

# BUSINESS AND MANAGEMENT

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Paper 9771/01  
Business Concepts

## Key messages

The following advice is given to Centres preparing candidates for Paper 1.

- Give candidates extensive practice at all quantitative techniques.
- Encourage candidates to read very widely around current economic and business issues, focusing on how they impact differently on different types of businesses.
- Encourage candidates to write extended essay answers frequently and encourage the use of paragraphs to allow for the clear separation of points.
- Encourage candidates to learn definitions of the many key terms within the specification.
- Encourage candidates to focus strategic decisions on the objectives of the business under consideration.
- Give candidates extensive practice of different techniques for answering questions based on case studies.

## General comments

There was clear evidence that Centres are preparing candidates more effectively for multiple choice questions and encouraging them to use a wide range of business examples in their answers to the essay questions in **Section 3**. Most candidates were able to pick up marks on nearly every question in **Section 2**, particularly in terms of knowledge and application marks. This paper proved to be a very good test of candidates' abilities in handling numerical data, applying important Business and Management concepts to a particular business scenario and writing a detailed and well-supported essay.

### **Section 1**

Marks for this section ranged from 6 to 19 (maximum 20). The overall mean score was 12.4. The first ten questions proved to be much easier for candidates than the second ten, which contained most of the numerically-based questions. The questions with the lowest success rate were 2, 14, 15, 18 and 20. This suggested that some candidates might benefit from more frequent practice in tackling questions on certain quantitative concepts as well as on the important qualitative concepts that featured in some of these questions. Centres are advised that approximately eight multiple choice questions will involve the need for some calculations. This section will also examine, over a number of sessions, all topic areas of the specification.

### **Section 2**

#### **Question 21**

The key concept examined by this question was that of contribution to fixed costs. It was really surprising that this principle was only referred to by two candidates out of the entire entry and the majority of candidates seemed unaware of the crucial significance of stripping out (allocated) fixed costs when taking a management accounting decision. Most candidates merely agreed with the CEO's calculation of the apparent loss made by this profit centre but then needed to raise the issue of what will happen to the fixed costs currently borne by it should it be closed. It seemed that candidates were on much more comfortable ground when discussing the likely impact of the closure of the sports centre on the revenue of the other hotel departments than when engaging in simple contribution costing. It is vital for candidates to be able to discuss important decisions such as this by considering a range of qualitative factors but candidates also need to be confident working with important number-based decision making techniques such as this. .

### Question 22

To gain high marks on this question, candidates needed to propose an overall strategic focus for the hotel's marketing decisions. A considerable number of candidates had real problems defining or explaining 'marketing strategy', with many answers focusing on just one aspect of the marketing mix. It is also important to encourage candidates to focus marketing decisions on the overall marketing objective that has either been determined by the business in the case study or suggested by the candidates themselves. These decisions then need to be supported by appropriate evaluation. A surprising number of answers to this question suggested, without evaluation, that 'penetration pricing' was the best way to determine the charges for this new conference centre, which was not an appropriate choice given the type of business customer being aimed at by this 'upmarket' conference centre.

### Question 23

There were some good attempts to use both the case study material and subject-specific content on managing cultural change in many answers to this question. Some candidates seemed to be quite at ease discussing some appropriate theorists when looking at change management. The best answers often suggested that it was in fact going to be very difficult for Fergus to make the substantial changes he wanted to make within the short time-frame he had set himself without upsetting many of the existing staff. They then went on to suggest that, in any event, perhaps he actually wanted to engineer this rapid turnover of staff in order to bring in people more in keeping with his own approach to business.

### Question 24

The great majority of candidates gained two marks for part (a). Part (b) was generally well done and candidates often identified that the operations manager would probably have had little experience at drawing up network diagrams and managing projects similar to the one proposed with CPA. It is common for candidates to state that if an unexpected event delays any of the activities, the critical path analysis is useless. This shows that candidates would benefit from a greater understanding of how float times and duration times of subsequent activities can be used to manage a project to keep it on time in the event of an unexpected delay.

## Section 3

### Question 25

This was not a popular question, perhaps because candidates found it difficult to think of appropriate business examples to use to support their arguments. Those who tackled the question managed, generally, to discuss the potential benefits of 'thinking time', kaizen and staff involvement. This was often well balanced with consideration given to some situations in which these approaches to managing staff might either be less appropriate or might be more difficult to achieve successfully. Candidates are now generally aware that there is no such thing as a 'one-sided essay' and even when confronted with a challenging question such as this one were often able to generate some arguments – supported by examples – against the proposition contained in the question.

### Question 26

Surprisingly, given the vast amounts of media coverage of this topic, this was answered by very few candidates. It was expected that the impact of the UK recession would have been a topic discussed frequently by most Business and Management candidates over the last two years. Candidates were able to discuss the likely changes in demand for products resulting from a recession and the concept of income elasticity was usefully employed in a number of answers, although evaluation, apart from the use of income elasticity, was often quite limited. Those businesses based largely on exports may have been much less affected – especially with sterling's recent depreciation – than those firms focused just on supplying the UK market. Businesses that were not dependent on banks for finance were less affected by the credit crunch component of the recent recession than other firms. Perhaps, again, candidates struggled to think of appropriate examples of businesses that had not been as adversely affected as Woolworths and HMV – although the argument that the demise of the latter is more technology-driven than economically-based is a strong one.

### Question 27

This was the most popular essay question by far, with many candidates using BP as an appropriate example business. There was often very good understanding of the nature and scope of contingency planning and this was frequently supported by effective use of many current and recent examples. Views varied as to whether the Icelandic ash cloud and the problems resulting from this illustrated the effectiveness of contingency planning or the dire consequences that can follow from not engaging in it. The precise details of business examples are of less importance to Examiners than the weight and range of arguments used by candidates that stem from the business contexts raised in their answers. The weakest aspect of some of these answers was the lack of discussion of those business scenarios in which contingency planning might be of less importance – and, therefore, of less urgency for management implementation – than in the grave disasters that candidates seemed to relish describing in graphic detail.

### Question 28

This was not a very popular question but those who attempted it often stressed the longer-term importance of maintaining workforce loyalty and motivation over the short-term cost gains from not attempting to motivate staff. Motivation theory was used quite sparingly but often aptly.

# BUSINESS AND MANAGEMENT

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<p><b>Paper 9771/02</b> <b>Strategic Decisions</b></p>
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## Key messages

It would seem that this paper represented a fair but challenging task for the candidates. It was clear that candidates did not feel time-pressured, which was an aim of this paper. Candidates could make further improvements by following some of the suggestions below.

- Candidates should have a precise knowledge of the quantitative calculations and the ability to interpret the results.
- Candidates need to have a clear knowledge of the mark allocation rubric within each question.
- Candidates should be able to offer concise definitions of core subject concepts.
- Candidates need to be able to use contextual data to support their answers. Some of the best candidates have the ability to manipulate the case data to show clear numerical trends or analysis of the accounts using ratios.
- Evaluation should be present throughout the 25-mark questions and not just at the end of the answer.
- Candidates need to use relevant business theories and concepts in their answers.
- Answers should be planned, concise and legible.
- Candidates need to be aware of the specific demands of a strategy question.

## General comments

The second examination of Strategic Decisions clearly illustrated some of the core strengths and weaknesses of candidates. It was pleasing to see some well-structured and concise answers to many of the questions. The best answers seemed to be well planned, contextual and showed clear analytical and evaluative skills. Candidates need to be able to apply relevant business theories and concepts in their answers and this was a feature of the better scripts. Numeracy remains an issue and a large minority of candidates did not gain many marks for section 1 of the paper. It is vital that candidates are aware of the numerous quantitative concepts in this subject and can interpret the results accurately and in context.

## Comments on specific questions

### **Section 1**

#### **Question 1**

- (a) (i) Less than half of the candidates got full marks for this question. The calculation of ARR and the concept of investment appraisal is an important part of the accounts/finance functional area. Some candidates confused ARR with PBP. It is advisable that candidates show the formula and stages of calculation as marks are available for this even if the final answer is incorrect.
- (ii) This question proved to be a challenge to many candidates, although more achieved full marks for this question than for **Question 1(a)(i)**. Candidates need to be confident in their understanding of the concept of NPV.
- (b) The best answers showed clear knowledge of the investment appraisal techniques and then applied them to the case, in terms of how they might assist RR in making this decision. The format of this paper was the same in many aspects as the 2010 paper. This 6-mark question has a mark allocation of 2 marks for knowledge and 4 marks for application, so those candidates who attempted to use the skills of analysis and evaluation could not gain credit for these efforts. The

Own Figure Rule (OFR) was applied, so if candidates incorrectly calculated the answers to **Question 1(a)(i) and 1(a)(ii)** they could still gain full credit for part **(b)**..

- (c) Most candidates found this question very accessible. It was pleasing to note that candidates followed the instructions and only analysed 2 factors. The best answers stated clearly the chosen factors, reviewed them using case context and then analysed the issues and used relevant theory. It is important that candidates are aware of the mark allocations for each question. Some candidates spent time evaluating the factors and this is not rewarded in the mark scheme.

## **Section 2**

### **Question 2**

This question was generally answered well. The best answers tended to define shareholders, discussed the likely importance of share price and dividends and then reviewed the possible alternative objectives of shareholders such as ethical considerations. It was pleasing to see contextual analysis of the case study and candidates offering a view that shareholders are a diverse group and will have differing objectives. Most good answers contained some attempt to analyse the accounting data in a form relevant to shareholders. Candidates who assumed that the company objectives were the same as shareholder objectives did not address the question set in their answers. A few candidates misread the question and tried to explain how RR had tried to satisfy the objectives of many stakeholder groups. It is important that candidates evaluate throughout the answer and not just in a final paragraph.

### **Question 3**

This question proved to be very challenging. The subject was clearly synoptic in that it required a link between the topics of exchange rates and operations management. The very best answers linked the functional aspect of operations management to the issue of exchange rate volatility. Better answers often contained evaluation in the form of recognising that RR operations management decisions are affected by many factors, exchange rates being just one of these. Some candidates offered very confused logic and needed a greater understanding about exchange rates. To gain high marks for this question, candidates needed to recognise and analyse the different impacts of depreciation or appreciation of exchange rates on decisions made by RR operations management. It was important that candidates demonstrated an understanding of what was meant by “volatile” exchange rates.

### **Question 4**

Overall this question was reasonably well answered. Some of the best answers used a strategic planning concept such as the Ansoff Matrix or Porter Model to give their answer a framework. To gain high marks, candidates needed to consider the nature of the products/market. Some candidates gave a generic ‘marketing’ response but then needed to apply this to military engines/equipment. Candidates who presented a list of unconnected suggestions which did not constitute a clear and logical plan of action could gain only limited credit.

# BUSINESS AND MANAGEMENT

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Paper 9771/03

Personal Investigation

## Key messages

- Candidates should outline the problem in detail, including who is affected and the implications of failure to solve the problem for the business and stakeholders.
- Research methods should be outlined in the Methodology section. There must be evidence of the research and its use. A critique of the research should also be included.
- Analysis should be finely focused on the business problem and proposed solutions. Relevant business theory concepts should be included and they should be used accurately. Analysis should use both written and numerical techniques, with any figures fully supported. Remember that the Pre-U syllabus '*encourages candidates to become competent and confident in the calculation and interpretation of business data*'.
- Realistic conclusions and recommendations should be offered, with clear evaluation of the strengths and weaknesses of **(a)** solutions and **(b)** the investigation. Wider issues should also be considered briefly, for instance external factors affecting the business's future success.
- The report must be fully ICT-based and well organised into appropriately labelled sections. The relevance of each part of the syllabus will vary according to the specific business problem, so candidates should not simply follow the sections in the syllabus ('1. Business Environment; 2. Marketing; 3. Accounts...').
- There should be a detailed bibliography. When choosing sources, candidates should think about the quality of evidence they will list in their bibliography – e.g. the reliability of a newspaper report compared with an original study/paper/book which is based on a systematic research programme.
- The quality of communication within individual sections and the coherence of the report as a whole are both important. Remember that the Pre-U course should focus '*explicitly on developing communication skills which are valued highly by both employers and universities*'.

## General comments

In this session, candidates produced, once again, a very varied selection of titles and overall responses to the Investigation Report. The better candidates had clearly studied the marking criteria and therefore included a detailed bibliography, critique of research methods and overall evaluation of the investigation and solutions offered. The word limit was generally adhered to and helped to keep most reports focused and concise. There was little evidence to suggest that candidates felt they were unduly constrained by the 3500-word limit and many included information, including financial analysis, in the appendix. In a small number of cases, reports were largely descriptive, lacking focus, and sometimes not actually addressing a business problem. Reports that attempted to address a very wide range of syllabus areas also tended to lack depth.

The best investigations:

- had taken account of feedback when the original title was submitted
- had a clear, logical structure
- had a question as a title, which was clearly answered in the conclusion
- set clear objectives, in terms of what needed to be investigated
- used a wide selection of primary and secondary sources and included some critique of methods used
- used a wide range of Business and Management theory in context
- included detailed financial analysis, with figures clearly drawn from research
- evaluated the strengths and weaknesses of methods and solutions
- included footnote references and a comprehensive bibliography
- made good use of appendices, staying within the prescribed limit.

## **Comments on specific sections and skills**

### Title Submissions and Appropriateness

Most candidates chose appropriate businesses, submitted titles in time and made some use of my initial comments, which made the submission in advance a useful exercise. In a few cases, though, titles were not submitted, or comments and advice were not taken into account. In a number of other cases, the 'problem' did not really seem to exist in the view of the businesses' owners. In a very small number of cases the businesses chosen were not working towards a profit motive and, although these are not automatically excluded, it must be possible for candidates to provide quantitative analysis of their chosen businesses. The importance of a title which is fine enough in focus but offers enough breadth for substantial supported financial analysis cannot be underestimated, as evidenced by many of the better reports.

### Knowledge – The Problem in Context

Most candidates identified the business problem or issue clearly, and many also outlined who was affected and the implications of not solving the problem. This helped to 'set the scene' in many reports.

### Methodology – Research Methods

Clearly setting out a range of research objectives helped candidates here and good use was made of company accounts where available. Most candidates attempted to use primary and secondary sources and wrote about these in their reports. Many would then have benefited from including a critique of their own research methods and sources within their reports. Better candidates made attempts to widen the scope of research beyond the identified business and it was good to see use of relevant magazine and Internet articles. Wider secondary research was often limited, though, and some candidates missed the opportunity to use national statistics, where these would have been directly relevant to their investigations.

### Analysis and Use of Business and Management Theory

Most candidates made good use of the theory knowledge from the course and applied this appropriately to their investigations. In some cases, candidates needed to maintain the focus of their reports by applying the theory knowledge from different areas of the syllabus more selectively. In a few cases, candidates attempted to use theory concepts inaccurately or inappropriately and missed out on marks in this section.

'Fine focus' was the key to higher level marks here, for instance applying investment appraisal techniques and concepts such as break-even to one or two possible business solutions. In terms of numerical analysis, the best investigations included a financial (or other numerical) analysis of the problem or issue and projections for suggested solutions. It was pleasing to see full support for figures in some cases and accounts of 'assumptions' made to arrive at results. Due to the complexity of some of the numerical analysis, it was a sensible approach to include some of the calculations in appendices. Candidates who presented unsupported figures in their analysis could only gain limited credit.

In a very few cases, where candidates had not managed to access any financial information or figures, this limited marks for analysis. It is recommended that candidates make sure that figures are available before deciding on an investigation. These will probably include financial accounts and projections, but may also include Human Resources-related statistics such as staff turnover or absenteeism.

### Conclusions and Evaluation

Most candidates drew some supported conclusions and recommendations from their investigations, although the standard of evaluation was variable. It was pleasing to see conclusions drawn directly from research, even if these led to a negative response to the original proposition, which was sometimes the case. The best candidates separated the investigation conclusions from their recommendations and produced realistic and well thought through ideas to take the business forward. In a few cases, where the conclusions were brief and no recommendations were offered, candidates did not score well in this section. Likewise, where no evaluation was offered, either of the investigation or the solutions offered, there were significant lost opportunities in some cases. In the best reports, solutions and recommendations were realistic and effective critical evaluation was applied to research and analysis methods and proposed solutions.

## Communication

This section of the Personal Investigation carries the heaviest weighting in terms of marks. Strong development of communication skills is a distinguishing feature of Pre-U Business and Management. There were 40 marks available and most candidates scored relatively well, in some cases increasing their marks significantly. There is a detailed published 'grid' with requirements at each level as well as the overall criteria statements. It was encouraging to see evidence that some candidates had studied this information carefully. Those candidates who had overlooked this lost marks needlessly. For example, a small number of investigations completely omitted the bibliography section, which is clearly outlined as essential in the criteria. All reports were ICT-based and generally the standard of presentation, including of tables and graphs, was high. The best reports had a logical structure and focused clearly on the investigation objectives, ending with realistic conclusions and recommendations.

## Appendices

In most cases candidates adhered to the 6-page limit and in some cases this section was used very effectively to include accounts, calculations, survey results and so forth. In the better Personal Investigations, the appendices were referenced within the report, often using footnotes.

## Examiner's Tips for Teachers and Candidates

- Before they start, candidates should read the marking criteria carefully and return to these often as their investigations progress.
- Care should be taken with the choice of business and title – good use should be made of the Personal Investigation approval process.
- Candidates should set clear objectives and return to them in their conclusions.
- Candidates should use a good range of relevant primary and secondary research sources, including those outside the business, e.g. national statistics.
- Candidates should start by analysing financial or numerical information. This will help them establish the way forward for their investigations.
- Candidates should ensure that they understand and can apply theory concepts, before including them in their analysis.
- Candidates should focus their analysis and results on the part of the business they are investigating.
- Candidates should aim to draw a range of possible conclusions or solutions to the business problem and discuss strengths and weaknesses of each.
- Candidates should include their recommendations and critical evaluation in a separate section.
- Good use should be made of appendices to supplement reports.
- Candidates should include a fully-referenced bibliography.