*

*making techniques) that are not referred to in the case, explaining how these would have been useful to a particular strategic choice.*



# BUSINESS STUDIES

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<p>Paper 9707/32 Case Study</p>
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## Key Messages

- Calculation questions often lead to full marks but candidates should be encouraged to explain clearly the significance of their results
- Time management continues to be effective on this paper
- Application of answers to the case study business is improving but this needs to be a feature of every answer to non-calculation questions
- Many candidates would have benefited from more experience at writing essays based on **Section 6** topics and, in particular, from greater experience in interpreting quantitative macro-economic data
- Centres are reminded to constantly stress with their candidates that no marks for evaluation are awarded on this paper if an answer contains no relevant application to the case study business or scenario.

## General Comments

The paper was comparable in standard to previous sessions and seemed accessible to candidates. There was a very wide spread of marks on this paper with a large number of well prepared candidates being awarded high marks. There was no evidence of the case study material having been misread or misunderstood with the exception of the data in Appendix 2. This point is expanded upon in the comment to **Question 6**.

Nearly all candidates attempted all the questions in **Section A**. Very few attempted **Question 7** in **Section B**. Most candidates displayed some relevant knowledge of the syllabus topics and were able to refer to the case study effectively. It was noted that many candidates wrote a great deal, much of it not relevant to the question. Substantial sections of some answers consisted of theory which was not well applied to the main thrust of the question. Selection of appropriate techniques and concepts is an important examination skill. It should be stressed that no marks are deducted for inappropriate material in answers but some candidates do create an opportunity cost for themselves by spending too long on explanations that are not required - and, subsequently, having less time for later questions. Candidates are better advised to select carefully those concepts which relate to the question and only use these in their answers, addressing the specific question set. It was noticeable that many of the better answers did this and were not over-long. Some Centres may be encouraging candidates to write at great length, as if this is how top marks might be gained. Focusing on the four assessment skills is more advisable and will yield more marks as longer answers often diverge from the true purpose of the question. It is vital that candidates answer the questions that are set rather than give generic responses that describe areas of theory. One way to focus is to begin an answer with an appropriate relevant definition. Evaluation was again a skill which needed to be more evident in answers from some Centres. Teachers are advised to make sure they take candidates through the process of identifying what this skill is and how it may be demonstrated.

The quality of written communication varied significantly too but it must be stressed that the experienced Examiners who assess CIE's 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. It is encouraging to report that not only is the international popularity of this A level subject increasing but also that the quality of many scripts continues to be most impressive. Both quantity and quality of candidates seems to be improving. The best scripts read by Examiners were outstanding not just in terms of subject knowledge and examination skills but also in the clarity and maturity of the written style used.

## Comments on questions

### Question 1

Nearly all candidates gained marks for knowledge - knowing what a diversified conglomerate is. Many candidates listed the areas that GCC operated in but as this was just "lifted" from the case, no application marks could be awarded. Good application was shown by answers that referred to ways in which GCC's divisions could support and supply each other – such as steel being supplied to the car division. Some answers only focused on "big is best" arguments and suggested that all conglomerates must be large businesses and so economies of scale was the main focus of these answers. A more relevant point that was made by some candidates was the risk sharing gains for the business, especially during periods of global economic slowdown. Many candidates included a section discussing the disadvantages of being such a company. As this was not requested in the question no marks could be awarded for this. Analysis requires some comment on the reasons for the benefits or the implications of them and many answers would have benefited from greater development of the points made.

### Question 2

- (a) There were many completely correct answers to both ratio questions. Some answers were incorrect but may have been awarded some marks if the candidates had stated the correct formula and/or shown some of their workings.

*Examiner's tip: Always encourage candidates to write the appropriate formula being used in their calculations – the correct formula will gain at least one mark even if the calculations are completely incorrect.*

- (b) Most candidates appreciated what a share is and that dividends are a return to shareholders. Some answers balanced very effectively the competing demands of shareholders for improved returns now with the aims of directors for "growth today but dividends tomorrow". These better answers often considered the possible opportunity costs of paying shareholders rather than investing the money. Many answers would have benefited from a clear recommendation. Without this it is difficult to award evaluation. A common misconception was that if shareholders sold shares GCC would have less finance available as capital would be withdrawn. A clearer distinction between "shares issued" and potential "new share capital" could have been made.

*Examiner's tip: Candidates should be encouraged to give a definite answer in support of one decision or another to those questions that demand a clear recommendation. This decision should, of course, be supported by preceding analysis of the key factors influencing it.*

### Question 3

Barriers to communicating and/or communication models were identified clearly and applied well. The better answers clearly examined the implications for GCC of the proposed changes in relation to communication. Some dwelt on the financial drawbacks rather than the potential communication limitations, such as the risk of information overload. Those that attempted evaluation in the context of GCC well were relatively few but those that did so by considering both sides of the issue were well rewarded.

Some candidates considered at length other methods than IT of improving communication, which was not the point of the question, and many gave generic answers that could apply to any company so were awarded no application marks.

### Question 4

- (a) Many candidates scored full marks but a majority of candidates were rather confused by the data and could not correctly identify how to calculate the contribution of the School. Some gave no answer at all. The key issue was which costs were direct and some used the 2011 revenue figure. Many were able to just calculate the 2012 revenue figure. A few candidates worked out contribution per head (per candidate) and then multiplied by 360. This gave the correct answer.

- (b) A good standard of knowledge and application was shown, candidates often using their results to **Question 4a** and/or other information. Many considered the possibility of the AHS continuing with a different marketing strategy in order to justify keeping it open and many of these scored well. A large number of responses considered the position of the education subsidiary rather than AHS.

Many responses contained evaluative comments, though some gave conflicting recommendations at different points in the answer. Many answers would have benefited from a much clearer understanding of the significance of a positive contribution and the nature of the indirect costs that would still have to be paid if this School was closed.

### Question 5

The better answers gave a strategic marketing approach for the GCC education subsidiary. These responses commonly set out possible objectives, situation analysis techniques, a marketing mix including a budget for promotion and a review system. An alternative approach which was also well rewarded was a well explained linkage between the 4P's in a strategic manner, using material from the text related to the position of GCC. These two excellent approaches tended to be in a minority. Many responses gave a list of 4 P's, often theoretical in content, with little specific relation to GCC. Other responses focused purely on SWOT or PEST analysis with little else to display understanding of strategic thinking. This meant that it was common to award no application and the analysis marks were often limited. Evaluation was rarely present in these responses.

*Examiner's tip: Marketing strategy questions will often be set on A level Business Studies papers and candidates are encouraged to think very carefully about the context of the business featured in the case study and the precise demands of the question before giving copious details of all of the 4P's. This is unlikely to lead to high marks unless there is also an attempt to give a strategic focus in terms of marketing objective, budget and plan – applied to the case study business.*

### Question 6

Over 90% attempted this question. There were some excellent responses that considered not only the importance of the data in Appendix 2 to the location decision but also analysed other pertinent factors including competition, the legal environment and cost levels of the two sites. The evaluation provided by these answers was in terms of judging the relative importance of economic data – and particularly the data provided - compared with other factors that ought to be considered in an important location decision such as the one in the question.

Many candidates answered a rather different question from the one set, concerning themselves with the decision about where to locate the new School *rather than* the relative importance of the factors that would be considered in this decision. Many candidates answers would have been improved by showing more understanding of much of the data in appendix 2. In particular, answers would have been much improved by avoiding the confusion between “levels” and “rates of change”. So, for example, the % changes shown were assumed to be absolute figures, e.g. that a higher % growth in GDP meant a higher GDP. This type of misunderstanding limited the award of analysis marks. Some candidates did realise that the data was inadequate and went on to suggest what qualitative factors were needed and techniques could be used. Some of these answers could have been improved by not focusing simply on theory and losing sight of the context of a School. Indeed, most answers could have been improved by much more application to a School's location decision.

Many candidates treated the question as a requirement to recommend either Country A or Country B and that was the only evaluation. These answers could have been improved by focusing evaluation on the main issues raised by the question – the suitability and appropriateness of the data given.

### Question 7

The few that attempted this question generally gave relevant theoretical answers explaining what corporate objectives and planning were and analysed the potential benefits of these. A majority of these responses could have been improved by clearer application to GCC and the clues contained in the case study regarding the potential problems of inflexible aims and plans. This would have allowed candidates to gain marks for the evaluative comments and judgements made.

### Overall

Continuous growth of this syllabus around the world is resulting in a very wide range of approaches to answering business studies questions. The final advice to Centres and candidates however, remains as before. In order to gain high marks in Business Studies A level a few key principles have to be explained to candidates and these should be incorporated into all of their test papers and mock examinations used in preparation for Paper 32. Firstly, knowledge of important business terms and concepts should be

demonstrated early in every answer – perhaps by means of a definition. Logical reasoning and appropriate theory should be used to explain and analyse the arguments being used. These arguments must be clearly put into context – how do they apply, in particular, to the business featured in the case study? Finally, judgement needs to be demonstrated, in those answers that require evaluation, not just in the final conclusion but in weighing up each argument and prioritising the points made.

*Examiner's tip: Evaluation skills can be demonstrated in a number of ways: prioritising factors, assessing their relative importance, giving a justified conclusion or decision, questioning the data used or the techniques that have been applied. Where relevant, it might also be useful to explain how a particular decision might be further influenced by data that is not provided in the case, explaining how it would have been useful to this particular strategic choice.*

# BUSINESS STUDIES

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Paper 9707/33

Case Study

## Key Messages

Candidates need to:

- acquire knowledge of all elements of the syllabus content
- demonstrate an understanding of the process and application of strategic management when answering questions in **Section B**
- develop a more evaluative approach to discussion questions.

## General Comments

This paper produced some outstanding responses demonstrating a sophisticated understanding of business concepts and the ability to apply these to the case study.

The overall standard left much room for improvement, with a significant number of candidates producing answers that failed to show depth of understanding of theory. There was also a failure to develop the analytical side of answers. Candidates from some Centres, in particular, did not appear to be well prepared; there were significant gaps in subject knowledge, for example, candidates need to improve their understanding of both the calculation of contribution and its application. Candidates would also have benefited from greater care in selecting information to support their argument – this was especially true for **Question 3**.

Candidates continue to find **Section B** to be the most challenging element of the examination; this section requires an understanding of strategic management and the ability to structure an extended 'essay style' response. There was some misunderstanding of the required focus of **Question 6** which tended to limit the award of marks. Those candidates choosing **Question 7** were typically awarded a low mark as the distinction between strategic analysis and strategic decision making techniques was not understood. In preparing candidates for the case study paper, Centres would be well advised to emphasise the different elements of the strategic management process and ensure that candidates are familiar with the style of questions set by referring not only to 9707/33 but also the 9707/31 and 9707/32 examinations.

The quality of written communication was generally of a high standard and there were only a relatively small number of candidates unable to communicate their ideas.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

There were many strong responses to this question demonstrating a sound understanding of the nature of vertical integration and its possible benefits and drawbacks to a company such as CAL. The best answers made links between this question and other parts of the case material; for example, explaining that through controlling a supplier of components to their factory CAL would be able to prevent the reoccurrence of poor quality components being delivered.

Candidates should be made aware of the need to interpret and develop the case material, and thus show an understanding of its relevance to the case business, rather than simply repeating what is stated in the case. For example, a number of candidates identified that 'long term profit margins could be increased through vertical integration', as stated in the case study, without then explaining why profitability might be improved.

Candidates should also pay attention to the exact phrasing of the question which required analysis of 'two possible effects of further vertical integration'. Some responses focused on the effects of CAL's takeover of FAA in 2006; although it was still possible for candidates to be awarded marks, this focus on the past did, in some instances, result in a loss of application marks. Candidates who considered more than two effects occasionally penalised themselves by providing only superficial development of those effects and consequently were often limited to Level marks for analysis.

## Question 2

- (a) This was the most accessible question with the majority of candidates accurately demonstrating their knowledge of time series analysis by correctly calculating the six values. The most common error was in calculating values for seasonal variation. If errors were made in calculating  $w$  and  $x$  then credit was given for a correct 'own figure rule' calculation of  $y$  and  $z$ .

### Teaching Tip

Explain to candidates the importance of the 'own figure rule'. Candidates should therefore attempt all parts of calculation questions and show their working.

- (b) To assess the usefulness of sales forecasts to CAL it was necessary to analyse the benefits and limitations of forecasting. Candidates readily picked up on the case reference to the importance of 'workforce planning and the accurate ordering of materials and components'. Better answers then explained these points in detail before considering the limitations of forecasting. Some responses made strong evaluative judgements concerning the risk attached to being overly dependent on sales forecasts, based on moving averages, at times of great economic and social change. A particularly contextual response made reference to the technological nature of CAL's market and how competitors gaining a technological advantage could render CAL's sales forecasts to be unreliable. The best evaluation was often in the form of making observations about the declining accuracy of forecasts the longer the future period being predicted for and the need to consider sales forecasts from more than one source.

## Question 3

Most candidates were able to demonstrate some understanding of at least one of the options suggested for overcoming the inventory problems occurring within CAL's factory. There were many long responses that went through the possible advantages and disadvantages of each of the three options in a highly descriptive rather than analytical manner. Other answers tended to repeat, at length, what the options were as described in the case study. Competent answers made good use of the case in analysing how each of the options would deal with the inventory problems identified in the text. Better candidates provided evaluative comment by judging the extent to which each option would deal with the inventory problems. For example, some candidates recognised that although expanding the existing factory could provide control over the quality of components and give greater certainty over the timing of supplies some significant weaknesses of the option were its cost and inability to remedy the inventory problems in the short term. Some candidates questioned whether it was worthwhile extending the factory to deal with a problem of insufficient inventory that was largely caused by temporary road building works. Other strong answers identified that for Option 1 a 'buffer' inventory for all major components would still leave CAL exposed to the risk of production being halted by insufficient inventory of 'minor' components. It was encouraging to see these more thoughtful responses to the case material.

#### Question 4

- (a) The calculations presented by the majority of candidates suggested a limited understanding of contribution. Some candidates correctly stated the formula for calculating either unit or total contribution but then made no distinction between fixed and variable costs, with a large number identifying contribution as being either -\$80 (unit contribution) or -\$400 000. It would appear that those candidates were unable to identify which costs were fixed and which were variable because Table 2 expressed all costs as 'per unit'.

#### Teaching Tip

Candidates should be reminded that although a cost may be expressed as 'per unit' that does not mean it is necessarily a variable cost.

Candidates should practise calculating the contribution made by one-off orders through considering the additional costs and revenue resulting from such orders, justifying which costs will change and which will remain the same.

- (b) Most candidates were able to gain full marks for knowledge and application by identifying possible benefits and drawbacks of accepting the order. Level 1 evaluation was often achieved through making use of the answer to **Question 1 (a)** in supporting the judgement. Analysis was limited in the most part to clues from the text, including selling under the retailer's brand name, and the contract placing workers under pressure. Candidates need to improve evaluation by weighing up the pros and cons of the decision with greater rigour. A few very good answers were able to identify the significance of a positive contribution to the decision, observing the allocated fixed costs would be incurred by CAL whether or not the order was accepted. This approach provided a more measured consideration of the cost data in contrast to those candidates who simply asserted that as the cost of production was greater than the revenue the order should be rejected.

#### Question 5

This question led to some very general HRM responses. Many candidates' answers could have been improved by a more detailed focus on the impact of a change in leadership styles on the problem of poor employee performance. A useful starting point, adopted by some candidates, was to identify the autocratic leadership style, suggested by the case study, of the Human Resources Director. This was then analysed as a potential cause of the poor employee performance before then considering, typically, how a more democratic style of management might resolve the problems. Some candidates misinterpreted the question and the case believing that the recent changes described in lines 81 – 88 were a response to the trends in employee performance rather than a possible cause. These candidates then proceeded to analyse and evaluate whether or not those changes would be successful in addressing the employee performance problems. This interpretation of the case and the question was considered to be a valid response and candidates were able to access the full range of marks. As part of the evaluative process it was useful for candidates to consider the relative importance of other factors that might influence employee performance apart from leadership style. For example, some very good answers considered whether a more democratic style of leadership would improve employee performance if the actual cause of falling productivity was a lack of training, for workers, in using the recently introduced automated equipment.

Some candidates did not fully address the question set. Although these candidates often described the problems and suggested alternative ways of solving them, there was no reference to leadership styles. By ignoring the central theme of the question candidates were limited in the number of marks they could be awarded.

#### Teaching Tip

Good evaluation can often be demonstrated by consideration of the extent to which other external or internal factors influence the success of a particular business decision.

### Question 6

Most candidates identified correctly the meaning of PEST analysis in simple terms. A small number of good answers recognised that this technique was part of strategic analysis to identify the current macro-environment faced by a business. The focus of most candidates was to simply produce a PEST analysis of CAL's options. Many candidates gained full marks for knowledge and application but needed to develop an analysis of the usefulness of PEST to directors in considering the two strategic options. A few very good candidates recognised that PEST should be continuous to be effective and that it should be combined with other techniques of strategic analysis such as SWOT. The best answers also observed that as CAL operated in a number of different countries it was essential for a PEST to be undertaken for each country.

### Question 7

This proved to be the most challenging question in the examination and was less popular than **Question 6**; it was only chosen by a minority of candidates. There were very few good answers. Good answers were able to identify and analyse the usefulness of strategic decision-making techniques such as Ansoff's matrix, force field analysis and decision tree analysis. Ansoff's matrix was generally well understood by these candidates and they recognised that strategy A was product development and according to Ansoff was riskier than the market penetration of strategy B. The best answers also considered the extent to which one, or more, of the strategic decision making techniques was useful to CAL in making the choice between strategy A and strategy B. Examiners also credited effective use of other decision-making techniques that feature on the Cambridge Business Studies syllabus, such as investment appraisal and break-even analysis.

The majority of responses did not identify any strategic decision making techniques and only applied techniques of strategic analysis such as SWOT and PEST, these responses could still be awarded some credit if they explained how the results from this could assist with the process of taking this particular strategic decision.

#### Teaching Tip

Candidates should spend more time in their A Level preparation focusing on Unit 6 of the syllabus and learning about strategic management. Any of the variants of paper 3 (i.e. papers 31, 32 and 33) from June 2011 onwards can be used for candidates to practise their essay writing skills.