

**Location Entry Codes**

From the June 2007 session, as part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

| Question Paper                | Mark Scheme                | Principal Examiner's Report                |
|-------------------------------|----------------------------|--|
| Introduction                  | Introduction               | Introduction                               |
| First variant Question Paper  | First variant Mark Scheme  | First variant Principal Examiner's Report  |
| Second variant Question Paper | Second variant Mark Scheme | Second variant Principal Examiner's Report |

**Who can I contact for further information on these changes?**

Please direct any questions about this to CIE's Customer Services team at: [international@cie.org.uk](mailto:international@cie.org.uk)

# BUSINESS STUDIES

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Paper 7115/01

Short Answer/Structured Response

## General comments

The paper produced a very wide spread of marks demonstrating its ability to discriminate effectively across the full ability range of candidates. The entry for the subject continues to rise and the Examiners were pleased to see the large number of very good answers that were produced by many candidates. However a significant number of candidates found the paper somewhat challenging. Nevertheless there were opportunities for all to demonstrate what they knew and could do. The Examiners believe that it would benefit all candidates if the following were drawn to their attention.

- Read the trigger word in the question carefully.
- If a question asks for an explanation then a list of points simply will not do.
- When an example is asked for it must be provided.
- Always show working in numerical calculations.
- Use the data provided when answering a question. It is there to help.
- When a question asks for a recommendation then some justification for the choice is required.
- Develop and sustain a point of view when answering questions.
- When answering open ended questions such as “what do you think” it is usually best to consider two sides of an argument. On the one hand ..... but perhaps this needs to be considered. On balance I believe .....

## Specific Comments

### **1 Country X**

- (a) Answered correctly by virtually all candidates.
- (b) Although the vast majority of candidates were aware of the distinction between the private sector and the public sector and hence concluded that a mixed economy contained some elements of both, a surprising number were unable to develop their answer to say anything else. The Examiners were expecting an explanation to go along the lines of identifying the differing aims and objectives or perhaps to consider why the mix existed. There is also some confusion in the minds of some candidates between public sector and public limited companies. A small minority of candidates confused this question with an economy having a mixture of primary, secondary and tertiary businesses.
- (c) This topic area was not well understood by many candidates. Most knew that AGMs provide an opportunity for shareholders to vote and elect the board members. However a significant number of answers contained errors – decide what to do next year/decide how much profit has been made/make decisions regarding operational matters/find out about the accounts. This appears to be an area of the syllabus that needs greater attention in a large number of Centres.

- (d)(i) Many good answers were provided in response to this question showing considerable awareness of business issues. Answers included a lack of liquidity, too high gearing, highly competitive markets, and issues to do with the competence of managers.
- (ii) A surprising number of candidates answered this uncritically by saying yes they should. They often supported this by giving quite plausible reasons such as job creation, helping national output and supporting local communities. A significant number gave reasons that were less convincing although perhaps not without some merit such as to help competition and to boost tax receipts. Some answers were a little naïve and ran along the lines of giving the business a second chance. Surprisingly few took the line that perhaps businesses failed because there was little demand for their products so supporting them would achieve little. Even fewer looked at the opportunity cost of the use of government funds. The Examiners believe that candidates need to be encouraged to think about issues like this and not to simply learn an answer based on 'yes they should or no they should not'. It is the quality of the supporting evidence that gains the top marks.

## 2 Biograph

- (a)(i) The majority of candidates failed to correctly answer this question. Many candidates gave \$330m as the answer based on 10% of \$300m added on to \$300m.
- (ii) This proved a challenging question for many candidates. A large number of answers thought that the company's market share had fallen because its sales had fallen. They concluded that this must have been due to increased competition. Relatively few were able to accurately explain that the reason was to do with the growth in the total market sales outstripping the growth in the sales of Biograph. Candidates need practice at looking at and interpreting evidence.
- (iii) Most candidates were able to suggest a method that could be used to boost market share. Many ignored the requirement to identify ONE method and others included advertising in their answer despite the question specifically excluding this. Few attempted to justify their recommended method.
- (b)(i) Answered well by almost all. Errors that did occur were to confuse a budget with an historical statement about last years spending. A number of weaker answers merely said something like 'shows how much to spend'.
- (ii) Not very well answered. Many candidates ignored the cost effective element of the question and said that it must have been effective because sales went up. Others sat on the fence and said they were not too sure because although sales went up market share went down. Those who did use the data in their answer sometimes became confused and thought that the business had spent \$35m more on adverting to get sales of \$50m. Again careful analysis of business data is an important skill that candidates need to practice.
- (c) The concept of market segmentation was known to most candidates and there were many good answers that discussed how such methods might help target the marketing effort more effectively.

## 3 Puregloss

- (a) Although the majority correctly calculated both sales and overheads (answers \$500m and \$110m) a surprising number of candidates made at least one mistake. A common error in part (i) was to give \$200m i.e. \$350m - \$150m. Likewise in part (ii) \$190m was often given as the answer.
- (b) Although most candidates could identify reasons why profit mattered to a company they found it much harder to explain why it mattered.
- (c) Many found this quite a challenge. Some discussed the difference in terms of pre and post tax and this was acceptable. Others did refer to issues such as debtors and creditors. Most knew that profit and cash were not the same but they found it hard to explain why this was the case.

- (d)(i) Very well done with almost all candidates having the knowledge to answer this correctly.
- (ii) Again well done although a few confused creditors with debtors.
- (iii) This proved an excellent discriminatory question. Weaker answers basically said yes 2006 was a successful year because sales and profit were higher than 2005. Better candidates analysed the data and calculated the net profit margins and discovered that these fell in 2006. Others went further still and discussed issues like measures of success such as return on capital and how it was difficult to tell given the absence of data on matters such as this. There were some really excellent answers given to this question that impressed the Examiners greatly.

#### 4 Colour Yarn

- (a) Most candidates were able to identify two functions of management although once again often struggled to explain what these functions involved.
- (b)(i) Generally well answered although some responses said that it was the opposite to being motivated! Better candidates discussed the attitude aspects of demotivation.
- (ii) Most candidates were able to identify methods that management could use to motivate employees. Some included financial incentives that the question excluded. However there was often little real attempt made to explain how the methods actually led to increased motivation. Some answers said by making conditions better but failed to even suggest why this might prove successful. Better candidates not only identified methods but demonstrated their impact on attitude or in helping to better satisfy employee needs.
- (c) Generally well answered although some candidates failed to include an example in their response.
- (d) There was often a good understanding of health and safety issues shown by candidates. However some concluded that there was no need for such legislation for employees in a retail shop.(Dangers still exist however). Some candidates included issues that health and safety are not concerned with such as employment contracts and job security. Others took it to mean that the employee would be safe from attack.

#### 5 Abioli

- (a) Generally well known with most candidates able to identify and explain economies of scale.
- (b) Not well answered. There were many inaccurate answers given here that often looked at quality issues. The main focus on a top mark answer here had to lie on the improved relationship between inputs and output.
- (c)(i - ii) Quite a number of candidates correctly calculated both parts. Some candidates (often from the same Centres) did not attempt the question. Others became confused by the data and produced wrong calculations such as  $240000/80000 = 3$ . Candidates need to be reminded of the need to show their workings as method marks are available for meaningful attempts.
- (iii) This proved a difficult question. The productivity fell in 2006 and this was often missed by candidates who had correctly made the calculation in part (ii). Consequently they provided answers that explained why the productivity might have risen. Better candidates produced answers consistent with their calculations.
- (d) Usually very well answered. Many candidates were well aware of the concept of lean production and were able to illustrate their answers with examples taken from lean production methods. A minority of candidates were unaware of the concept and these usually were from the same Centres.

**Paper 7115/01****Short Answer/Structured Response****General comments**

The paper produced a very wide spread of marks demonstrating its ability to discriminate effectively across the full ability range of candidates. The entry for the subject continues to rise and the Examiners were pleased to see the large number of very good answers that were produced by many candidates. However a significant number of candidates found the paper somewhat challenging. Nevertheless there were opportunities for all to demonstrate what they knew and could do. The Examiners believe that it would benefit all candidates if the following were drawn to their attention.

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**Specific Comments****1 Country X**

- (a) Answered correctly by virtually all candidates.
- (b) Although the vast majority of candidates were aware of the distinction between the private sector and the public sector and hence concluded that a mixed economy contained some elements of both, a surprising number were unable to develop their answer to say anything else. The Examiners were expecting an explanation to go along the lines of identifying the differing aims and objectives or perhaps to consider why the mix existed. There is also some confusion in the minds of some candidates between public sector and public limited companies. A small minority of candidates confused this question with an economy having a mixture of primary, secondary and tertiary businesses.
- (c) This topic area was not well understood by many candidates. Most knew that AGMs provide an opportunity for shareholders to vote and elect the board members. However a significant number of answers contained errors – decide what to do next year/decide how much profit has been made/make decisions regarding operational matters/find out about the accounts. This appears to be an area of the syllabus that needs greater attention in a large number of Centres.
- (d)(i) Many good answers were provided in response to this question showing considerable awareness of business issues. Answers included a lack of liquidity, too high gearing, highly competitive markets, and issues to do with the competence of managers.
- (ii) A surprising number of candidates answered this uncritically by saying yes they should. They often supported this by giving quite plausible reasons such as job creation, helping national output and supporting local communities. A significant number gave reasons that were less convincing although perhaps not without some merit such as to help competition and to boost tax receipts. Some answers were a little naïve and ran along the lines of giving the business a second chance. Surprisingly few took the line that perhaps businesses failed because there was little demand for their products so supporting them would achieve little. Even fewer looked at the opportunity cost of the use of government funds. The Examiners believe that candidates need to be encouraged to think about issues like this and not to simply learn an answer based on ‘yes they should or no they should not’. It is the quality of the supporting evidence that gains the top marks.

**2 Superbrek**

- (a) The calculation of the value of sales proved surprisingly troublesome for some candidates. (Answer was \$90m.) Errors included taking 25% of \$300m or calculating 20% of £300m and arriving at \$360m as the final answer. Candidates appear to need more practice at data manipulation.
- (b) Not very well answered. Many of the responses failed to differentiate between an extension strategy and any methods designed to increase sales. Even those who did correctly identify an appropriate strategy found it difficult to show how it might extend the life of a product.
- (c) (i) Well known to almost all candidates.
- (ii) Although many candidates knew that not all information is helpful, they often found it difficult to explain why this is the case.
- (d) Although sometimes well answered, many responses often contradicted themselves starting off by saying it was true and then demonstrating that marketing matters. This question discriminated very effectively between candidates.

**3 Puregloss**

- (a) Although the majority correctly calculated both sales and overheads (answers \$500m and \$110m) a surprising number of candidates made at least one mistake. A common error in part (i) was to give \$200m i.e. \$350m - \$150m. Likewise in part (ii) \$190m was often given as the answer.
- (b) Although most candidates could identify reasons why profit mattered to a company they found it much harder to explain why it mattered.
- (c) Many found this quite a challenge. Some discussed the difference in terms of pre and post tax and this was acceptable. Others did refer to issues such as debtors and creditors. Most knew that profit and cash were not the same but they found it hard to explain why this was the case.
- (d) (i) Very well done with almost all candidates having the knowledge to answer this correctly.
- (ii) Again well done although a few confused creditors with debtors.
- (iii) This proved an excellent discriminatory question. Weaker answers basically said yes 2006 was a successful year because sales and profit were higher than 2005. Better candidates analysed the data and calculated the net profit margins and discovered that these fell in 2006. Others went further still and discussed issues like measures of success such as return on capital and how it was difficult to tell given the absence of data on matters such as this. There were some really excellent answers given to this question that impressed the Examiners greatly.

**4 Happy Dreams**

- (a) (i) Well answered with nearly all candidates able to say what is contained in a job description.
- (ii) Many answers failed to focus on how a job description helps the recruitment process. Many looked at it from the view point of the job candidate. Others looked at issues after recruitment, such as no need for training because people could do the job. In sum, surprisingly poorly answered.
- (b) Well answered. Most candidates were aware of the positive impact that training has on employees' performance. Many however failed to recognise that training does cost money and does not always produce the desired results. For an answer to gain top marks it was necessary to recognise this even if on balance the conclusion was that in the long run training adds more to revenue than to costs and hence adds to profits.

- (c) Generally candidates answered this question in a sensible and appropriate way. They recognised that such an outbreak might damage the hotel's reputation and hence have a negative impact on revenue. Some answers were however somewhat naïve and over simplistic, e.g. promising never to poison anyone again. Better answers identified appropriate strategies that could be adopted to help prevent a recurrence.
- (d) Many good answers were given to this question. The most common error was simply to write about styles of management but to fail to link the answer in to their probable impact on motivation.

## 5 **Abioli**

- (a) Generally well known with most candidates able to identify and explain economies of scale.
- (b) Not well answered. There were many inaccurate answers given here that often looked at quality issues. The main focus on a top mark answer here had to lie on the improved relationship between inputs and output.
- (c) (i - ii) Quite a number of candidates correctly calculated both parts. Some candidates (often from the same Centres) did not attempt the question. Others became confused by the data and produced wrong calculations such as  $240000/80000 = 3$ . Candidates need to be reminded of the need to show their workings as method marks are available for meaningful attempts.
  - (iii) This proved a difficult question. The productivity fell in 2006 and this was often missed by candidates who had correctly made the calculation in part (ii). Consequently they provided answers that explained why the productivity might have risen. Better candidates produced answers consistent with their calculations.
- (d) Usually very well answered. Many candidates were well aware of the concept of lean production and were able to illustrate their answers with examples taken from lean production methods. A minority of candidates were unaware of the concept and these usually were from the same Centres.

# BUSINESS STUDIES

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**Paper 7115/02**

**Case Study**

## General comments

Candidates responded well to the paper and no question appeared to present problems. On the whole, candidates were well prepared in terms of knowledge and understanding required; but the application of this knowledge let the majority of candidates down on this paper. Also lack of attention to the command words used in the questions meant that some questions proved difficult to score full marks but there was opportunity for all candidates to score some marks. Candidates have improved at providing a judgment, when the question calls for one, but many continue to write this as a single statement and do not justify their decision. The revised arrangement of the exam paper with headings to assist in the structuring of the written answers seems to have assisted more specific responses but most candidates were able to cope by providing whole-page answers and scoring some high marks from these.

The case study itself appeared to be within the understanding of candidates and proved to be topical. Time did not appear to be a problem for candidates and there were very few blank spaces on papers as nearly all candidates at least attempted an answer to all questions. The only question which did have occasional blank spaces was **Question 3a** where some candidates did not know what was meant by economies of scale. The standard did vary between Centres.

The general standard of English used by candidates was good, considering that it is the second language for most, and it did not prove a barrier to the performance of most candidates. As is normal, candidates were not penalised for weaknesses in grammar, punctuation and spelling, providing that Examiners could understand what candidates intended.

Here 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.

- Candidates need to pay careful attention to the wording of the question. If the question says 'EE provides training to its staff. Analyse the benefits of this training to customers and employees of EE' then the answer must just refer to customers and employees and not to the business itself to gain full marks. If the question says 'Discuss the effects each of these laws might have on EE' then the candidate must consider in what ways the business might be affected by these laws and not just discuss what the laws mean in general. Also encouraging candidates to write in full sentences and give a paragraph for each point being discussed will often mean they write more detailed explanation than if just bullet points are used and consequently they will be more likely to increase their marks.
- 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 whether you think they should do this' then points for and against or advantages and disadvantages should be considered and advice with a justification should be given, ideally, at the end of their answer.
- 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, 'Explain three sources of finance EE could use.' Marks are awarded for applying these concepts to the business case and failure to do so will mean these marks are not achieved which could have a significant effect on the candidate's final grade. It is essential when preparing candidates for this paper to expose them to case studies on a regular basis in class. Theoretical knowledge of business terms and concepts alone is unlikely to lead to the highest grades being gained on this paper. Spending time in class doing case studies would develop the candidates' ability to apply their knowledge in many different situations and would enhance the quality of their answers in the exam.



- Where a question carries 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 judgment 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. For example, 'EE currently sells its products directly to consumers through its shops. The Directors are considering selling goods on the Internet. Discuss whether you think they should do this'. Some marks will be for demonstrating knowledge of the advantages or disadvantages of selling goods via the Internet. However if these points are only stated then very few marks will be awarded. The candidate should go on to explain these points and why they might be an advantage or disadvantage to the business if they are to gain half marks or more. Application of the answer to the case is required for further marks and finally a judgment needs to be made as to whether the business should start selling their goods on the Internet or not and why the candidate thinks this is what they should do to gain the evaluation marks.

### **Comments on specific questions**

#### **Question 1**

- (a) This was well answered by many candidates but it was surprising how many candidates thought a Plc was run by the government for the benefit of society. Weaker candidates focused on the advantages of being a limited company and considered limited liability but did not see that they needed to distinguish between a private limited company and a public limited company. Other candidates only considered the advantages and disadvantages of being a large business; focusing their answer on the size of business rather than its type. Application marks were not often awarded as responses were generally of a textbook nature rather than focused on the business in the case study.
- (b) This was well answered by most candidates with selling shares, bank loans, and debentures being the most common examples. A frequent incorrect response from weaker candidates was overdraft or running stocks down which was inappropriate for this situation. However, full marks were rare as the source of finance was not always explained in detail and application was not often rewarded, although there were opportunities for candidates e.g. leasing is good as it often includes maintenance of vehicles and avoids the problems of depreciation.

#### **Question 2**

- (a) All candidates seemed to understand the concept of the Internet, often considering the benefits of a wider market, lower costs. The possibility of fraud and lack of personal contact with customers were the most common disadvantages given. Application of the Internet to electrical goods was often overlooked, especially delivery and associated problems. A number of candidates seemed to just assume that EE would close all its shops down and operate a web only outlet. No candidates considered using the out of stores of Budget Deals as places to distribute to net based customers or even using the staff to support the new venture. Weaker candidates listed advantages or disadvantages and therefore lost marks because they did not explain why the point was an advantage or a disadvantage. Full marks were also often not given because the candidate only gave a one sided argument and did not justify their recommendation.
- (b) There was a wide recognition of the product life cycle and its key features and the majority of candidates used the diagram provided to consider the two different stages. Marks were lost by candidates giving inappropriate pricing strategies (e.g. penetration pricing for video recorders), not naming strategies at all or just describing as many pricing strategies as they could remember without any reference to the diagram provided. Weak responses would just say raise prices or lower prices. The appropriateness of the different pricing strategies to different stages of a products' life cycle was only well understood by stronger candidates.

### Question 3

- (a) Many candidates were aware of economies of scale and were able to gain full marks for knowledge/analysis. The most common examples were purchasing, financial, technical, and managerial. Application marks were once again poor as unfortunately too many had forgotten the context and discussed in terms of a manufacturing business rather than a retail service business. Weaker candidates either did not have any knowledge of this subject or made some attempt at discussing mixed economies.
- (b) Virtually all candidates managed to gain some marks by referring to the data in Appendix 1 but only better candidates could really analyse and evaluate the data fully by balancing incurred costs with actual sales. Full marks were not gained very often because better candidates did not make a judgement even though they had good balanced arguments. Some weaker candidates misinterpreted the question and thought that there was no electricity in the shop B area.

### Question 4

- (a) Candidates were prompted by the use of the word “most” in bold, but still failed to clearly identify the use of trained staff v the use of untrained staff. “Old” people took a hammering – weak, poor health, forgetful, unable to learn about new products. The needs of customers and continuity, product knowledge, and potential industrial relations/unions were seldom addressed except in a general sense. That said the majority of candidates scored at least half marks and there were some well argued points but again not well applied and therefore full marks were rare.
- (b) Usually well answered with responses such as making customers feel valued and feeling they could get a better product to meet their needs being the most popular content of the good answers. For employees the focus was on motivation, confidence, pay and career prospects and this was often high scoring. Weaker responses on part (ii) focused on the benefits to the business rather than to the employees.

### Question 5

- (a) The connection between currency changes and costs was seen quite often although weaker candidates got it the wrong way round and thought a currency appreciation would make the imports more expensive. The balancing act of low prices and high quality goods, as in the case material, was often overlooked although plenty of references to Appendix 3 were made. Discussion of the need to maintain the quality of the products they sell in their shops to ensure customer satisfaction was the most common core answer. Weaker candidates did little more than recount the factors identified in Appendix. 3. The best answers explained it was an issue the directors needed to keep under review as obviously improvements were taking place with the potential new suppliers and this is a competitive retail sector.
- (b) Most candidates were able to outline one law to protect employees with many references to minimum wage, discrimination and health and safety requirements. Laws to protect customers was less obvious, with much emphasis on prices and quality rather than ‘fit for purpose’ or dishonest advertising claims. The second part presented some problems for weaker candidates and they tended to repeat what they had written in the first part of the question. Better answers focused on the consequences for the firm.

Overall the quality of the answers from the majority of Centres was very good. Although candidates lost marks through lack of application, nevertheless the depth of understanding was apparent in many cases. There were few examples of low scoring candidates and many examples of high scoring candidates where they had not only applied their answers well but also made judgments which were fully justified.