BUSINESS

> **Paper 9609/11**
> **Short Answer/Essay**

Key points

- Overall, most candidates demonstrated good knowledge of the range of concepts being assessed.
- Candidates must ensure that the command words in all questions are responded to appropriately.
- Candidates should be reminded that analysis and evaluation is required in all essay answers and that this should be practised so that answers are put in appropriate context.

General comments

The majority of candidates examined in this series demonstrated a clear understanding of the syllabus being assessed. In many excellent answers, candidates responded appropriately to the command words in the questions, for example, define, explain, analyse and discuss. Others were hesitant regarding developing strong analysis and/or evaluation. In order to access higher marks, it is essential that candidates develop and apply their ability to evaluate; i.e. to judge or calculate the quality, importance or value of something.

Question specific comments

Section A

Question 1

(a) Most candidates understood that a mission statement is a brief written statement of the core aims and values of a business. Others were less precise and wrote in general terms about corporate objectives.

(b) Candidates who gave an accurate definition in part **(a)** scored well on this part of the question. Common limitations identified were the vagueness of mission statements and the belief that they are merely a public relations ploy. These points were often soundly explained in terms of the lack of impact that they might have on the stakeholders of a business. Those responses in which relevant limitations were identified without explanation accessed fewer marks.

Question 2

(a) Many responses accurately defined redundancy with many candidates also stressing that there was no fault on the part of the employee being made redundant. Clear definitions were explicit in saying that it was the job that was no longer needed and that therefore the employee doing that job was no longer required. Weaker answers referred to employees 'losing their job' but did not explain the significance of being made redundant as opposed to being dismissed for a breach of contract.

(b)   There were many strong responses to this part of the question, with the most common ways being: to offer a long period of notice to allow employees to find other word; a financial package that would help employees to purchase essentials for themselves and their families until alternative work was found and recommendations to other businesses who still demanded the skills of the redundant employees. Less frequently candidates mentioned the possibility of redeployment to other parts of the business if the employees had appropriate skills. Many candidates identified appropriate ways in which an HR department could help *without offering explanation*, which limited their marks.

Question 3

There were many excellent responses to this question which showed a clear understanding of both market orientation and product orientation and explained the importance of applying the most appropriate approach when functioning in a very competitive market. Strong responses discussed the importance of making sure that the products offered were actually those needed and wanted by consumer and that only market orientation could achieve this. However, a counter argument was sometimes made in support of product orientation; this was that sometimes consumers do not realise that they have a need or use for a product until a business invents it and presents it to the market and that this approach could make a business stand out from its competitors.

Weaker responses offered very limited explanation of either concept and also ignored the 'very competitive market' context which restricted the marks awarded.

Question 4

(a)   Most responses accurately defined working capital as being the finance or money required to cover the day to day running costs of a business. Many also gave relevant examples, such as electricity and raw material costs. A minority defined it incorrectly as being the daily costs of a business rather than the finance necessary to cover those costs. Many responses also included an accurate formula for working capital i.e. current assets minus current liabilities. It is important that candidates recognise that it is *current* assets and *current* liabilities and not just 'assets' and 'liabilities' because this implies the inclusion of non-current assets and long-term liabilities which is not an accurate definition of working capital.

(b)   Many candidates correctly identified the need to be able to meet short-term financial obligations as a reason why effective management of working capital is important. Many strong responses also included an explanation of the possible problems associated with holding too much working capital and the opportunity cost involved of, for example, holding too much stock. Some candidates limited their answer to saying that effective management of working capital was important to ensure a good cash flow. This type of response was lacking precision and explanation and therefore marks could only be awarded in the lower band.

Question 5

(a)   Most candidates were able to demonstrate a sound knowledge of both benefits and limitations of a labour-intensive production process. Many argued that the uniqueness of hand-made products could command high prices. Some went on to suggest that the lack of standardisation might not appeal to some consumers. Many candidates focused on the cost implications of using manual labour with strong answers emphasising the difference between short-term and long-term costs. This argument was frequently well-presented in terms of the large initial outlay required for capital-intensive production methods but that in the longer term the running costs would probably be lower than having to pay the wages of many employees. Another valid line of argument was that of the time taken to produce goods using labour rather than machines and this was often successfully related to goods that were being produced for a mass market and therefore a labour-intensive process would be unlikely to be able to meet demand.

(b) Reponses varied greatly dependent on whether candidates were able to demonstrate an understanding of intellectual capital. Strong responses included analyse of the beneficial implication for a university of having such a valuable intangible asset. Benefits frequently related to the quality of teaching leading to a good reputation for the university which would increase demand for places on their courses. This argument was often developed to explain how such high demand might enable the university to charge higher fees for its courses. The best answers also linked intellectual capital to the level of research that could be undertaken and analysed this as a factor that could further enhance the reputation of the university, enabling it to become a leading educational institution.

Question 6

Answers to this question frequently demonstrated a sound knowledge of motivation theories including that of Herzberg. However, the context given of 'all private sector businesses' was too frequently ignored.

Strong answers contained a thorough analysis of Herzberg's Two Factor Theory and how this might lead to higher productivity and better quality, all of which could lead to higher sales and ultimately more profit. Many candidates effectively linked Herzberg to other theorists and analysed the relevance of several aspects of each theory when aiming to motivate employees to work to the full potential.

Candidates who made reference to the profit motive of private sector businesses and/or the need to satisfy shareholders strengthened their answers with the presence of valid context and so scored highly. Many others needed to develop their use of context in order to access high marks.

A small number of candidates attempting this question confused Herzberg with other theorists thus severely limiting the marks that could be awarded.

Question 7

(a) Candidates were expected to make reference to the benefits of having a range of products which could be judged in terms of the contribution they made to the success of the business. The majority of candidates were able to show relevant knowledge and how the product mix might impact on decisions made in the business. For example, if a product was not selling well, it could be advertised more widely, sold in a different market or perhaps withdrawn from the market altogether. Some strong answers also suggested the extent to which successful products could be used to subsidise products that are not selling so well. Candidates also frequently suggested that the product mix could be reviewed to ensure a product to be withdrawn from the market was replaced with another. Good analysis was evident is many answers to this question.

(b) This question required candidates to consider three elements; branding, promotion and the soft drinks product. The strongest candidates focused on all three elements and offered valid analysis and evaluation. A minority of responses explained the benefits of branding but did not address the importance of this to promotion. Context was frequently ignored when answering this question. Some candidate discussed the importance of branding in the context of other products, e.g. Mercedes cars. This type of approach restricted the marks that could be awarded. Good answers to this question explained what is meant by branding and then discussed the possible benefits when promoting a product. These were often well explained and related to attracting customer attention, building customer loyalty, product differentiation and also the premium prices that can sometimes be charged as a result of a product/brand being highly regarded and sought after. Evaluation was often expressed in terms of other issues that could impact on the success of a soft drink such as negative publicity if the drink was discovered to be unhealthy, or economic issues that are outside the control of the business.

BUSINESS

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| **Paper 9609/12** |
| **Short Answer/Essay** |
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Key messages

- Candidates are again reminded to pay close attention to the wording of each question to ensure that there is a relevant focus on appropriate knowledge and understanding.
- In **Section B**, Level 3 and 4 marks can only be awarded if some evaluative comment has been made. It is vital that candidates either make a judgement, determine a level of priority or indicate the value of something to support the analysis and application in their answer.

General comments

- In **Section A** there were some significant knowledge gaps - notably in relation to the areas of 'leadership', 'cost information', and 'focus groups'.
- Candidates are reminded that the functions and activities of the operations management department can be just as significant to a business as the work of other departments such as marketing and HR.

Comments on specific questions

Section A

Question 1(a)

Most candidates were able to give at least a partial definition of a joint venture although some confused the concept with a merger. Strong answers clearly defined it as an agreement between businesses to work together on a particular business enterprise.

Question 1(b)

The advantages given for joint ventures included the sharing of ideas and resources, the sharing of risk and reward, and the ability to raise capital. A significant number of answers simply stated such advantages without briefly explaining how and why these advantages might occur.

Question 2(a)

Many candidates continue to confuse leadership and management. There is now a body of leadership theory and concept that suggests that business leaders exercise distinctive functions in organisations. Such functions include motivation and inspiration linked to objective and goal achievement. This is more than decision making, and control and coordination associated with managers and management. Many answers presented information on different styles of leadership and the attributes and qualities of leaders and entrepreneurs - information which was not relevant to this question.

Question 2(b)

This was very well answered with most candidates presenting strong examples of the merits of autocratic leadership.

Question 3

This topic area is one for development. Candidates needed to focus on cost information and its role in decision making. Many did not; considering cash flow management only and some confused cost with product price. Strong answers referred to different types of business costs and then described the importance of cost information in relation to such business decisions as price setting, budget setting, and supply purchasing.

Question 4(a)

Secondary market research was accurately defined by most candidates.

Question 4(b)

Focus groups as a means of primary market research were not well described in many answers given. There was some confusion with quality circles. Few candidates recognised focus groups as groups of people giving their views/opinions about products and services. This meant that few advantages of this type of qualitative market research were presented.

Section B

Question 5(a)

Many candidates were able to discuss the role and importance of packaging in general marketing but were not able to apply packaging to the marketing mix. This prevented relevant observations such as high prices require high quality packaging, fashionable high quality retail outlets require fashionable packaging, and packaging must reflect promotional strategy.

Question 5(b)

The strongest answers recognised the challenge of selling unbranded beauty products and the difficulties of accessing supplies of premium branded beauty products. Success factors such as effective marketing, promotion and distribution, together with good customer service were among the most common factors discussed. Weaker responses simply related the advantages and disadvantages of online shopping rather than identify and discuss potential success factors for an online beauty products business.

Question 6

This was not a popular question and there were very few responses. There were, however, some sound answers which clearly discussed how a car manufacturing operations management department might react to an economic recession. A search for greater efficiencies and economies together with innovation are at the heart of operations management thinking at times of recession. The link between operations management and other functional departments was best illustrated during recent recessions when some car manufacturers in the UK refrained from making workers redundant, choosing instead to put all workers on shorter hours and so avoid de-skilling and recruitment problems post-recession.

Question 7(a)

This was a very popular question with many candidates effectively discussing the impact of performance related pay on employee motivation, employee productivity, product/service quality, and employee relationships. Some answers, however did not focus the impact of performance related pay on an employer as required by the question. Many candidates suggested that performance related pay would raise costs and therefore be a disadvantage to an employer. It is important to note that employers would normally set a piece rate or bonus at a level where the overall effect would be of benefit to the business.

Question 7(b)

The strongest answers referred to specific jobs and roles in the hotel industry and exemplified how training and development in such roles could enhance the customer experience and consequently strengthen the reputation of the hotel. Many answers gave quite general definitions of training and development and almost totally ignored the context of a large hotel. Some very weak responses substituted motivation for training and development and produced largely non-relevant material.

BUSINESS

Paper 9609/13
Short Answer/Essay

Key messages

- Candidates need to read all questions carefully and ensure that they gain a clear understanding what is required of them in order that relevant knowledge and understanding is presented.
- In **Section B**, Level 3 and 4 marks can only be awarded if some evaluative comment has been made. It is vital that candidates make a judgement, determine a level of priority or indicate the value of something to support the analysis and application in their answer.

General comments

- There was generally confident understanding of the syllabus areas questioned in **Section A** apart from the question on operations management, which continues to be a relatively weak area of understanding.
- When answering questions in **Section B**, candidates should ensure that they address the context of a question in order that relevant comment and analysis may be applied.

Comments on specific questions

Section A

Question 1(a)

Most candidates were able to accurately distinguish between internal and external recruitment.

Question 1(b)

Following the confident responses to **1(a)** the answers to this section were generally sound. Advantages given for internal recruitment included reference to such issues as: cost effectiveness and speed of recruitment, saving on training and induction, and incentives for internal staff development.

Question 2(a)

Most candidates were able to accurately define product life cycle emphasising the stages a product is said to go through from introduction to decline.

Question 2(b)

The stronger answers showed understanding of the value of the concept as an analytical tool for evaluating the effectiveness of a business marketing strategy. The most common response was to refer to the value of being able to judge when to replace a product in decline. Most candidates were able to explain at least one business use for the product life cycle concept.

Question 3

The majority of candidates were able to advance relevant reasons for the early failure of many new businesses. The most comprehensive responses referred to a number of potential problems including flawed business models, strong competition, over expansion and poor management. Others were unable to go much beyond reference to cash and cash-flow problems. A measure of detailed and supported explanation was required to secure all five marks.

Question 4(a)

Many candidates did not recognise this as an operations management concept and were consequently unable to give an accurate definition of a transformation process (a process of converting inputs into outputs). Some candidates guessed at a literal translation of the term and speculated about changing production lines and locations.

Question 4(b)

A minority of strong answers referred to objectives such as: efficient and effective production, including procurement, transformation, inventory control, and appropriate capital/labour combinations. Other responses confused the operations department with a human resources department and many who did understand the role of an operations management department found it difficult to explain more than one objective.

Section B

Question 5(a)

This was a very popular question. Stronger answers noted the importance of risk taking, discussed the combination of qualities leading to successful performance and even sometimes reviewed what might be judged to be a `successful` entrepreneur. Weaker responses discussed only very general entrepreneurial qualities and substituted real life examples of entrepreneurs in place of substantive qualities.

Question 5(b)

Stronger answers initially gave a succinct definition of CSR and then analysed its appropriateness to a private sector organisation such as a plc, pointing out potential clashes of stakeholder interests and objectives. A number of relatively weak answers simply set out the advantages and disadvantages of CSR rather than apply the concept to senior managers in a plc.

Question 6

This was not a popular question though there were a number of thoughtful responses. Sound answers effectively described the features and implications of an economic recession and then applied them to the potential marketing approaches of a fast food retailer. Such a framework allowed candidates to focus on some key marketing issues such as: a focus on customer position, opportunities to review the marketing mix (for example product/service, price), and product portfolio provision. Weaker answers did not recognise the potential impact of economic recession on marketing challenges or opportunities.

Question 7(a)

The majority of candidates who answered this question were able to give some confident reasons for crowd funding being a useful source of small business finance with sound responses making analytical comments relating to some limitations of this source of finance.

Question 7(b)

This was a more challenging question and some candidates were unable to effectively explain either financial or non-financial measures of business performance. The strongest answers referred to the limitations of official accounting and reporting quantitative measures of performance and suggested why acknowledgement of more qualitative performance measures could be important in pursuit of a more accurate and comprehensive picture of business performance.

BUSINESS

> **Paper 9609/21**
> **Data Response**

Key messages

- Encourage candidates to use the context, presented in the case studies, to support their responses
- Advise candidates to use a calculator where appropriate.
- Identify what analysis and/or evaluation is appropriate to a question and practise these skills.
- Candidates can achieve application and analysis with a few well developed points
- Candidates must be aware of the marks available for each question so that they devote appropriate time to contextualise, analyse and evaluate where needed, especially for **Questions 1(c)**, **1(d)**, **2(b)(ii)** and **2(d)**
- Advise candidates that questions requiring the use of context, such as **Question 1(c)**, should integrate the information, from the case, in their answer.
- Ensure full understanding of the command words
- Practice 'explain/definition' questions and get candidates to produce their own list of words, definitions and explanations with examples.

General Comments

The case material for both questions was well understood. There seemed little difficulty with understanding the questions set, although some candidates tried to answer **Question 1(c)** by comparing a private limited company to a public limited company (the case study concerned a sole trader converting to a private limited company).

As in previous sessions, candidates should:

- answer the question in the context that it is set.
- identify opportunities to analyse – good analysis should be based on a chain of reasoning
- identify opportunities to evaluate – **Question 2(d)** required a comparative discussion of the motivation methods referenced in the case study.
- take care to answer the question set – **Question 2(b)(ii)** only asked for disadvantages.

There was no apparent evidence of time being an issue with most candidates. Most candidates had a good grasp of business terminology and were able to express themselves effectively.

Comments on specific questions

Question 1

(a) (i) Most candidates could define 'unique selling point' as a way in which a business can differentiate a product/service from that of competitors.

(ii) Many candidates gave a good explanation of 'sole trader'. Good answers referred to one owner with unlimited liability and then developed the explanation with reference to profit/loss bearing or with an example.

• Note that there is no need for context in answering **part (a)**

(b) (i) The correct answer to calculating BH's market value ($90 000) was competently answered by the majority of candidates. Some candidates calculated the market share of 15% but did not continue the calculation to give market value. It is advisable for candidates to fully show their working (including the formula).

(ii) Answers explained a benefit of market research but did not always refer to a benefit to Amir, the sole trader in the case study.

(c) This question required candidates to use the information in the case. Most candidates demonstrated an understanding of the characteristics of a private limited company. Good responses considered the advantages and disadvantages when changing from a sole trader to a private limited company. Some answers compared a private limited company to a public limited company; such a comparison is less relevant in the context of the question.

(d) Candidates included some context in discussing the whether BH should start to sell oriental food. Good responses made a justified recommendation based on the preceding chain of analysis (reasoning) and demonstrated good analytical skills in the context of the case.

Question 2

(a) (i) Some candidates did not have a clear concept of 'industrial market' and defined an industrial market as the secondary sector where manufacturing takes place rather than recognising it is a market where the goods or services are bought/sold by one business from/to another business.
.
(ii) Laissez-faire leadership style was generally explained very well by referring to employees, leaders and developing by comparing to an alternative leadership style such as autocratic.

(b) (i) The correct answer of 50%, for the Testing team's labour turnover, was given by most candidates who appeared to have little difficulty with the calculation. Where an incorrect answer was given it was usually because candidates had calculated the labour turnover for another team or for all employees. Candidates who arrived at a different answer and who showed their workings attracted marks for identifying the correct data/formula.

(ii) Most candidates could analyse the disadvantages of a high labour turnover with good responses integrating information from the case study in the context of the Testing team. Some candidates also referred to advantages although this was not required.

• Care needs to be taken to answer the set question.

(c) Many candidates demonstrated good knowledge of added value but did not develop their answers to specifically the added value provided by the Testing team.

(d) The majority of candidates used the motivational methods referred to, in the case study, to frame their answers. Good explanations of performance related pay, target setting, team work and leadership style were given. Better responses discussed two or three of these motivation methods in depth and judged the appropriateness of the method to SC's employees. Good analytical chains of reasoning developed into justified judgements based on a comparison of motivation methods.

BUSINESS

Paper 9609/22
Data Response

Key messages

- Many candidates did not use the data to inform their answers.
- Candidates need to develop their use of business terminology and material in their answers, especially to **Questions 1(c)**, **1(d)**, **2(c)** and **2(d)**.
- This is the first November sitting of the slightly changed Paper 2. The command words for **Questions 1(a)(i)** and **1(a)(ii)** are not the same and require a different approach from candidates. The command word 'define' can be a learned piece of knowledge, but 'explain' requires some application and understanding. An example (not repeated from the case) is an excellent way to show this.
- Analysis is one of the most important skills and makes up a significant part of the marks for **Questions 1(c)**, **1(d)**, **2(c)** and **2(d)**. Analysis is about impacts, reactions or consequences. There is a difference between limited analysis and good analysis on Paper 2. Limited analysis only takes the effect, reaction or consequence one step. For example a bank loan will require the business to pay interest on the repayments – this is limited. Good analysis needs a further step to become a chain of analysis. For example, the interest payments will increase the costs of the business and reduce the potential profit – as long as this point is in context, it becomes good analysis.
- Evaluation must be based on good analysis. However that does not mean it must come at the end of the response. Candidates will often deal with one point at a time but never show how this point helps them to formulate an answer to the question. Good analysis is like building up a jigsaw, piece by piece. Good evaluation is about showing how the whole picture is developing and this can be done after each of the main pieces has been covered. The very best responses are ones where the candidate has already shown evaluation on more than one occasion before the conclusion is written.
- Centres must prepare candidates to respond at the right level for each question. On this specific paper:

    Question 1(a)(i) and **Question 2(a)(i)** both require a definition. This means a simple repetition of a learned definition. No explanation or application is required. A good definition (learned from a textbook) is usually one sentence with nothing else required. Vague, imprecise, or unfocussed definitions will not receive both marks.

    Question 1(a)(ii) and **Question 2(a)(ii)** both require an explanation without using the case study. Each part has three marks and candidates should aim to use a detailed definition with an example of their own for each. The example should not be related to the case as this will often show no understanding, especially as it may be copied from the text.

    Question 1(b) requires a calculation and **Question 2(b)** is a question relating to the answer to that calculation. It is always advisable to use or refer to that answer in the second question. Candidates must answer the second part in context.

    Question 1(c) and **Question 2(c)** both required analysis in context. Candidates should aim for two well analysed points. A good answer *does not* require a conclusion or any evaluation.

    Question (d) and **Question 2(d)** both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

    Question 1(d) and **Question 2(d)** now have 11 marks. This makes evaluation based on good analysis even more important.

General comments

There is a great deal of data compacted into each of the two scenarios (**Question 1** and **Question 2**). Candidates must spend a reasonable amount of time reading and understanding the data before attempting the questions. It is not unreasonable for candidates to spend five minutes on each piece of data before writing any response.

The contexts of Pampered Pets (PP) was well understood by candidates and most understood the nature of a franchise and John's decision within the data.

Fire Fly Ebooks (FFE) was slightly less well understood, partly because the context was business to business sales and partly because of the focus on accounting and finance throughout **Question 2(d)**.

Answering questions in context is vital in this examination and is the basis for good analysis and evaluation. Without context a candidate cannot gain more than half of the marks available on the whole paper.

Comments on specific questions

Question 1

(a) (i) A common mistake was that some candidates thought that redundancy was about the worker no longer being required, when the correct answer is that the job itself is no longer required. This distinction is important. A worker who is made redundant is not 'fired' or 'sacked' because of a fault of their own; they lose their job because that job no longer exists. This is a definition and should be succinct and correct.

(ii) Working capital has two distinct elements – 'working' and 'capital'. Some candidates did not explain both of these leading to a tautological answer, which could not gain full marks. Weaker answers just referred to 'capital' in the answer therefore not explaining this essential element. Candidates also often mixed up working capital with start-up capital.

(b) (i) This calculation was generally completed well. Where mistakes were made it was often that candidates had failed to recognise that John only gained 75% of the total profits. This highlights the importance of reading and understanding the data. With all calculation questions, when a candidate writes an answer without showing any of their working, they are risking zero marks if their answer is wrong. A common wrong answer was $20 000 for this question. With written working to support this answer it could gain two marks. However, without working the answer is not worth any marks because the examiner does not know from where the answer came.

(ii) The most important part of this question was the word 'revenue'. Many candidates focussed on why costs would be different between a franchise and an independent business. This would be unlikely to have any impact on costs and was therefore irrelevant. This was a straightforward question if candidate knew what revenue was and had read the data.

(c) This was an analysis question. Analysis is about consequences, reaction or impact. In this case candidates needed to explain two suitable sources of finance that John could have used and analyse the consequence, reaction or impact on John of that source of finance. This analysis should be in context and go further than one 'step' (see key messages).

Most candidates could identify and explain sources of finance. What was rarer was to place these in the context of the John using them for a PP franchise. This question is about choosing two sources of finance that would be appropriate. In this context some would not be appropriate. For example, there is no mention in the data that John is going to set up his business as a company. Therefore any answer that puts forward share issue as a valid source of finance is unlikely to be in context without first mentioning that John would need to incorporate the business.

(d) This question required candidates to make a recommendation or judgement about which form of business would be suit John. Either option could gain top marks as long as the candidates had analysed arguments for both an independent shop and a franchise and evaluated by reaching a conclusion and justifying it.

The strongest responses analysed the advantage(s) of one option, then the advantage(s) of the other option and evaluate the two before making an overall recommendation. One analytical argument/point for each option was enough to gain all the marks and candidates should focus on providing one or two good arguments which have a number of analytical steps, rather than many arguments that waste valuable time in the examination. To this end the skill of choosing the best arguments to use is one that should be taught and practised. Candidates do not need to tell the examiner how much they have learned. We can assume that by choosing the best argument, the candidate knows the other, less relevant ones.

Weaker responses analysed either the franchise or the independent shop option but didn't consider both. Such responses could not fully show the analytical process that led to the recommendation and as such were usually restricted to maximum of six marks.

Question 2

(a) (i)   Most candidates could identify elements of a brand and this was a generally well answered question. Some candidates wasted time giving an example, which is unnecessary for a definition. In this case candidates could approach the answer in many ways (such as a name, logo, product, etc.) but the most important aspect of definition a brand is that it distinguishes the business, product, etc. from the others in the market. This is the point of a brand and therefore the most important aspect of any definition.

(ii)   This question was well answered, with many candidates able to gain at least two marks relatively easily. Explanation questions require more than just a definition. One of the most common ways to gain the first two marks was to quote the formula. This gained two marks, but it needed to be explained to gain the third. An obvious route into this was to explain what the answer to the formula means (elastic and inelastic). Weaker responses quoted the case study without explaining it. Repetition of the data is unnecessary and will not gain extra marks because it does not demonstrate explanation.

(b) (i)   A well answered question with candidates obviously understanding the mechanics of using a cashflow forecast. Where answers were incorrect, it was often from a misunderstanding of the opening balance rather than a calculation error. Once again by showing working these answers could be rewarded with a single mark where appropriate.

(ii)   This was a relatively easy question to answer generically, but more difficult to answer in context. Most candidates could recognise one or two advantages of a business taking a new order (increased revenue, profits, reputation, etc.) but it was rarer for a candidate to place these in the context of FFE, which sells to other businesses and has a number of specific issues.

This kind of question differentiates well between those candidates who have learned the syllabus and know the generic answers and those who can apply their knowledge to a given piece of data.

(c)   Most candidates could identify two of the 4Ps (or 4C's) of the marketing mix but success in applying this knowledge to FFE depending on the Ps that the candidate had chosen. This is a good example of a candidate needing to be selective over their use of knowledge. Product and Price were easy to apply and analyse well. The data lent itself well for candidates to use when analysing the impact of these on FFE. However, some candidates chose to use Place and Promotion. Whilst there was enough data to analyse these in context, candidates had to have a very good understanding of business to business marketing to fully analyse their importance, which was sometimes lacking.

Candidates need to be taught to use the arguments and elements that they feel they can best analyse in the context of the business. Not just the first two that come to mind.

(d)   This was the least well done answer of the examination. This may have been because it was the last answer and some candidates ran out of time, or could have been because accounting and finance topics are often less well understood.

Many candidates had obviously learned ways in which a business could improve cash flow but did not (or could not) apply these to the situation FFE found itself in.

There was a great deal of data in the cash flow forecast which could have been utilised effectively. Many candidates simply ignored this data and this led to generic answers which often received no more than four marks.

Centres should practise questions where data is provided in multiple formats; tables and graphs especially. These will not just be used in calculation questions but are likely to provide important context for other questions as well.

BUSINESS

> **Paper 9609/23**
> **Data Response**

Key Messages

- Candidates should be reminded that the data is included to enable them to place their answers in the context of a given business. This is especially important for questions **1(b)(ii)**, **1(c)**, **1(d)**, **2(b)(ii)**, **2(c)** and **2(d)** where a lack of context mean an answer can be awarded only half marks or less.
- Candidates must read the questions thoroughly. Each question is a set of instructions which, if understood and followed, will produce an excellent answer. Candidates who do not understand or follow the instructions are unlikely to gain high marks. For example on **Question 1(c)**, candidates were asked specifically about web-based sources of finance – not just secondary sources.
- Candidates sometimes make a point but do not take it far enough. For example on **Question 2(c)** where many candidates correctly identified economies of scale that YP could benefit from but did not go on to analyse the impact on YP of that economy of scale. If a candidate states that YP may benefit from purchasing economies of scale through bulk buying, then this is good knowledge, but what is the potential impact on YP? It leaves the reader asking 'so what?' Candidates need to take it further and analyse the likely impact on costs to the business, productivity of the business and, in the end, profits for YP.
- Evaluation must be based on good analysis. However that does not mean it must come at the end of the response. Candidates will often deal with one point at a time but never show how this point helps them to formulate an answer to the question. Good analysis is like building up a jigsaw, piece by piece. Good evaluation is about showing how the whole picture is developing and this can be done after each of the main pieces has been covered. The very best responses are ones where the candidate has already shown evaluation on more than one occasion before the conclusion is written.
- Centres must prepare candidates to respond at the right level for each question. On this specific paper:

  Question 1(a)(i) and **Question 2(a)(i)** both require a definition. This means a simple repetition of a learned definition. No explanation or application is required. A good definition (learned from a textbook) is usually one sentence with nothing else required. Vague, imprecise, or unfocussed definitions will not receive both marks.

  Question 1(a)(ii) and **Question 2(a)(ii)** both require an explanation without using the case study. Each part has three marks and candidates should aim to use a detailed definition with an example of their own for each. The example should not be related to the case as this will often show no understanding, especially as it may be copied from the text.

  Question 1(b) requires a calculation and **Question 2(b)** is a question relating to the answer to that calculation. It is always advisable to use or refer to that answer in the second question. Candidates must answer the second part in context.

  Question 1(c) and **Question 2(c)** both required analysis in context. Candidates should aim for two well analysed points. A good answer *does not* require a conclusion or any evaluation.

  Question (d) and **Question 2(d)** both required evaluation based upon good analysis in context. A good answer will often benefit from a conclusion.

  Question 1(d) and **Question 2(d)** now have 11 marks. This makes evaluation based on good analysis even more important.

General comments

There is a great deal of data compacted into each of the two scenarios (**Question 1** and **Question 2**). Candidates must spend a reasonable amount of time reading and understanding the data before attempting the questions. It is not unreasonable for candidates to spend five minutes on each piece of data before writing any response.

The contexts of Exam Success (ES) and Yondis Phones (YP) were reasonably well understood and most candidates could use some of the context in their answers. However there was a great deal of information contained in the graph and tables which was sometimes ignored. Candidates must be able to interpret data from a number of different sources to give a good contextual answer.

Answering questions in context is vital in this examination and is the basis for good analysis and evaluation. Without context a candidate cannot gain more than half of the marks available on the whole paper.

Comments on specific questions

Question 1

(a) (i) 'Sole trader' was a well understood term and most candidates were able to identify characteristics that defined this form of business ownership. However many candidates did not go far enough to distinguish their definition from one of the other forms of ownership – most commonly a private limited company. A correct definition should make it clear that the term being defined cannot be confused with another similar term. A private limited company, for example, can be owned by one person. The aspects that separate a sole trader from a private limited company concern incorporation, for example a sole trader has unlimited liability. Any of these aspects together with the individual ownership makes it clear that the candidate has defined a sole trader.

(ii) Methods of selection were often not distinguished from methods of recruitment. This led to answers which were not fully focussed on the question. To gain three marks there needed to be an explanation of both the 'methods' and the idea of 'selection' and some form of good understanding shown, usually with an example. It was with the examples that candidates sometimes showed a lack of understanding between methods which were obviously about selection, such as interviews, and method which were usually about recruitment, such as job adverts.

(b) (i) This calculation was generally completed well. Most candidates could use the graph to identify the current level of revenue and then identified the forecast 20% fall in Year 6. Showing working is always important, even in a straightforward question such as this. Some candidates had made an obvious mistake, such as missing a 0 from their answer. With working this can still be rewarded with a single mark, but without it gains zero marks, even if the examiner can guess where it may have come from.

(ii) The most important part of this question was the context. Most candidates could identify ways in which any business could increase revenue but to gain all the marks, candidates needed to base this in the context of ES. Using 'student' instead of 'customers' and identifying aspects of the business which are specific to ES was essential to get all the marks here.

(c) This was an analysis question. Analysis is about consequences, reaction or impact. In this case candidates needed to explain an advantage and a disadvantage of web-based sources of market research and then analyse the advantage and the disadvantage. Many candidates could identify the advantage or disadvantage but did not go on to show the consequence, reaction or effect of this to ES. To gain good analysis candidates must take their points step by step through the analytical process not just jump to the end effect such as revenue or profits.

One of the main issues candidates faced in this question was to distinguish between web based sources of market research and those which are not web-based. This was not a question about generic market research, but many candidates answered in this way. The syllabus requires a knowledge of web-based sources of market research but it was obvious that many candidates could not distinguish these from general secondary sources.

(d) This question required candidates to make a recommendation or judgement over whether Amaya should develop a new range of internet courses. Full marks could be gained by recommending that she should or should not as long as candidates had gone through the process of building up good analysis into arguments for both sides and then come to an evaluative and justified conclusion.

The strongest responses analysed the advantage(s) of one option, then the advantage(s) of the other option and evaluate the two before making an overall recommendation. One analytical argument/point for each option was enough to gain all the marks and candidates should focus on providing one or two good arguments which have a number of analytical steps, rather than many arguments that waste valuable time in the examination. To this end the skill of choosing the best arguments to use is one that should be taught and practised. Candidates do not need to tell the examiner how much they have learned. We can assume that by choosing the best argument, the candidate knows the other, less relevant ones.

Context was relatively well used in this questions and good answers used the data to form the best arguments which answered the question.

Question 2

(a) (i) Most candidates could define 'capital intensive' and this was a reasonably well done question. Contrasting the use of capital with the use of labour was a good way of defining this as long as the candidate did not create a tautological response (i.e. capital intensive is where capital is used intensively).

(ii) Flow production was well understood but explanations sometimes lacked depth or assumed the examiner did not want both aspects of the term explained. In the case of this question the 'flow' aspect was usually well explained, but candidates did not feel the need to explain what was meant by 'production'. When a term has two distinct parts, both must be fully explained.

(b)(i) A generally well answered question and candidates obviously understood how to calculate the acid test ratio. There were some mistakes made in the calculation but where candidates had shown their working, marks could be awarded. For any calculation question where there is an obvious formula involved, a mark will generally be awarded for simply writing out the formula. This is a good habit for candidates to form when answering calculation questions.

(ii) This question did not require candidate to notice that the number has decreased, it specifically asked about the liquidity position. The result of the acid test has decreased, but this does not explain the change in liquidity. For YP the liquidity position has decreased, in other words they are less able to pay short term debts (after inventory has been discounted).

There were some candidates who attempted to answer this in terms of the current ratio. Unfortunately for their answer this had not changed and therefore this did not provide context to answer the question.

As with all questions that follow a calculation, candidates who got the answer wrong to **Question 2(b)(i)** could still gain all of the marks for **Question 2(b)(ii)** as long as they used their own answer.

(c) There were a significant proportion of candidates who had little idea what an economy of scale actually is. This is an area of the syllabus on which centres could focus revision. In particular, many candidates did not follow through the analysis of the economies of scale to an effect on the costs of YP. Economies of scale are specifically about a reduction in average costs as the scale of a business increases. Therefore, any increase in revenue that may occur should not be the focus of the analysis.

Of those candidates who could identify an economy of scale, bulk buying the most common. While this was rewarded as an economy of scale it is really an example of a purchasing economy of scale. Again, this shows a lack of knowledge in this topic area that centres should address.

(d)   A discussion requires evaluation of both sides. In this case the question specifically asked candidates to discuss the advantages and disadvantages. A good route into evaluation was to analyse one or more arguments that selling the phones to the retailer in Country A was an advantage, analyse one or more arguments that it would be a disadvantage and then bring these to a conclusion with a judgement over whether it would be more of an advantage or a disadvantage.

Most candidates could use the context well, although there was some confusion because YP sells products through retailers and not directly to the consumer.

The best responses did not look to analyse many advantages and disadvantages but focussed on one or two. Candidates must learn to be selective in their analysis so that they have enough time in the examination to cover both sides and have time to come to an evaluative conclusion.

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Key messages

- Starting an answer with a relevant definition or explanation of the terms used in the question will show knowledge and focus on the question.
- The questions that follow a calculation question normally call on the candidate to use their answer to that calculation.
- Repeating sections of the case study or including material relating to the topic of the question but not directly addressing it will not attract application marks.
- Addressing the specific question asked is a requirement for knowledge and analysis marks to be awarded.
- Working through past papers, preparing planned structured answers using the published mark schemes will develop the key skills of application, analysis and evaluation.

General comments

The marks awarded showed a very wide spread of attainment. Most candidates were familiar with the concepts discussed in the case study. Some excellent scripts included thought out answers that addressed all the questions in depth, drawing on relevant syllabus topics. The majority of responses showed an understanding of relevant business concepts and skills and the ability to apply these to the questions set, though it was noticeable that many scripts contained little or no attempt to evaluate. Candidates are encouraged to state any formula used when answering calculation questions and to set out their working. Most did so. It is important to address the specific question being answered and failure to do this meant that many responses failed to attract evaluation marks. Starting with a definition of the terms in the question would help focus on the issue in the question. The overwhelming majority of candidates attempted **Q6** and many of these failed to make a recommendation or did so without sustained supporting arguments.

Most candidates attempted to use case material in every answer. **Questions 2(b)** and **3(b)** required reference to the answers to **Questions 2(a)** and **3(a)** respectively, with most answers meeting this requirement. Candidates showed the ability to express textbook explanations of concepts but not all were able to build up a reasoned chain of argument using case material. Fewer went on to use this analysis to support a judgement that answered the question. It is important that candidates apply their understanding to the specific issues in the case and the questions. This enables an excellent answer to be written that is not long or 'wordy' and focuses on the question. Responses that followed the pattern of identifying relevant concepts or techniques, applying them to the case, developing advantages/disadvantages, implications, causes, or consequences then using this analysis to support a recommendation, assessment or discussion scored highly. Practice at planning and structuring answers is recommended.

The quality of written communication varied but was generally good. Examiners are conscious that many candidates are not writing in their first language and go to great lengths to make sure that they credit understanding of the Business syllabus in the answers.

Comments on specific questions

Section A

Question 1

Most candidates demonstrated good understanding of CSR activities and/or social audits. Most but not all cited one or more of the four CSR activities in the case and gave possible benefits, attracting all the knowledge and application marks. The question concerned the benefits of publishing a social audit and many responses did not address this question. Instead they dealt with the benefits of carrying out CSR activities or of carrying out a social audit. These responses attracted few analysis marks as they were not addressing the question set. Answers that made unsubstantiated points that were not in the case e.g. publishing a social audit will lead to government grants or lower taxes could not be credited highly. Those that referred to case issues e.g. publishing the fact that 40% of food was locally sourced might be a promotional tool making consumers aware that local businesses were supported and thus leading to them choosing to buy coffee in KA and so increase sales revenue showed good analysis. The question asked for benefits to KA, and answers that discussed benefits to other organisations or KA's workforce could not be credited. Similarly, answers discussing disadvantages or attempting evaluation were also not credited.

Question 2

(a) The majority of candidates produced the correct answer, with clearly shown working. The most common error was to subtract all costs from revenue to give a figure for profit, rather than subtracting variable costs only. A small number of candidates used the forecast data (not the actual data) and these answers were credited with 1 mark.

(b) Most candidates used, or at least referred to, their answer to **Question 2(a)** and/or to the loss the shops were making, often starting with a sentence containing a judgement. A minority gave the reasons for this, e.g. stating that there is a positive contribution of $0.7m meaning the shops should be kept open. This can be rewarded but will not attract analysis marks. Reasoning could be: that a positive contribution will be made to fixed costs and closing the shops will remove this, so profits would reduce by $0.7m. This chain of causation is analysis.

A good strategy for this type of question is to set out the advantages and disadvantages of closing the five shops, with reasons given, and follow this with a supported recommendation that refers to the preceding arguments. Answers that scored highly tended to take this structured approach. Most answers contained reference to other factors in the decision, though many did not go much further than stating the factors, rather than explaining the reasons why they would impact on the decision. This meant that any evaluation marks were also limited. Other factors included the possible redundancy of the 40 employees, the loss of market share, the loss of KA presence in the areas where the five shops were sited, the leasehold premises and the $1m valuation of the non-current assets. Many candidates thought that there would be $1m in cash that could be used elsewhere in the business. Those that saw that the figure was a valuation and might not be realised and/or that the assets were likely to be items such as tables and coffee machines were generally able to produce good reasons why these could or could not be a key factor in the decision.

Many candidates referred to the setting up cost of $2.5m but failed to appreciate that this was a sunk cost. Candidates who argued that the shops should not be closed before KA carry out a detailed audit of their activities and/or a new marketing campaign to increase revenue were generally well rewarded. Candidates who discussed the economic data in Table 2 generally failed to connect this with the specific decision on the five shops, instead writing about the position of KA as a whole and thus did not address the question. Most candidates gained low evaluation marks, as the recommendation given did not follow or rely on reasoned chains of argument. Some answers failed to give any recommendation despite this being the central requirement of the question.

Question 3

(a) Many answers showed working and gave the correct figures and gained full marks. A significant number of responses contained only one accurate calculation of a profitability ratio. Most of these calculated a different type of ratio for the second one. These included gearing or liquidity ratios and could not be credited. The data given does not enable a calculation of gross profit margin so candidates who attempted this gained one mark for the formula.

(b)   Nearly all candidates correctly identified stakeholders, items of financial data, and referred to their answer to **Question 3(a)**, gaining all the knowledge and application marks. A small number discussed more than two stakeholders and the best two were credited. Most candidates cited some ways in which financial data might be useful, e.g. managers using accounts for decision making or monitoring, suppliers using liquidity to check that payment would be made, governments to calculate tax and shareholders/investors to decide whether to increase investment or not. Many candidates thought that KA was highly geared and cited the figure of 80% from line 27; but this referred to 2013. 2016 data showed less than 50% funding from non-current liabilities and this would not seem to be highly geared. Many candidates were unable to do more than make these kinds of statements, meaning analysis marks were limited. Responses that cited specific pieces of data and showed how a stakeholder might use these for a particular purpose scored highly. The minority of better responses addressed the question of how useful these purposes might be for the stakeholders and attracted evaluation marks beyond Level 1. Most attempts at evaluation consisted of a simple statement that the data would be useful.

Question 4

This proved to be a relatively difficult question for candidates, partly because it asked them to consider two issues – a change to marketing strategy and difficult economic conditions. The importance of a structured answer in building up an argument was not often demonstrated. Such a structure might be: define marketing strategy, set out existing strategy, explain economic conditions using the case data, suggest new marketing objectives in the light of these, suggest changes to marketing mix elements with reasons linked to economic conditions, explain integrated nature of changes, assess the likelihood of success and/or the requirements for success, summary of possibility of success.

Most candidates showed an understanding of marketing strategy and/or its constituent parts and many dealt with the necessity for integration of the parts, though a smaller number actually showed how their suggested strategy was integrated. Very few answers included objectives as a starting point for a marketing strategy. Most answers used case material clearly and gained all the application marks. Suggested elements of a strategy included cutting prices, spending more on promotion, closing or opening shops and reducing the quality of the product. Many answers linked one or more of these elements to the economic conditions and this was credited with analysis. The better answers linked aspects of the strategy (usually the 4 marketing mix elements), e.g. reduce quality and price, promote more to a mass market or to lower income groups, change the image of the product to appeal to this new target audience.

Evaluation marks proved difficult to award as most candidates did not provide an assessment of how likely their suggestions would be to achieve objectives or to succeed in more general terms. Very few compared the likely results of their suggestions with not taking any action. Many candidates gave non-marketing actions, including various ways for KA to lower the costs of their operation (sourcing cheaper beans, cutting wages etc.). These were not rewarded unless linked to a marketing element (e.g. cheaper beans would enable lower prices).

Question 5

Most candidates started by explaining employment contracts and referring to the types of contracts used by KA, though few explicitly stated that these were being used by KA. Application marks were generally awarded for marginal points such as baristas, coffee, food and drink, seasonality or high labour turnover, though a noticeable number of responses contained no reference to the case at all. Many candidates thus did not directly answer the question that concerned the mix of types. Instead the responses tended to list the types of contract and discuss possible reasons for using that type before doing the same for another type. This lack of coherence in relation to the question made it difficult to award evaluation marks at all or even marks above Level 1. Similarly, many responses contained unsubstantiated implications such as 'the mix of contracts results in the high labour turnover', with no attempt made to give any explanation of the reasons why this might be so. This failure to explain often limited the awarding of analysis marks. Many candidates also considered the benefits or disadvantages to the employees on different contracts whereas the question asked for benefits to KA. Better answers did discuss the way that labour costs could be minimised by zero hour contracts enabling staff to be called in at short notice or the way permanent contracts were linked to skilled jobs to enable KA to reduce the chance of those employees leaving.

Question 6

This was answered by well over 90% of candidates. Most gained all the knowledge and application marks by referring to the three strategic choice techniques in Appendix B, often using this information to compare the two options. Many repeated the information without doing any more with it. These answers often simply made statements, e.g. 'the ARR for option 1 is higher so it is a better choice', without explaining why this is so or discussing any qualifications to that reasoning. As a result, many answers contained no or limited analysis. Evaluation was often limited to a recommendation without detailed supporting evidence from the three choice techniques or other case information. Better answers did discuss the reliability and/or accuracy of the forecasts involved in producing the data or the subjectivity in particularly the force field analysis, sometimes going on to draw conclusions that reflected this critique. Some weighed up the differing results of the three techniques. Very few considered the choice in relation to the stated objective of increasing the market share. Most answers attracted 9–12 marks.

Question 7

There were very few answers to this question so it is difficult to comment on general points. Those that attempted the question mostly produced relatively brief unstructured or semi-structured responses. These either focused on management for change techniques (e.g. communicating with employees/stakeholders, a change champion, explaining the change, Kotter's 8 steps) or on the practical steps to be taken (notifying the leaseholder and trade union, preparing redundancy notices, selling the assets). Both approaches were acceptable. Most candidates scored all the knowledge and application marks and made some analytical points. Evaluation marks were less common as most responses did not address the probability of successful implementation given the measures outlined, nor the requirements for success being in place.

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Key messages

- Define key terms
- Identify with care the information required to complete calculations
- Aim to include evaluative comments in main body of answer – not just the conclusion
- Ensure that questions are answered fully – many questions include more than one instruction to follow
- Essays should be strategic in nature

General comments

As in previous years there were some examples of exceptionally business minded candidates able to provide sophisticated answers to the problems posed in the exam. Most candidates were knowledgeable of the core concepts and extension topics within the Business syllabus. Others had only a limited understanding business theory and were unable to define key terms such as delegation. In contrast to some previous paper 3 exams, candidates did not accurately apply techniques to numerical questions. This was, in part, due to a lack of focus on the data provided.

Section B continues to provide a challenge to candidates. In **Question 6**, although candidates were able to make appropriate suggestions, their strategic thinking needed developing. For **Question 7**, candidates focused too much on strategic analysis and answers would have benefited from a more balanced consideration of other elements of strategic management.

Comments on specific questions

Section A

Question 1

Many candidates did not define 'delegation' and of those that did, many were inaccurate. Delegation may be defined as the passing down of authority to perform tasks and take decisions. Candidates often referred to the passing down of *responsibility* rather than *authority* in their answers. Despite the lack of clear or accurate definitions candidates were able to access marks by using evidence within the case study showing how Marco's effective delegation had benefited MFI. Typically candidates analysed the benefits of delegation providing Marco with more time to focus on strategic issues and highlighted ways in which this had enabled MFI to grow as a business. Most candidates understood that delegation could potentially motivate employees and some referred to motivational theorists such as Herzberg and Maslow to support their analysis. However, the focus of the question was specifically the benefit of delegation to MFI and candidates should have linked motivation of employees to benefits such as reduced labour turnover and higher productivity; many answers analysed the benefit to the employee rather than the organisation.

Question 2

Candidates found these calculations challenging. Previous examiner reports have stressed the importance of candidates setting out their methodology so that marks may be awarded where an incorrect answer is offered. The majority of candidates have heeded this advice and as a result those that gave incorrect answers to **Question 2(a)(i)** were able to access marks to subsequent calculations.

(a) (i) A systematic approach to identifying the net cash flows was taken by a number of candidates who provided a table of net cash flows from Year 0 to Year 5. Timing of the cash flows was important and there were many answers that did not identify the cash flow from the resale value of the boats in Year 5. A number of answers just identified the initial cash outflow of $3.2m and did not recognise that the reduction in annual costs by $82 000 per boat should be included in the net cash flows each year. Some candidates misinterpreted the question and attempted to calculate the average annual net cash flow, though nearly all of these answers only included the initial cash outflow and the resale value of the boats.

(ii) Less than one quarter of candidates calculated the correct payback period. However, many candidates gained full marks through setting out correct methodology using their answer to **Question 2(a)(i).** In these cases Own Figure Rule applied.

(iii) Many candidates did not understand the process for calculating net present value.

(b) The focus of this question was whether Marco should *purchase* or *lease* the new fishing boats. A significant minority of candidates devoted time and effort to analysing the costs and benefits to MFI of acquiring the new fishing boats; and so missed the focus of the question. Some candidates usefully started their response by defining terms and explaining the difference between lease and purchase. This approach tended to draw out some of the generic benefits of leasing such as the possible inclusion of maintenance of the boats and benefits of purchase such as ownership of assets.

Good answers typically included commentary their results from **Question 2(a)** and made comparisons with the information from the case regarding payback and NPV for leasing. Better answers then considered issues such as the impact of leasing or purchasing on the need for financing and how increasing interest rates in country X might affect cost, particularly of the option to purchase. Evaluative comment often went no further than identifying that investment appraisal favoured one option or the other. Better evaluation was developed by some candidates through balancing a range of factors and then justifying why one issue was more significant, for example, asserting that with rising interest rates financing the purchase of the boats would be difficult. Other excellent answers did not make a final recommendation but evaluated options in the context of 'it depends on', for example, whether or not the boats could actually be purchased more cheaply from foreign manufacturers.

Candidates need to take time to read the context carefully. A number of candidates appeared to assume that the government subsidy only applied to the purchase of boats. Candidates should also consider checking statements made by key actors within the case, for example, Marco's assertion that payback for leasing was 2.5 years; very few candidates verified that Marco's estimate was accurate.

Question 3

The case study provided clear evidence of changes to the external legal and economic environment. Evidence of these changes was spread throughout the case study. Candidates were able to gain knowledge and application marks through showing an understanding of these changes. Answers typically focused on higher interest rates, competition policy, health and safety and consumer protection. Many candidates developed useful analysis of the impact of these changes on MFI but remained at Level 1 within the mark scheme due to limited development of ideas. Candidates should aim to develop more complex chains of argument that link together three or four consequences to move into Level 2 analysis. Some good answers, having identified a change, provided a balance of possible impacts, for example, contrasting the increased costs associated with new health and safety legislation with the potentially positive impact on employee performance of training and the reduced number of accidents at work benefitting MFI through less absenteeism. The best answers focused on two or three of the changes and thus gave a more developed analysis and evaluation of the impact on MFI.

As in previous exams, the skill of evaluation is demonstrated only briefly, if at all, by many candidates. In this question, relatively simple forms of evaluation were often overlooked; for example, the impact of higher interest rates depends on how much they increase and the gearing ratio of MFI. Relatively few candidates recognised that as most of the changes would be similar for all businesses there may little impact on the relative competitiveness of MFI. Candidates who only explained possible economic and/or legal changes that were not from the case study were limited in the award of marks as they were not focused on the specific question.

Question 4

These numerical questions also proved challenging for the majority of candidates. In particular calculating price elasticity of demand from the data provided resulted in a wide range of incorrect attempts.

(a) (i) Some candidates were unable to identify the relevant base year data from Appendix 2 with which to forecast market size in 2017. A significant number of candidates used the revenue of the largest fish processing company in 2014 as the basis for calculating sales in country Y. Of those candidates that correctly used data for the processed fish market size in 2014 common errors were: simply taking 5% of the 2014 figure or adding 30% to $80m rather than allowing for compound growth of 10% per annum.

(ii) Many candidates correctly stated the formula for calculating price elasticity of demand. However, some inverted the formula and therefore gained no marks. Other candidates did not recognise that there was a need to calculate the change in quantity demanded form the revenue figures given i.e. they treated the change in revenue as being equivalent to the change in quantity. Some candidates mistakenly believed that the price change was from $1 to $5 rather than from $4 to $5. Candidates are advised to take time to read and re-read questions and data before answering to avoid mistakes due to misinterpretation.

(b) Marketing strategy questions are traditionally met with long answers that can lack focus. This has been commented on in previous reports. There is still evidence that candidates continue to consider the elements of the marketing mix in isolation rather than develop a coherent and consistent strategy to achieve marketing objectives. In this case study candidates were required to make use of results from **Question 4(a)** and other relevant information to access full marks. Having calculated price elasticity of demand it was important to demonstrate and understanding of the possible implications for MFI's approach to pricing. Some theoretically sound answers identified that as demand appeared to be price inelastic a market skimming approach might be justified. This could further be supported by reference to the USP of Fine Dine and the premium nature of the product. Linking product and pricing was an effective approach to developing an integrated marketing mix that also demonstrated good use of case material. Better answers also tied these elements of the marketing mix to the rising incomes within country Y. Most candidates recognised that the advertising elasticity of demand was high and suggested that significant promotional expenditure might therefore be appropriate. However, candidates must build chains of argument to reach Level 2 analysis and this was typically lacking. Evaluation was only present in a handful of answers. As the market research was two years old this presented a way into making evaluative comment. Further, candidates might have questioned the validity of any conclusions drawn from the calculation of PED for the premium brand of processed fish from another company.

Question 5

The data in Appendix 1 contrasted two candidates with very different qualities, experiences and management styles. Thus, candidates could highlight and explain whether these different attributes were appropriate for the context of MFI. Given so much relevant information, there was a tendency for candidates to trawl through the data and repeat it in their answers. This usually resulted in answers that were unfocused on the potential impact on MFI of the appointment of one or other of the shortlisted applicants. As in other answers a more sophisticated approach is to choose two or three factors to focus on so as to ensure that a fuller analysis of each is developed. The strongest answers related factors from Appendix 1 to other case information. For example, some answers linked proposed changes to health and safety legislation to Candidate B's degree in Business and Law.

As in most questions there is not a 'correct' answer; the task of the candidate is to develop supported judgement as to whether Candidate A or Candidate B should be selected as the new Operations manager. Although it is not essential to provide a balanced argument it is generally observed that the majority of good answers had a propensity to discuss the strengths and weaknesses of the two shortlisted applicants. Most answers made a supported judgement but relatively few developed good judgment. Candidates should be advised to make evaluative statements within each paragraph of their answer rather than leaving evaluation to a brief concluding paragraph.

Section B

Question 6

Candidates were typically able to develop answers that scored all of the knowledge and application marks and some of the analysis marks. There was sufficient context for candidates to use in developing their responses but as in previous sessions there was a need for candidates to think more strategically and to give much greater focus to evaluating the suggestions made. Many candidates wrote short paragraphs each of which identified one action for directors to take in order to manage the food poisoning crisis. There was often no link made between each paragraph with the result that candidates were making just a list of unrelated responses. Better answers sought to develop a strategic response by, for example, considering actions that were required immediately before then analysing changes that MFI should make in the long term. The best answers provided in-depth analysis and gave thorough evaluative comment throughout their answer and in conclusion. Candidates were quite open to the idea of MFI dealing with the crisis by acting dishonestly or attempting to discredit the family. This was certainly an acceptable approach to dealing with the crisis but good answers also highlighted the dangers of such an approach backfiring if it was eventually proven that MFI was responsible for the food poisoning.

Question 7

Marks for this question were lower than for **Question 6**. In discussing the importance of strategic management most candidates referred to the role of strategic analysis. This frequently resulted in an extended explanation of SWOT and PEST analysis with some occasional reference to MFI. However, many answers were descriptive rather than analytical and so the contribution of these techniques of strategic analysis to the future success of MFI was left undeveloped. A significant minority of candidates did not progress their answer beyond strategic analysis; this constrained the award of marks. Better answers also explained the role of strategic choice and implementation and made specific reference to how these techniques could contribute to future success. The best answers made effective use of the case material, for example, referring to investment appraisal in relation to the purchase of the new fishing boats or linking strategic analysis to the changing economic and legal environment in country X. Candidates providing the most evaluative tone to their answers continually questioned the use of techniques, for example, highlighting the need for SWOT analysis to be frequently updated or the potential subjectivity of Force-field analysis or the limited usefulness of Ansoff's Matrix in making decisions.

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Key messages

- Practise applying theory concepts in a range of case study contexts. This can be achieved through the use of past papers and mark schemes. Advise candidates to spend the first 15 to 20 minutes of time allowed carefully reading the case study and then return to the relevant section before answering each question.
- The use of numerical analysis, such as ratios and financial calculations, should also be supported by an explanation of what the results or changes *mean* for the business or project in question. An integrated approach, that relates financial calculation from one part of the case, should also be analysed in the context of the company finances overall.
- A good evaluative answer includes detailed application, as well as judgements throughout and a well-supported conclusion at the end. Candidates should return to the exact question before writing their final conclusion to ensure that this is addressed, especially in the *Section B* essays where the longer answers sometimes lose focus on the question.

General comments

There was, once again, a wide range of attainment. Many responses indicated that there had been full and effective preparation, with wide syllabus coverage and evidence of encouragement to use the case study to support answers. In contrast, there were some answers that reflected a more general approach, much less focused on the case study and more inclined towards generic 'text book' knowledge and analysis. Success in this case study paper depends very much on the candidate's ability to root their answers firmly within the circumstances and events outlined in the case study, once the essential subject knowledge has been demonstrated.

It is also important for candidates to read the questions carefully and show judgment when required. Better evaluative answers link different parts of the case together and take a strategic overview of the business, objectives and future plans. When a comparison and choice is required, such as between two applicants for a job, candidates should do more than just quote from the case. There should be an attempt to put the advantages and disadvantages of each option firmly in the specific company context.

Centres can improve candidates' performance in the important skills of application, analysis and evaluation, by encouraging them to work through past Paper 3 examinations and assessing answers using published mark schemes. The importance of answering the exact question asked should be emphasised, as fine focus saves time and is key to good results in the case study paper.

Comments on specific questions

Section A

Question 1

This question was well answered by many candidates, who showed good understanding of lean production principles and methods. Application marks were generally gained by commenting that quality and getting new designs to market ahead of competitors would be important to a clothing business. This, in many cases, led to analysis marks around the consequence of lower costs and higher sales and potentially, profit. This was sometimes extended into mention of the need to pay higher dividends to shareholders. Candidates who focused on benefits to employees, in terms of motivation, were only awarded marks once this was linked with benefits to SC, such as improved productivity. Candidates who had misread the question and included disadvantages of lean production did not receive credit for this part of their answer.

Question 2

(a)   Some candidates were able to perform the necessary calculation and work out the difference in profit figure. Many candidates identified the per unit cost difference, but did not extend this to profit change. There was some confusion between a 50 per cent profit margin and 50 per cent mark up, but, if correctly used, this only made a difference of one mark. All candidates who attempted this question received one or more marks for relevant figures and calculations.

(b)   This question led to a range of answers, usually linked to the results from **part (a)**. Most candidates showed an understanding of outsourcing and the possible advantages and disadvantages. Application marks were generally achieved by reference to the near 100 per cent capacity utilisation at the Asian factory, the doubts about whether 'identical quality' may be achievable by PSK and the possible issue of transport costs, given the geographical distances involved.

Question 3

This question was about the choice between two candidates for the Human Resources manager position and proved very accessible to candidates, who were able to compare the age, experiences and other aspects of the applicants and make a decision as to the best choice for SC. Application marks were gained by considering the relative advantages and disadvantages of each candidate, including style of management and lean production experience, linking these with the needs of the job role. The issue of internal or external recruitment was also often discussed, as well as the candidates' ages, attributes and experience. Better responses also questioned whether particular aspects of the candidates would be significant, for example relative age profiles, but very few attempted to support a judgement as to what was the most important factor in the choice. Strong evaluative answers also suggested that the choice would depend on interview and also corporate attitudes, such as favouring a 'soft' or 'hard' HR approach.

Question 4

(a) (i)   Many candidates calculated the return on capital employed correctly and a number of others made an attempt by calculating $2m/$58m.

(ii)   A few candidates carried out this two stage price earnings ratio calculation correctly, but many got no further than an attempt at the formula, often incorrect. There were also a number of instances where intermediate answers had been rounded down, which affected the final outcome, but still achieved full marks.

(iii)   Many candidates calculated the dividend yield correctly, with others making an attempt or receiving a mark for the formula.

(b) There were many very simplistic answers to this part of the question, demonstrating that even candidates who calculated the ratios correctly sometimes lacked understanding of their meaning. In these cases, comments such as 'shareholders may decide whether to keep or sell shares' were typical. Better responses were able to correctly calculate the financial ratio parts of this question and went on to assess the usefulness of the ratios and other information in the table to shareholders. In a few cases, answers were applied more generally to how the company could use the ratios, which did not directly answer the question. Application marks were gained by commenting on the ratios in relation to each other or other calculations, such as gearing, which could also be calculated. A number of candidates also picked up the possibility of 'window dressing' as mentioned in the case study. However, there was much confusion over the meaning of price earnings ratio and the significance of the share price being relatively high compared to earnings per share. Many candidates commented that these ratios alone were not very useful unless compared to other years or companies and this sometimes led to reasonable evaluation.

Question 5

This question was very accessible and most candidates showed an understanding of marketing as it could be applied to the launch of 'Weartex' clothing in their country. However, the concept of an integrated marketing plan, including objectives, budget and strategy appeared less often. A few candidates thought that this was a strategy question and attempted to apply concepts such as Ansoff's matrix. Application marks were often gained by suggesting how the features of the 'Weartex' material could be branded, promoted and sold, linked with the weather conditions and sporting interests of consumers in their own country. Many candidates suggested different pricing strategies and some linked a suggested 'skimming' or premium pricing strategy with rising incomes and spending on sports clothing in their country. A few also commented that the marketing budget needed to launch and compete with existing established brands would need to be significant. Very few candidates evaluated their proposed marketing plan, in terms of what would be the most important factor for success, but some did show an understanding of the importance of coordinated marketing activities.

Section B

Question 6

This was, marginally, the most popular choice of the *Section B* questions. Candidates needed to evaluate the usefulness/sufficiency of information given to the strategic choice between growth options. Appendix 3 provided a wide range of information on each country, but candidates needed to do more than just repeat from the text to gain application marks. A good start in better answers involved using and comparing the information given, but linking this to the proposed plans. For instance, the government owned monopoly internet service provider in country X could lead to higher prices and inefficient service, or internet available to all at lower prices. Either approach was valid. Further application and analysis marks could be gained by linking the information in the table with a PEST analysis approach, comparing the two countries and proposed options. Better responses also analysed why the data given was not sufficient or even very helpful, for instance, a lack of previous data for statistics such as unemployment and population structure. However, there was generally too much focus on the given data in most answers, rather than an attempt to go beyond this and suggest other information which would be essential, such as competitor analysis. Most candidates drew some justified conclusion as to the sufficiency of the data, but these were generally not fully supported, although a small number of the best answers did consider wider issues in terms of information needed to help make the choice.

Question 7

This question, about strategic analysis, was a slightly less popular choice. There was some evidence that this concept is often covered very much in overview, rather than applied to specific situations. There was also some evidence of confusion regarding the role of strategic analysis as a starting point in the strategic management process for SC. Many candidates linked strategic analysis with strategic choice and implementation, often in theory, with focus on the techniques .However, application marks were accessible, for instance by identifying SWOT and PEST factors relevant to the two options or making use of the Boston Matrix to analyse SC's range of products, such as work wear, leisure wear and the new 'Weartex' range. There were few excellent answers to this question, but those that scored better marks typically linked SC's strengths and weaknesses with the growth options and considered PEST factors of the two countries X and Y. Valid use of Porter's Five Forces were uncommon, as were supported conclusions that recommended the most useful or important form of strategic analysis for SC.