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## FOREWORD

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This booklet contains reports written by Examiners on the work of candidates in certain papers. **Its contents are primarily for the information of the subject teachers concerned.**

# BUSINESS STUDIES

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## GCE Ordinary Level

Paper 7115/01

Paper 1

### General comments

Most Centres had prepared their candidates thoroughly for this examination. Although the mean mark for the paper was down on last year there was much evidence of high level knowledge and good understanding. Unsurprisingly some candidates found it more difficult to produce evaluative comments in their answers and often failed to support or justify their comments. The financial/numerate questions were generally well answered. Economic issues need reinforcing and the impact of technology on business was not particularly well understood. The paper discriminated well between candidates and there was no evidence that candidates ran out of time. Perhaps candidates' performance would be improved if they took note of the following:

- In questions that ask for an explanation just producing knowledge will not score highly.
- If a question asks for *two* reasons to be explained you must resist the temptation to give more than two reasons and in so doing explain none of them.
- Careful reading of the question is essential. So if a question asks for reference to a figure then failure to refer to that figure will result in marks being lost. Similarly if a question asks for marketing opportunities to be considered, an answer that discusses a wide range of opportunities that have nothing specifically to do with marketing will not score highly.

### Comments on specific questions

#### Question 1

- (a) Most candidates explained the concept of a fixed cost well and were able to interpret Fig. 1 correctly to produce the answer of \$1 6000. However, in part (iii) many answers ignored the instruction to calculate the cost per leaflet. Thus often the total variable cost was given. The answer should have been \$4.8. Part (iv) produced many different and incorrect answers. Again a common error was to think in terms of total costs not units. Some candidates failed to add the 50% mark up to the average cost per unit. Others made arithmetic errors in their attempt. The correct answer was \$9.6.
- (b) Many candidates showed very good knowledge of alternative pricing methods. Often they made reference to competitor related pricing and suggested that the business should follow this approach. The greatest weakness with many answers was that they failed to focus on the specific thrust of the question, namely was the method being used the best. Many answers failed to come to a conclusion either way and tended to identify the advantages and disadvantages of various possibilities.
- (c) The implications of new machinery for businesses was well understood. However a significant number of candidates identified more than the two required by the question and hence ran out of space before they could properly explain them. Some failed to place their explanation in the context of a printing/manufacturing business and provided answers much more relevant to service activities. Generally this question was well answered.

**Question 2**

- (a) Most candidates were able to comprehend the data given and hence were able to carry out the calculations correctly. The answers were (i) 1.5m and (ii) \$540m. Some answers contained mistakes with decimal points and a few totally misunderstood the data and mistook % figures as being absolute values.
- (b) There a number of very good answers given here. However, weaker candidates merely demonstrated knowledge by simply stating that there were other ways that business size could be measured and then went on to list them.
- (c) This question posed unexpected problems for some candidates. A number confused the public sector with public companies. A greater number failed to directly consider the objectives of public sector businesses but contented themselves with describing what they did and proceeded to give examples such as education and health. The Examiners were expecting to seek closer consideration given to things like providing free access to services/creating jobs/improving the quality of the service.
- (d) This proved quite a challenging question for many. The Examiners were looking for conclusions supported by reasoned justifications. Often they were confronted by answers that listed things like pollution and noise but containing little by way of sustained argument. A focus on the word *always* was needed to gain full marks.

**Question 3**

- (a)(i) Current assets was a concept known vaguely by many but securely by few. The key feature of a current asset is that it is an asset that can be turned into cash quickly and with certainty.
- (ii) The calculation of the current ratio of 1.5 : 1 was successfully carried out by about 50% of candidates. Some left their answer as things like 6 : 4.
- (b)(i) Frequently candidates were unclear as to the distinction between internal and external sources of finance. Many included things like owners savings or friends money. This was a company and was not a sole trading business and thus such answers were not accepted.
- (ii) Many answers here failed to really take the position of the business into account. Thus they produced general answers that would apply to any company. To gain high marks candidates were expected to take note of the current high gearing of the company and to base their answer on this. Unfortunately this was seldom done.
- (c)(i) The better candidates provided a formulae for calculating rate of return on capital and then substituted in. This would have produced an answer of 14.28%. A number of answers left out the % sign. Others made arithmetic errors and without any formulae could not be credited. Method marks are always available for sensible attempts even when mistakes occur.
- (ii) Although many candidates could suggest reasons why cash problems can exist even in profitable businesses they found it difficult to explain one reason well. As happened elsewhere on the paper answers too often were of a list type of many rather than of an explanation of one.

**Question 4**

- (a) Although many candidates wrote very good answers to this question a significant number failed to focus on the specific question set. The question required *marketing* opportunities to be considered. Many candidates ignored this and wrote about things like communications within business. Mistakes like this result in a significant number of marks being lost throughout a paper.
- (b) Many answers here focused on the disadvantages of technological change and only agreed that there were advantages but failed to expand upon this. Thus there often was not much by way of balance in the answers. It was also apparent that some Centres had prepared their candidates less well for questions on this topic area.

- (c)(i) Most candidates were able to explain the concept of an organisational chart quite well and also were aware of the concept of span of control. A surprising number failed to make any reference to Fig. 2 despite the requirement to do so.
- (iii) This proved quite a challenging question for many. The Examiners were looking for a consideration of features such as over supervision/lack of delegation/top heavy structure/excessively hierarchical structure. Many answers made tangential reference to some of these points but often focused on irrelevances.

### Question 5

- (a) The concept of a recession was not well understood. It refers to a downswing in the level of economic activity in an economy. Many answers related it to a business or a customer. This is certainly an area of the new syllabus that appears somewhat under taught. Surprisingly in part (ii) there were some sensible answers although only relatively few could really show *why* a recession should result in falling sales for the business.
- (b) Most candidates could identify problems associated with international trade but often they found it difficult to explain why this problem came about. For example many stated that foreign currencies could create difficulties. Few went a step further to show that movements in exchange rates affected the competitiveness of exports. There were many rather simple answers given to this question related to things like distance that were not closely linked to exporting to other countries as such.
- (c) Most candidates could identify the stages of a product life cycle but a large number failed to accurately label the axes. (ii) proved a difficult question with many answers saying little more than profits would be earned for a short time only. The Examiners were hoping for some mention of things like the need to constantly bring out new products with all the associated costs/problems of obsolete stock/R and D expenditure.

**Paper 7115/02**

**Paper 2**

### General comments

Candidates responded well to the paper and no question appeared to present problems. However, some questions proved difficult to score full marks on due to lack of attention to the command word used in the question, but they gave the opportunity to all candidates to score some marks. Sound knowledge of Business Studies theory was demonstrated and fewer candidates, than previous sessions, lost marks through failure to apply the theory to the case study. The case study itself appeared to be within the understanding of candidates. There were very few blank spaces on papers as nearly all candidates at least attempted an answer to all questions. The standard did vary between Centres. There are a number of points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way:

- To gain the highest marks the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope they will gain some credit. The mark scheme is written to reward the answer required for the question and there is no allowance for alternative responses.
- Candidates need to pay careful attention to the wording of the question. If the question says 'identify two groups' then no explanation is required. If the question says 'explain' then the candidate must give a fuller answer not just a list. The number of marks for the question also gives an indication of the amount of explanation required. Full sentences and a paragraph for each point will often encourage candidates to write a more detailed explanation.
- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for the candidate to 'discuss' then points for and against or advantages and disadvantages should be considered.

- Paper 2 is a case study and the majority of the questions will be in the context of the business in the case study. For example, 'Discuss how EKZ might be affected by government controls on business activity'. Therefore, marks will be awarded for applying the answer to this business. Candidates should try to avoid textbook answers to questions, as full marks will not be gained by doing this. Marks are going to be awarded for applying these concepts to the business in the case and failure to do so will mean these marks are not achieved.
- Where a question carries 8, 10 or 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if judgement is called for in the question. Candidates need to realise that marks will often be awarded for all these assessment criteria when they are constructing their answer to the question. They should try to demonstrate all these assessment criteria in their answers if they are to achieve full marks, depending on the command words used in the question, of course, as evaluation is not always asked for.

### **Comments on specific questions**

#### **Question 1**

- (a) This was answered well by the most candidates. Answers showed a good understanding of unlimited liability and what it means for the partners in the business.
- (b) Generally quite well answered by the vast majority of candidates, as they were able to give a list of the advantages of being a partnership. However, many candidates lost marks by not explaining their answer. They listed a partnership as allowing specialisation of tasks, increasing the available capital, giving an increased number of ideas rather than making it clear why these points were advantages of being a partnership. Hence some but not all the available marks were achieved.
- (c) Most candidates could give two barriers to communication with 'wide span of control' and 'long chain of command' being the most common responses.
- (d) There was a tendency to list a number of ways to improve the internal communication of EKZ without explaining/discussing how the improvement(s) would be effective. The ways suggested included feedback, channel changes, holding meetings, adding a telephone system or email. Very few candidates went on to explain how their suggestions would lead to an improvement in communication for EKZ and so again did not gain full marks.

#### **Question 2**

- (a) This was generally well answered. The majority of candidate answers were general in nature in so far as they concentrated on small retailers and wholesalers without specifically referring to fresh/frozen foods, and how these products should be dealt with in the wholesaler/retailer chain of distribution. Many candidates described the advantages for this retailer buying through the wholesaler rather than importing the goods themselves. The disadvantages of importing to a small retailer were also considered such as increased transport costs. Either approach could gain full marks.
- (b) Candidates were able to list a number of factors that would affect the location decision, such as transport routes, whether small retailers were nearby, location of ports, reliable power supplies, and government regulation on buildings. Candidates lost marks by not discussing these factors or relating it to the case material. Application of fresh/frozen food to these factors was not common in answers. Many candidates scored half or more marks but full marks were rare.

**Question 3**

- (a) The majority of candidates gave two stakeholders e.g. employees, partners, managers, government, creditors, bank. Some incorrectly gave shareholders and some candidates gave two different managers. A few candidates went on to explain their choice which was not required and wasted candidates time – the question just asked them to state two examples and therefore no explanation was required.
- (b) The majority of candidates gained high marks for explaining why these stakeholders would want to see the profit and loss account. For example to calculate how much tax they should pay, if employees jobs are safe and if they might be able to get a pay rise.
- (c) Weaker candidates only commented on the losses of the business but were not able to calculate the ratios. Many candidates were able to correctly calculate gross profit, net profit or ROCE ratios. They often described how these ratios had changed. However, only a few discussed why these changes had come about, i.e. cost of sales had increased whilst sales revenue had remained the same leading to lower gross profit. Also expenses had fallen but not sufficiently to compensate for the increase in cost of sales and so net profit had fallen. Consequently the majority of candidates scored up to 8 marks but only a minority scored full marks. Some confused the years and answered in the reverse and a few candidates discussed the case in general without referring to Fig. 3. Merely stating the figures, i.e. 'the net profit in 2003 was \$20m', gained no marks but describing if they had increased or decreased gained credit.

**Question 4**

- (a) This question was not answered as well as might have been expected. Marketing always proves to be a popular topic and candidates could discuss the four P's. However, they did not apply each of the P's to either food/frozen food market or EKZ in particular. Often candidates just said 'change to competitive pricing' with no explanation of why this would be suitable for EKZ and why it would increase sales or said 'increase promotion' without discussion of which methods would be suitable for a wholesaler. This resulted in few high scoring answers but many in the 4-8 range.
- (b) There were many responses which scored half marks by saying supermarkets bulk buy and therefore get discounts and could sell their products at a lower price. Some also went on to consider further points such as supermarkets sell a much greater volume of goods and its costs relative to sales are therefore much lower than small shops costs per item sold. The majority of answers did not gain full marks.
- (c) Many responded to this question by incorrectly saying that small food shops should lower their prices or increase advertising to compete with large supermarkets. Fewer candidates were aware of the importance of customer service as a way of competing. Consequently again there were few answers which gained full marks but many half marks.

**Question 5**

- (a) This proved to be a difficult question. More able candidates identified that the exchange rate had appreciated leading to lower import prices. This could allow EKZ to lower their prices, increase sales and also increase profits. Many candidates got confused and thought the exchange rate had depreciated. A few thought EKZ was an exporter.
- (b) Many candidates gained full marks for this question. Examples of government control included import taxes, consumer protection laws, and location restrictions.
- (c) Candidates were able to show how government controls might affect business activity. However, many answers once again tended to be generalised and not specific to EKZ. Many candidates did not adequately show the consequences of specific government controls on EKZ operations. Often candidates would make the comment that a certain government control would close EKZ down or EKZ's profits would decline, without explaining why and how this would happen.