

BUSINESS AND MANAGEMENT

Paper 9771/01
Business Concepts

Key Messages

Centres should:

- Give extensive practice at all quantitative techniques and cover all aspects of the syllabus to ensure that candidates are prepared for potential MCQs on topics that might not lend themselves well to data response or essay questions.
- Encourage extensive reading around current economic and business issues – focusing on how they impact differently on different types of businesses.
- Encourage candidates to write extended essay answers frequently and encourage the use of paragraphs to allow for clear separation of points.
- Ensure that candidates learn definitions of the many key terms within the specification.
- Encourage candidates to focus strategic decisions on the business objectives.
- Provide extensive practice of case study answering techniques.

General Comments

There was a very wide range of total marks on this paper. The mean was slightly down from previous years, reflecting in part the multiple choice questions that candidates, on average, found more challenging. There was good evidence that Centres are preparing candidates effectively for the quantitative multiple choice questions and encouraging them to use a wide range of business examples in their answers to the essay questions in **Section 3**. There were very few candidates who were not able to pick up marks on nearly every question in **Section 2** particularly in terms of knowledge and application marks. This paper continues to be a very good test of candidates' abilities in handling numerate data, applying important Business and Management concepts to a particular business scenario and writing a detailed and well supported essay.

Comments on Specific Questions

Section 1

Marks ranged from 5 to 17. The mean result was 12.5 (13.9 in 2014). The questions with the highest success rate were **Questions 9, 12 and 20**. It is pleasing to report that these were focused on numerate techniques. The questions with the lowest success rate were **Questions 1, 7 and 13**. Centres are reminded that approximately 8 multiple choice questions will involve the need for some calculations. This section will also examine, over a number of sessions, all topic areas of the syllabus.

Section 2

Question 21

The calculations in part **(a)** were correctly completed by many candidates. The main problem for candidates who did not gain full marks was the omission of the number of employees from the calculation of the 'total number of days worked'.

Part **(b)** was generally effectively answered with most candidates identifying at least one of the HR problems within the business and explaining an appropriate way in which this might be approached. The weakest aspect of many answers was in the evaluation of the method chosen. For example, a common suggestion was to adapt the management style to one more suited for technically minded R and D engineers, but the way in which this significant change might be introduced and the need to involve the R and D employees in the new management style could have been more effectively examined.

Question 22

Some answers to this question hardly referred to the data in Table C at all. Other answers made insufficient use of the data – for example, by ignoring the substantial proposed dividend payout or the increase in the gearing ratio between 2014 and 2015.

The best answers weighed up two or three long term/permanent sources of finance and used the data in analysing each of them. For example, the impact on the gearing ratio and the degree of financial risk was frequently assessed if ADS decided to increase its long term liabilities. The impact on the dividend yield was calculated by some candidates assuming that the proposed dividend payout was cut to allow for an increase in retained profits. Some candidates suggested that, before a final recommendation could be made, other information would also have been useful such as the existing totals for long term liabilities and capital employed and the dividend yield and share price movements of public limited companies in the same industrial sector. When ‘additional data’ is explained in terms of its potential usefulness to answering the question then this is sound evaluation.

An issue that arose in many answers was the assumption that ‘retained profits’ must all be readily available in a cash form – which is rarely the case in reality.

Question 23

It is pleasing to report that very few candidates confused the term ‘research and development’ with ‘market research’ which is often a feature of answers to questions on this topic. Some weaker answers failed to make any use of the data contained in Table A. Better answers showed an understanding that these data suggested that ‘just spending more’ on R and D did not guarantee either technical or commercial success and this is an important evaluative point. There was no right or wrong answer to this question and some candidates gained high marks for arguing that ADS should cut back on R and D and focus on market development and making the driverless invention a commercial success. Other, equally successful responses, made a convincing case for the ultimate importance of further innovative products to keep ADS competitive in this particular market.

Question 24

This question was not well answered in many instances. The main thrust of the majority of responses was a suggestion that ADS should locate production in Asia. It was accepted by Examiners that this could form part of a marketing strategy to enter the Asian market so credit was awarded. To gain high marks, however, candidates should have explained how a low cost Asian production base might allow a marketing strategy based on penetration pricing – and that this would need to be supported by an integrated marketing mix. A few answers argued effectively for using joint ventures or agreements with existing Asian car manufacturers as a basis for entering markets in this region. Other answers suggested that, despite the potential high cost, ADS should set up their own marketing division in Asia to retain control over marketing strategy which should focus on the quality and technologically advanced nature of its products.

Section 3

Question 25

This was the most popular of the four essay titles by far – but it was not always answered with the same level of astute analysis and evaluation that the other questions sometimes were. The key points about quality – that it should be perceived as being relative to product price and is based on customer expectations – were ignored by some candidates. Their answers tended to suggest that ‘absolute quality is always important apart from when a business such as Primark is considered because they sell low quality products’. Statements of this kind suggest that candidates have not considered the very important issue of customer expectations.

Other issues that could have featured more prominently in some answers were the potential marketing and customer relationship advantages of meeting quality expectations. In addition, the cost of meeting quality standards could have been analysed and compared with the potential benefits. Some candidates made a genuine attempt to weigh up the significance of other factors, such as price and brand image, to the success of a business.

Question 26

This proved to be a remarkably topical question. It helps to demonstrate the importance of Business and Management students being encouraged to keep abreast of significant business matters in the real world. A few very good answers recognised both the potential benefits and potential risks to British businesses of the UK leaving the EU. Evaluation was often quite effectively based around a consideration of those businesses that would be most affected and those that would be least affected – if at all. This form of evaluation, if well supported by actual business examples, is perfectly acceptable.

Question 27

This was not a very popular question, but some candidates made a very good attempt to use actual business examples to demonstrate when culture should be 'left alone' and when efforts should be made to change it. There was generally quite sound recognition of the issues concerning culture change and all of the answers to this question made some attempt to incorporate the thrust of the original quote into the analysis of the points made.

Question 28

This is a fairly standard type of Business and Management essay, yet very few of the answers grasped the importance of the word 'all' in the question. Answers tended to consider several stakeholders in turn – sometimes just three groups – and analyse why it might be important for a business to satisfy each group's objectives. This does not lend itself to a very evaluative approach. It would have been much more effective if candidates had been able to recognise the potential for conflicts and conflation with stakeholder objectives. For example, the natural local environment might suffer from the expansion plans of a business. This could make satisfying the objectives of both environmental pressure groups and shareholders simultaneously very difficult. In contrast, offering a more attractive remuneration package to employees could lead to improved customer service (better motivated employees) as well as a longer term increase in profitability – so satisfying shareholders too.

BUSINESS AND MANAGEMENT

Paper 9771/02
Strategic Decisions

Key messages

All the key messages from the last Examiner Report still stand but it is pleasing that progress continues to be made in some areas. The areas of particular progress are:

- Demonstration of the skill of application
- Candidate use of paragraphs
- Attempts to use the terminology and concepts of the specification

The areas that still require some attention include:

- Quantitative skills
- Interpretation of ratio results
- Meaning and interpretation of elasticity values

General Comments

This year there seemed to be considerable variation between centres. This was particularly the case for **Question 1 (a)-(c)** and **Question 2**. The key to a good mark on this paper is consistency. It was clear that some candidates could write essays of considerable quality but struggled to gain marks on **Section 1** due to a lack of quantitative skills.

Comments on specific questions

Section 1

Question 1

- (a) This shareholder ratio question was not well answered. A common error was to divide EPS/Share price rather than the correct share price/EPS.
- (b) This ratio was also poorly answered. Many candidates could identify the formula (gaining 1 mark) but could not perform the required calculation. Capital employed could be calculated using the accounts but many candidates could not perform this step. A wide selection of possible gearing ratio formulas were accepted and this can be seen in the mark scheme.
- (c) Many candidates gained 2 or 3 marks on this question. This usually was the result of a satisfactory answer to the 'significance' of the gearing ratio. The P/E ratio was not well answered. Candidates should be encouraged to learn ratio formulae and also be able to interpret the results. A useful step that the better candidates performed was to calculate the ratio results over a 2 year period and review any possible emerging trend.
- (d) This question on liquidity was a chance for candidates to engage with the case study and calculate the current and acid test ratios. This was done by a majority of candidates. Failure to identify that these ratio results are critical to this question resulted in less marks being awarded. The command word in this question was 'analyse'; accordingly, no marks were available for evaluation.

Section 2

Question 2

This question was particularly challenging for many candidates. The theme of the external economic environment is a common topic for examination on this paper. It was rare to find answers that consistently showed a sound understanding of inflation and its impact on CINE. Some of the better answers identified (amongst other areas) the impact of inflation on real wages and thus consumer purchasing power. Many weaker answers considered that higher inflation resulted in higher ticket prices and higher profits. The concept that business costs could also rise was largely ignored.

Question 3

This question was very accessible to most candidates. The use of strategic concepts such as the product portfolio mix (Boston Matrix) or product development (Ansoff Matrix) was relatively rare. The most common error was the misinterpretation of the price elasticity value given in the case. This is an essential business concept that candidates need to fully understand. This is especially the case with the suggestion of the optimal pricing policy and what is likely to happen to total revenue.

Question 4

This question was reasonably well answered. The use of the case study to support an answer was particularly pleasing. The best answers tended to give a balanced view that the objective may/may not be appropriate. Business concepts such as economies/diseconomies of scale were effectively used by some candidates.

BUSINESS AND MANAGEMENT

Paper 9771/03
Personal Investigation

Key Messages

- To score high marks for Knowledge, the business problem must be clear and outlined in detail and linked with title, including which stakeholders are affected and future implication of failure to solve the problem.
- To score high marks for Methodology, research methods should be outlined and there must be evidence of primary and secondary research and its use. Critique of candidate's actual research undertaken should also be included. This may be within appendices.
- To score high level marks for Analysis and use of Business Theory, relevant business theory concepts should be used accurately. Analysis should use both written and numerate techniques, with any figures fully supported by research results. Analysis should be finely focused on the business problem and proposed solutions.
- To score high level marks in the Conclusions and Evaluation section, a range of solutions (realistically two or three) should be evaluated and recommendations should be offered, with a separate section evaluating the strengths and weaknesses of data, solutions and investigation. Wider issues should also be considered, for instance external factors affecting the business's future success. A good example of this would be technological changes, such as online selling.
- Communication is the most valuable single aspect in terms of marks and high levels may be gained by submitting a fully ICT based report, which includes different sections as outlined above, as well as a detailed bibliography. It should be noted that the marks in this section also depend directly on the quality of the previous sections and the way that the report has a logical structure and hangs together as a whole. The report should be logical in order and fully focused on the investigation, containing little irrelevant information.

General Comments

This session of PI reports produced, once again, a very varied selection of titles and quality of responses. The best investigations focused on a clearly identified problem, and discussed a range of solutions, rather than just a single possible solution for a business. The better candidates had also clearly studied the marking criteria and therefore included a detailed bibliography, critique of research methods and overall evaluation of the investigation and solutions offered. However, in a very small number of cases, reports were quite descriptive, lacking detailed analysis and sometimes containing business theory concepts not used to support the analysis. Where candidates were unable to obtain financial data from the business investigated this sometimes limited their analysis and evaluation marks. The word limit was generally adhered to and helped to keep most reports focused and concise. There was little evidence to suggest that candidates felt constrained by the 3500 word limit and many included substantial information, including financial analysis, in the appendix.

The best candidates:

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

Comments on Specific Sections and Skills

Title Submissions and Appropriateness

Most candidates chose appropriate businesses, submitted titles in time and made some use of the Examiner's comments, which made the submission in advance a useful exercise. In a few cases, though, titles were not submitted, or comments and advice were not taken into account. In a number of other cases the 'problem' was not clear or the investigation clearly had a 'foregone' conclusion, for instance the replacement of outdated or inefficient capital equipment. The importance of a title which is fine enough in focus, but offers enough breadth for substantial supported financial analysis cannot be underestimated, as evidenced by many of the better reports.

Knowledge – The Problem in Context

This should always be the starting point and a 'realistic' problem was a feature of all the better investigations. Most candidates identified the business problem or issue clearly, and many also outlined who was affected and the future implications of not solving the problem. This helped to 'set the scene' in many reports.

Methodology – Research Methods

Most candidates attempted to use primary and secondary sources and certainly talked about these, but some failed to include critique of their own research methods and sources. A clearly set out range of research objectives helped here and good use was made of company accounts where available. However, wider secondary research was often limited and some candidates missed the opportunity to use national statistics and news or other reports, which would have been directly relevant to their investigation. Better candidates made attempts to widen the scope of research beyond the identified business and it was impressive, in a small number of cases, to see use of relevant magazine articles, population data and internet articles.

Analysis and use of Business Theory

Most candidates made good use of the theory knowledge from the course and applied this appropriately to their investigation; although, in some cases, the amount of theory knowledge from across too many different areas of the syllabus, detracted from the focus of the report. In a few cases, candidates attempted to use theory concepts inaccurately or inappropriately. In a very few cases, business concepts were outlined in theory, but not used in the context, thus not gaining any benefit.

'Fine focus' was the key to higher level marks here; for instance applying investment appraisal techniques and concepts such as break-even to one or two possible business solutions. In terms of numerate analysis, the best investigations included a financial or numerate analysis of the problem or issue and projections for suggested solutions. It was pleasing to see full support for figures in some cases and accounts of 'assumptions' made to arrive at results. However, a common reason for lower level marks was unsupported figures used in analysis techniques and also inappropriate use of numerate methods. Due to the complexity of some of the numerate analysis, it was a sensible approach to include some of the calculations in appendices. Certainly, accounts which contain figures used should be included as these figures can support the analysis. In a very few cases, the numerate analysis methods seemed to be applied 'mechanically', without any real understanding of, for instance, how moving average trend data may be used and its limitations.

In a very few cases, where candidates had not managed to access any financial information or figures, or just quoted figures without use of analysis techniques, this limited marks for analysis. It is recommended that candidates make sure that figures are available before deciding on an investigation. These figures will probably include financial accounts and projections, but may also include Human Resource related statistics such as staff turnover or absenteeism.

Conclusions and Evaluation

Most candidates drew some supported conclusions and recommendations from their investigations, but the standard of evaluation was variable. It was pleasing to see conclusions drawn directly from research, even if these led to a negative response to the original proposition, which was sometimes the case. The best candidates separated the investigation conclusions from their recommendations and produced realistic, well thought through ideas, to take the business forward. In a few cases, where the conclusions were brief and no recommendations were offered, candidates scored much less well in this section. Likewise, where no evaluation was offered, either of the investigation or the solutions offered, there were significant lost opportunities in some cases. In the best reports, the range of possible solutions and recommendations were realistic and great critical evaluation was applied to research and analysis methods.

Communication

This was the single most valuable aspect of the in the PI marking criteria, with 40 marks available and most candidates scored relatively well, in some cases increasing their marks significantly. There is a detailed published 'grid' with requirements in each level as well as the overall criteria statements. It was encouraging to see evidence that some candidates had studied this information carefully. All candidates this year included a bibliography, with the best ones using the Harvard referencing system. All reports were ICT based and generally the standard of presentation was high, including tables and graphs. The best reports had a logical structure and focused clearly on the investigation objectives, ending with realistic conclusions and recommendations.

Appendices

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

Examiner's Tips for Teachers and Candidates

- Before you start, read the marking criteria carefully and return to this often, as your investigation progresses.
- Take care with your choice of business and title – make good use of the submissions and approval process.
- Make sure that you can clearly identify a business problem.
- Set clear objectives and return to them in your conclusions.
- Make sure that you use a good range of primary and secondary research sources, including those outside the business, such as national statistics, population figures and economic trend data.
- Start by analysing financial or numerate information, this will help you establish the way forward for your investigation.
- Ensure that you understand and can apply theory concepts, before including them in your analysis, especially numerate techniques, such as investment appraisal. Do not include financial analysis for which you cannot explain its use or relevance to the analysis.
- Focus your results and analysis on the part of the business you are investigating.
- Aim to draw a range of possible conclusions or solutions to the business problem and discuss strengths and weaknesses of each. Do not limit yourself to a single yes/no solution.
- Make sure that you include your recommendations and critical evaluation in a separate section.
- Make good use of appendices to supplement the report, especially where you can support figures used in numerate analysis.
- Include a fully referenced bibliography; Harvard referencing system is good practice.
- In view of the change in assessment criteria for 2016, do study the descriptors carefully.