

# BUSINESS

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Paper 9609/11  
Short Answer/Essay

## Key messages

Candidates are confident with the layout of this paper and how to set out their answers. This reflects the good practice of using past papers to improve examination performance.

Relevant knowledge and time management are good in this paper with few candidates leaving questions unanswered.

For all answers, there is no need for candidates to repeat the question. They must explain their point to earn marks.

It is recommended that the guidance notes on all pages of the published mark scheme be considered. Of particular note is the layout of **Section B**. There is a breakdown of what is rewarded as Knowledge and Understanding, Application, Analysis, Evaluation and the use of context.

Context is required in **Section B part (b)** answers to award Evaluation marks. In this paper, the context in **Question 5(b)** is water supply, in **Question 6** it is perfume and in **Question 7(b)** it is parcel delivery. Examples of how to demonstrate such context is given in the comments on specific questions below.

## General comments

Candidates are showing good understanding of definitions. It is good practice to learn them well.

Explanations are generally good. This involves developed reasoning of business terms or concepts.

Analysis is shown by many candidates and is a skill which should be developed. Candidates should write sentences which explain consequences. Analysis can be shown using, for example – *'this will lead to'* – *'because of this'* – *'as a result'* – *'the effect of this'*. **Section B** analysis could explain two different sides of an argument, e.g. benefits versus limitations, positives versus negatives.

Evaluation is a skill which requires further development. Evaluation is a judgment or opinion based on the strengths of an argument. A good answer might use, for example, *'this depends on'* – *'my recommendation to the business would be ..... because'* – *'considering whether short or long-term effects are more important'* – *'considering whether external influences might affect the judgment'*. Evaluation can occur at any point in an essay. It can be used after each paragraph of analysis. It can also be used at the end of the essay. A summary of points made in the analysis is not evaluation. Stating that benefits are greater than limitations is not evaluation.

## Comments on Specific Questions

### **Section A**

#### **Question 1**

- (a) The term 'price elasticity of demand' is understood by many candidates. The correct formula or both parts of the definition in the mark scheme were awarded two marks. Most candidates recognised that the change in demand is caused by a change in price. Candidates should include the responsiveness or amount of the change to earn the second mark. Some candidates stated

that the change in demand causes a change in price which is not correct. Some candidates used the formula incorrectly, e.g. % change in price / % change in demand.

- (b) The question asks for an explanation of **two** separate reasons why PED might be useful for making pricing decisions. Many candidates made reference to elastic and/or inelastic PED being linked to lowering or raising the price. Explanations linked to the effect on revenue and many gave examples of types of products. PED and pricing can relate to the product being a need / commodity / essential / want / luxury. Consumer opinion might then influence the PED and the price e.g. skimming or penetration. Some candidates confused revenue with profit. Some responses explained how 'market research' could affect pricing decisions. This was not correct as it did not refer to PED. Some good answers explained that PED and pricing can change during the product lifecycle.

### Question 2

- (a) The term 'cash flow forecast' is understood by most candidates and answers referred to both points in the mark scheme.
- (b) The question asks for an explanation of **two** different limitations for a business of using a cash flow forecast. Many answers explained inaccuracy, whether from using out of date information, being produced by inexperienced staff or changes in the external environment. All alternatives given in the mark scheme were seen. These had to be explained soundly to be awarded three marks. A small number of candidates incorrectly explained the **benefits** of using a cash flow forecast.

### Question 3

Human resource management is well understood with a good definition being given at the start of the answer. A definition is not always necessary but can be used to earn one mark. Some answers listed several roles of HRM and gave a weak explanation of one or more of them. Such answers were given three marks. Candidates awarded four or five marks gave a more detailed explanation of one or more ways that HRM helps to achieve success. An example of such a response might be that *'HRM recruits workers who fit the requirements of the vacant job. They might then train these workers so that they have the skills to do the job well. This might encourage and motivate the worker to put extra effort into their role, because they have the knowledge and confidence to do it well. This will result in the job being done efficiently and quickly. More consumers will be satisfied with the business and sales will improve.'* Such an answer explains how one part of the HRM role will lead to other things, i.e. consequences.

### Question 4

- (a) The term 'ethics' is understood. A sound definition gave **two** of the alternatives shown in the mark scheme. The factors had to be clearly taken from two separate options in the mark scheme. For example, 'moral guidelines' is sufficient for two marks. Also worth two marks is an answer stating that *'ethics include the principles of a business which are morally correct.'* An answer stating that *'ethics is the rules and principles of a business'* is worth one mark. An answer stating that *'ethics involves decisions which are fair and do not harm others'* is worth one mark. Examples of ethical behaviour in this part of the question were not rewarded as this was tested in **part (b)**.
- (b) The question asks for an explanation of **two** ways ethics might influence the activities of a business. All the ways given in the mark scheme were seen. Candidates must explain both points to be awarded three marks. The influence may be positive or negative. Common answers related to increased costs and reputation. Often used activities were *'fair wages are given rather than using child labour'* and *'damage to the environment such as waste disposal and pollution are avoided by changing business behaviour.'* An answer which explained how ethics would affect customers / workers / local community without reference to what the ethical activity of the business might be was incorrect and wasn't awarded any marks.

## Section B

### Question 5

- (a) Profit as an objective and the concept of private sector businesses are well understood by candidates. A commonly used objective was survival, both as a new business and during times of recession. Strong analysis related to the level of competition in the market and the stage of the product life cycle. Another focus was the triple bottom line of social enterprises. Perceptive candidates recognised that objectives change during the life of businesses as they regularly review their standing in the market, the attitudes of consumers and the external environment. Strong answers referred to profit being a long-term objective with survival or growth as a short-term one. Some candidates recognised that profit might be needed in order to expand or become socially responsible. The quality of analysis made the difference between a mark of five and eight. For example, a mark of five could be given for stating that *'survival is the main objective for a new business because until it gets customers it cannot compete with other businesses.'* Better analysis worth seven or eight marks would develop this further for example *'survival is the main objective for a new business which is entering a market with a lot of competitors. It needs to make customers aware of its products so that it can start to build up its market share. It can do this by promoting its products, but this will be expensive and will reduce profits in the short term. It may also need to set its prices lower than the competition, e.g. penetration pricing, possibly making a loss in the short term. Once loyal customers have been attracted to the product, perhaps from the competitors, the new business can start to put up its prices and aim to have profit as its main objective now that it is established in the market.'*
- (b) The context of this question is **water supply**. This is needed to award a Level 3 or 4 mark. Strong context referred to infrastructure such as pipes / reservoirs, limited access to water in rural areas, use of rivers / wells and specific uses of water by individuals and businesses. Strong evaluation might refer to the level of development of the country and link this to water purity, disease and government corruption. Analysis might discuss the differences between the attitudes of the public and private sectors to equity and profit. Answers about public utilities without specifically mentioning the context of water supply stayed in Level 2. Candidates must show understanding of public sector businesses, which are run and controlled by the government. Some candidates confused the public sector with public limited companies in the private sector and explained the importance of shareholders. This was incorrect.

### Question 6

The context of this question is **perfume**. This context might name appropriate brands such as Chanel, or chemicals required to produce a specific fragrance. Some sophisticated answers suggested that *'promotion using glamorous film stars creates the image of wearing an exclusive scent and encourages consumers to buy, even at a high price.'* Context was needed to be awarded a Level 4 or 5 mark. Additionally, analysis of the promotion of a **successful luxury brand** was required. This might suggest that *'a successful brand wants to maintain its large market share or prolong the maturity stage of its product life cycle.'* There could be a comment that *'a luxury brand might be in a niche market or have a high price and therefore promotion would encourage consumers to keep on buying this brand, rather than cheaper brands'*. Evaluation might suggest that *'as a successful brand there may be no need to spend a lot of money on promotion and instead it might be more appropriate to carry out market research or develop new products in order to widen the target market.'* Some candidates suggested that *'the use of social media may mean that spending on promotion could be reduced due to the influence of those already loyal to the brand.'* Some candidates gave a general answer about promotion without specifically mentioning successful or luxury brands, therefore could only be awarded Level 2 marks.

### Question 7

- (a) Labour-intensive production is well understood by candidates and many answers analysed the benefits of labour-intensive production compared with capital intensive production. All points given in the mark scheme were seen. The quality of analysis differentiates between five and eight marks. Good analysis might explain that *'motivated workers will produce good quality products, perhaps with the USP of being hand-crafted. This would allow the business to charge high prices, which could lead to being more profitable.'* Strong candidates could question whether competition in the market would allow high prices to be charged, whether the product was suitable for labour intensive production or whether mass production by capital intensive methods would be cheaper in the long run. This is Level 4 analysis. Most candidates achieved at least Level 3 with similar points

suggested but not analysed well. An example of Level 2 application would be that '*labour-intensive production motivates workers.*' This in itself is not linking to the benefit to the business.

- (b) The context of this question is a **parcel delivery business**. This is needed for a Level 3 or 4 mark. Strong context gave examples of international parcel delivery businesses such as DHL or focussed on the use of barcodes and tracking systems to monitor the location of parcels. Other examples of context suggested different delivery routes and different methods, e.g. ship, plane, drones. Perceptive candidates considered the use of changes to packaging materials appropriate for the contents of the parcel or methods of stacking in order to maximise space in delivery vehicles. Strong evaluation might refer to different methods of appropriate process innovation for an international parcel delivery business, considering different circumstances and proposing what would work best in different circumstances. Analysis might discuss process innovation in terms of machinery, computers and robots. It might also consider that there might be circumstances in which the use of labour might be more suitable than capital to maintain direct contact with consumers. Candidates must show understanding of process innovation and how it can improve operational efficiency to be awarded Level 2 marks. Even with good analysis and possibly evaluation only Level 2 marks could be awarded without the context of a parcel delivery business.

# BUSINESS

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Paper 9609/12  
Short Answer/Essay

## Key messages

- The key message for this paper is that there should be more attention paid to the skill of evaluation in the answers to essay questions in **Section B**. Most of the sound answers to **Question 5(b)** contained excellent analysis of the factors that explain the failure of a small car repair business but little or no evaluation of those factors. There were six evaluation marks to be awarded for this question. Access to these marks could have been gained with suggestions as to the relative importance of the identified factors and/or to some thoughtful review of any other factors that might have prevented or reduced the risk of business failure for a small car repair business.

## General comments

- There was a lack of consistency of performance by many candidates in **Section A** of this paper. This is explained by a less than clear understanding by candidates of the business concepts of work force planning, and operational management activities and issues. These gaps in syllabus knowledge and understanding led to a relatively weak performance in **Section A** of the paper.
- In support of the key message set out above candidates should practise making evaluative comments on their analysis wherever that analysis occurs – not just in a summary concluding section of an essay. Strong evaluation occurs when judgements are made about the relative importance of analysed factors/issues and when rational defences or criticisms of assertions or assumptions are offered.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) This question was not answered with precision by many candidates. Very often a tautological response, using the word 'random' without explanation, was presented. A definition that was awarded 2 marks was one such as 'random sampling is a method of sampling where all members of a population have an equal chance of being selected'.
- (b) While a significant number of answers revealed a distinct lack of understanding of quota sampling, strong responses correctly explained that a stratified sampling approach presented opportunities to obtain relevant and directed sampling data with savings in time and costs.

#### **Question 2**

- (a) The term 'workforce planning' was not well understood and some candidates appeared to guess at a meaning. Those answers that revealed sound knowledge and understanding produced definitions which referred to the human resource activity of analysing and forecasting the numbers and skills of workers required to enable a business to achieve its objectives.
- (b) Given the lack of understanding of work force planning, many answers gave very general and vague responses regarding the potential benefits to a business of engaging in work force planning. There was often discussion of benefits of enhanced employee motivation and team work without any connection to the concept of workforce planning. Strong answers recognised the potential benefits to a business of being in a position to prepare for future employee situations, to have and

prepare for requisite employee skill needs, and consequently being able to effectively respond to changing competitive and environmental scenarios.

### Question 3

This question was confidently answered by most candidates. Strong answers used a framework of internal and external reasons to explain why the objectives of a business might change over time. Common reasons advanced included reference to businesses growing and moving from survival objectives to market share and profit making objectives. Ownership and management changes were also popular reasons given for internal objective changes. External reasons affecting objective change included a focus on changes in the competitive environment and changes in the economic environment such as recession and economic boom periods.

### Question 4

- (a) Responses to this question were mixed. A significant number of answers revealed poor understanding of the term 'diseconomies of scale', with some simply suggesting that it was the reverse of economies of scale or bulk buying with no explanation. Strong definitions referred to the situation where average costs of production increased in consequence of an increase in the scale of production.
- (b) There were mixed responses to this question. Many answers did not understand that operations management refers to the production department of a business and mistakenly discussed the human resource management department or general organisation management. Strong answers were able to focus on specific operations management responsibilities such as inventory management, production methods, and measures to improve efficiency and control waste.

### Section B

### Question 5

- (a) **Question 5** was very much the most popular essay question. The knowledge and understanding of a franchise was impressively revealed in most answers. Weaker responses focused too much on descriptive material leaving little room for the analysis of advantages to an entrepreneur of purchasing a franchise. Strong answers were able to identify how the particular features of a franchise afforded advantages to an entrepreneur in starting up a business. The opportunity to invest in a developed branded business and so reduce the risk of early failure was the basis for effective analysis in many successful answers.
- (b) The challenge in this question was to apply the features of many small business failures to the specific context of a car repair small business. Weaker answers demonstrated good understanding of the difficulties faced by small businesses in terms of limited capital and resources to match competitors for example, and were able to analyse the impact of such deficiencies, but only in very general terms. Many candidates were unable to contextualise answers by, for example, referring to the cost of spare parts to repair cars, or the size of investment required to purchase sophisticated machinery for a car repair work shop. Even answers which produced relevant context and analysis were unable to gain evaluation marks. Many answers analysed a number of factors that could lead to failure for the failure of a small business car repair business but failed to prioritise these factors or suggest how there might be counter balancing factors that might strengthen the competitive position of a small car repair business. Such evaluative comments and observations would have significantly increased the mark awarded to many answers.

### Question 6

This was not a popular question. However there were some good responses. A typical sound answer examined the assumed link in the question between financial incentives to improve employee motivation and a resulting improvement in performance and referred to relevant theorists. Strong answers produced an explicit contextualised answer and questioned whether there might be factors other than a lack of finance that might explain poor customer service. The nature and culture of a state owned loss making airline was analysed and evaluated to uncover some more likely explanations for poor customer service such as bureaucracy and/or lethargic management. Weaker answers simply identified relevant motivation theorists and examined their theories in relation to general motivation rather than making specific reference to the context of this question.

**Question 7**

- (a) There were few answers to this question. The majority of answers demonstrated a good understanding of the technique of break-even analysis. Fewer were able to focus on the use of the technique when making a decision to introduce a new product. Stronger answers were able to indicate and analyse how estimates of costs and revenues at different sales levels for a new product could be useful for business decisions.
- (b) There were very few strong responses to this question. Weaker answers discussed general accounting concepts such as profit or liquidity without mentioning or explaining accounting ratios. Better answers described the calculation of ratios and effectively analysed their significance for a business and its investors. Few however were able to apply this analysis to a food retailer. Some strong answers were able to contextualise, referring for example to stock turnover and competitiveness and to evaluate by reference to the potential importance of qualitative factors such as particular market conditions, customer trends, and environmental concerns.

# BUSINESS

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Paper 9609/13  
Short Answer/Essay

## Key messages

- It is recommended that more attention be paid to the different skills that are required in answers to questions on this paper. The focus in **Section A** is on the skill of demonstrating sound knowledge and understanding of business principles, concepts, and theories. The focus in **Section B** is on higher level skills of addressing business context (application), analysing relevant business information and evaluating that analysis. The balance between these skills is important, and candidates should understand that the essays in **Section B** require significant emphasis on the skills of application, analysis and evaluation.
- Candidates should note that that analysis and evaluation in **Section B** essays must be underpinned with explicit references to the application/context of those questions. The important link between context and evaluation is illustrated in the general comments made below. The context of a question often acts as a trigger that suggests a path to effective evaluative comments.

## General messages

This paper proved to be accessible to most candidates and in general most answers provided evidence of a sound understanding of the Business syllabus. In the **Section B** essays, many candidates also demonstrated an ability to effectively develop and analyse relevant knowledge and understanding. However candidates were often less confident and skilled in contextualising and evaluating business information in their essay writing. In **Question 5(b)** the context/application trigger for effective evaluative comment was the 'importance' of policies on diversity and equality, in **Question 6**, the context/application trigger for effective evaluative comment was Marketing is 'the most important' function in a business and in **Question 7(b)** the context/application trigger for effective evaluative comment was how 'significantly' the limitations of measures of business performance reduced their usefulness.

## Comments on specific questions

### **Section A**

#### **Question 1**

- (a) Most candidates defined the term 'product differentiation', accurately referencing such factors as making a product distinctive with a unique selling point so as to stand out from other competitor products (often in the form of a developed brand). Weaker answers were unable to use different words/concepts to describe differentiation and or confused the term with 'product life cycle or product portfolio.
- (b) The explanation of potential marketing benefits of product differentiation for a business was generally well explained with common responses referring to the possibility of charging premium prices and to advantages of more effective marketing campaigns in the targeting of consumers.

#### **Question 2**

- (a) Most responses produced accurate definitions of the term 'contract of employment'. Definitions that referred to a document (legal) setting out the terms and conditions of a job such as working hours, rates of pay and duties and responsibilities were awarded the maximum mark. Weaker answers were those which presented a partial definition identifying for example only one feature of a contract of employment.



- (b) The majority of answers explained two advantages to employees of having a contract of employment suggesting that such contracts could protect an employee from poor working conditions, and possible unfair practices such as unfair dismissal. Unfortunately a minority number of candidates misread the question and explained the consequences of a contract of employment for an *employer* rather than for an employee.

### Question 3

This question was more of a differentiator than the other questions in **Section A**. Strong answers clearly understood the distinctive features of a cooperative as a legal form of business unit. Opportunities for more effective marketing, more efficient purchasing of supplies and higher product pricing were explained as benefits of joining or forming co-operative forms of organisation, together with the advantages of democratic decision making and a more equitable distribution of profits. Weaker answers provided fewer examples of benefits and often explained 'cooperation' rather than co-operatives as business enterprises.

### Question 4

- (a) Almost all candidates were able to gain marks in this question although many explanations were partial. Some answers gave examples rather than clear definitions. Strong responses involved statements relating to the movement of a business from one area/region of production to a different area/region.
- (b) This was very well answered. There were many maximum scores as reasons for business relocation were confidently explained. Common reasons proposed included the need to reduce production costs, the opportunity to take advantage of capital investment incentives and subsidised employment costs and the need for land and resources for expansion. Weaker answers failed to give more than one sound reason for relocation.

### Section B.

### Question 5

- (a) The strongest answers clearly defined work life balance in terms of working environments that enabled employees to develop a healthy balance between work and other aspects of life including family, friends, community and personal growth that reduced unnecessary stress and anxiety. Such answers also sought to identify and analyse some characteristic features of a financial services business such as the need for close relationships between clients and employees and the possibility of risky and stressful decision making. The implications for businesses that invest in WLB policies were then discussed and analysed in terms of increased employee morale, lower levels of absence, and reduced labour turnover. The relevance to financial services businesses was discussed in terms of better service to clients looking for financial advice leading to an increase in the sale of financial products. Weaker answers did not apply the general principles of WLB to a financial services business and/or analysed very few potential business advantages.
- (b) Strong answers discussed and analysed the potential impact of business investment in policies on both diversity and equality. Such answers analysed how such policies might well produce a distinctive and attractive working environment and organisation culture, reduce discrimination and favouritism, lead to a more inclusive organisation and one that could benefit from a richer collection of experiences and a more varied set of ideas and suggestions. Weaker answers presented a much more limited analysis of equality and diversity so creating more limited opportunities to apply these business concepts to business practices and working environments. The question asked about the 'importance' of effective equality and diversity policies. Only a very few answers recognised the opportunity here for some explicit evaluative comment.

### Question 6

This question produced a range of answers but again there was a reluctance to evaluate the provocative statement that 'marketing is the most important function of a business' and so advance some evaluative comments from the outset. Strong answers analysed a range of marketing functions and activities in a typical business environment and commented on the links and impact between a marketing department and other functional departments. Such analysis provided a strong set of building blocks to then consider the relative importance of marketing in the operations of a business. Many candidates presented some concluding

evaluative comments but they were generally too limited or tentative. Opportunities were missed to produce strong evaluative concluding sections based upon relevant and strong analysis in earlier parts of the essay. Some candidates just set out a long list of marketing functions and activities, made little or no comment about other key business functions and simply agreed with the statement. Such answers rarely succeeded in achieving a mark above level two.

### Question 7

- (a) **Question 7** was a question selected by very few candidates. Section (a) required a clear understanding of both profitability ratios and business stakeholders if a sound answer was to be constructed. A number of candidates who answered this question mistakenly analysed liquidity ratios rather than profitability ratios and thus significantly limited their capacity to gain marks.

Knowledge and understanding of financial ratios was much weaker than understanding and knowledge of business stakeholders. Better answers typically analysed how profitability ratios provide useful information about business performance for investors and shareholders such as trends over time, and business performance relative to other businesses in an industry. Other stakeholders discussed and analysed included managements and banks.

- (b) Strong answers un-packed a number of financial indicators from typical business Income Statements and Statements of Financial Position and analysed their potential use as measures of business performance. This analysis then focused on some generally accepted limitations with references to window dressing, the historic nature of these measures and their focus on quantitative measurement. This approach then led logically to a discussion and analysis of how qualitative information might be used to supplement or complement the quantitative information contained and required in statutory published accounts. Many sound answers stopped here and missed the opportunity to develop an effective final evaluative section focusing on the extent to which the limitations identified and analysed might affect the usefulness of traditional quantitative measures of business performance. Here was an opportunity to make a judgement and suggest that perhaps the identified limitations were important but that these quantitative measures were still useful as aids to decision making by providing important business performance information.

# BUSINESS STUDIES

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Paper 9609/21  
Data Response

## Key messages

- More candidates are referring to the case material when attempting 'analyse, evaluate and recommend' questions.
- More candidates managed to score 'Application and Developed Analysis' marks on **parts (c) and (d)**. Candidates can reach application and analysis with a few well developed points.
- In **Questions 1(d) and 2(d)** candidates should present a balanced argument and make justified judgements/recommendations.
- Advise candidates to use clear handwriting.
- In calculation questions, **1(b)(i) and 2(b)(i)**, advise candidates to always show their workings out. Use of a calculator should be encouraged.
- Remind candidates to be aware of the marks available for each question so that they spend the appropriate time on each question and devote adequate time to contextualised, analytical and evaluative questions, especially in **Questions 1(b)(ii), 1(c), 1(d), 2(b)(ii), 2(c) and 2(d)**.
- Advise candidates that answers requiring the use of context, **such as to Question 1(c)**, should integrate the information from the case study and avoid repetition of the case material.
- Ensure full understanding of the command words.
- Practice 'explain/definition' questions and get students to produce their own list of words/definitions/ explanations with examples.

## General comments

The case material for both questions is well understood. **Question 1** produced answers, in context, especially in **Question 1(c)**. There seemed little difficulty with understanding the questions set, although some candidates tried to answer **Question 1(d)** by analysing the impact on the business rather than the stakeholders.

Teaching tip: Answer the question in the context that it is set!

As in previous sessions, candidates should make full use of opportunities to:

- Use the context
- Identify opportunities to analyse – good analysis based on a chain of reasoning
- Identify opportunities to evaluate – **Question 2(d)** required a justified recommendation as to which non-financial motivators would be effective for low paid employees.
- Answer the set question – **Question 1(b)(ii)** only asked for *two* disadvantages.

There was no apparent evidence of time being an issue with most candidates, and candidates, on the whole, have a good grasp of business terminology and are able to express themselves effectively.

### Comments on specific questions

#### Question 1

- (a) (i) Well answered. Candidates demonstrated good knowledge of 'fixed cost'.
- (ii) Most candidates managed to score 2 marks by explaining 'channels of distribution' and scored another mark for giving relevant example such as: through intermediaries, e.g. retailers, wholesalers, direct from manufacturers to final consumer.
- There is no need for context in answering **part (a)**
- (b) (i) Many candidates failed to calculate the number of boxes of eggs before calculating the total revenue and variable cost and/or not dividing the fixed cost by two (because of fixed costs are allocated equally between two production lines), and hence did not get the correct profit for CE. However, many candidates scored at least 2 marks for the correct formula and OFR where the working out was correct. A few candidates scored full marks.
- (ii) Most candidates demonstrated good understanding of the 'problem of allocating fixed cost', but did not explain the problem in context, so only gaining 1 mark.
- (c) Many candidates managed to score the application marks with good, developed analysis of two ways in which CE adds value to its products. Good use of context by the majority of candidates.
- (d) Most candidates gained application marks for identifying Lian, the owner and the five new employees/existing employees of CE. Many only gave a simple analysis of the impact of the planned expansion on each stakeholder. A few candidates wrote about the impact on the business rather than the stakeholder.

#### Question 2

- (a) (i) Some candidates did not have a clear concept of 'overdraft' and defined it, vaguely, as bank loan.
- (ii) Many candidates scored 2 marks for explaining 'maturity in the product life cycle' but some had a misconception of 'sales and profit drop' rather than 'slow down' at the maturity stage.
- (b) (i) There were many different answers which were not related to calculating trade payables. Not many candidates had the right approach to start the calculation. Some candidates scored a mark for either the correct formula or the correct current assets of \$31 000.
- (ii) Most candidates could identify two possible disadvantages of decreasing working capital although not always using the context. Remember to answer the set question in context.
- (c) Candidates demonstrated good knowledge of 'job production' but failed to analyse an advantage and disadvantage in the context of FF using job production for its flower arrangements. Many candidates scored 2+2 or 4+2, but did not get beyond 6 marks.
- (d) Many candidates recommended at least four non-financial motivators but did not relate to how FF could use these to motivate the employees who make the low-price flower arrangements. Few candidates developed their analysis and hence failed to achieve evaluation marks. A minority of candidates scored 7 marks or above.

# BUSINESS

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Paper 9609/22  
Data Response

## Key messages

- This examination contains two pieces of data, one for each question. This is the basis for all of the questions except **1(a)** and **2(a)**. Candidates must have a good understanding of these contexts so that they can gain all of the marks for each question. Generic knowledge and understanding is unlikely to gain more than half of the marks for most of the longer questions because it is not specific enough to provide a full answer. For example, **Question 1(d)** required candidates to evaluate possible promotional methods that Seojun could use. Most candidates knew what the main promotional methods are, but it was much rarer to read an answer where the candidate had thought, realistically, about what methods would be best for the context that Seojun found himself in.
- There is a tendency for candidates to tackle far too many points in their answers to the 11 mark questions. Once a candidate has gained the basic marks for knowledge and understanding (which can usually be gained through exploration of two points in an answer), further marks are gained through application, analysis and evaluation. Candidates should aim for depth in their answers as opposed to trying to tell the examiner everything they know about a particular topic.
- Evaluation continues to be the most elusive skill required in this examination, with few candidates able to pull together their analysis and make a judgement or evaluative comment that answers the question. Evaluation must be based upon good analysis and requires an answer to the question set. For example, in **Question 1(d)**, the command word is 'recommend' and yet it was relatively rare to find an answer which actually made a recommendation after putting forward a series of arguments. Likewise, in **Question 2(d)**, candidates were asked to evaluate the likely benefits and yet it was rare to find a candidate making any judgement or evaluative comment about the benefits that they had been analysing.

## General comments

Both contexts were well understood by those candidates who engaged with the content. The differing contexts gave candidates the opportunity to apply their knowledge to a small business, in the case of Seojun and Quality Fencing and a much larger scale business with Candy Planet. Those candidates who recognised the very different nature of the businesses were able to adapt their answers well.

## Comments on specific questions

### Question 1

- (a) (i) This was a well answered question with most candidates showing knowledge of training in terms developing skills/knowledge. However relatively few candidates could show what that development was for. This is how training differs from simple teaching. Training should be to perform a specific task or job and many candidates did not include this in their definition.
- (ii) There are many ways to explain what an entrepreneur is, and candidates tended to use the characteristics of an entrepreneur. This was a good route into the question and allowed candidates to explain the term. However, some candidates become vague by using the characteristics of a sole trader, for example that they own a business, which are not always the same as an entrepreneur. Candidates also sometimes fell back on describing Seojun and quoting material from the data to explain the term. Simple repetition of the data is never enough to show understanding and, since this is not a contextual question, often resulted in low marks.

- (b)(i)** A four-mark calculation question is likely to require more stages in the calculation as compared to a two or three mark question. In this case candidates needed to calculate the profit in Year 1, the profit in Year 2, the difference between the two and then calculate this as a percentage change. Too many candidates did not calculate the difference between the two profit figures giving a range of answers. However, each step of the calculation can be rewarded as long as the candidate shows all of their working, even if the answer is incorrect.
- (ii)** This question asked candidates to explain why QF might have difficulty in measuring the market share of QF. Many candidates did not use the data in Table 1.1 which showed the market share of QF for the last two years and the forecast for the next. Many candidates focussed on the lack of data in the table to allow them to calculate this figure that had already been provided. This was not a difficulty (since it was already there). The focus should have been on how this figure may have been found. For example, was Seojun using the sales volume or the sales value? Where has Seojun found the figures and could they be trusted? How much of the fencing market is informal and therefore not reported? Candidates must differentiate between those questions, such as **1(a)(i)** and **1(a)(ii)** which do not require context and those, like this one, that do.
- (c)** This was a generally well-answered question. Candidates could see a number of problems with the job description and explain why this may be a problem to Seojun. By using the data in Table 1.2 this was usually contextualised to gain application marks, but it was relatively rare for candidates to be able to effectively analyse the effect that this problem might have on Seojun. For example, candidates often saw that looking for a 'workman' was discriminatory but the analysis of this could have been that Seojun may not get a wide enough range of applicants, leading to hiring a poor employee. Alternatively, Seojun might have faced a fine for discrimination or faced bad publicity, both of which would have affected his ability to perform his services for a profit.

There were plenty of potential problems that candidates could have analysed, and some candidates did not restrict their answer to only two. The best responses did not just analyse two problems but looked at the entirety of the data and choose the problems they could best analyse in context. This skill is essential to gaining high marks in this examination as there is often more data than is needed and candidates must be taught to selectively choose the best points to make.

- (d)** Most candidates knew what was meant by promotion methods and there was a good range of methods chosen. Again, there are plenty of promotion methods that could have been used and good responses choose the most appropriate ones to use for QF.

The achievement of objectives was part of the question so that candidates would have something upon which to base their evaluation. For example, which promotion method(s) would best help Seojun achieve these objectives? However, some candidates spent a lot of time defining what objectives are and writing about these in context. This should not have been where candidates spent their time. This tends to be a time-pressured examination for most candidates and wasting time not answering the question set is often a reason for poor performance.

Candidates had been taught promotion methods well and some candidates chose to go through far more methods than was necessary. Many of these were inappropriate for Seojun. For example, national TV advertising was sometimes mentioned which, to a local business such as QF, is highly unlikely to help Seojun meet his objective of a 20 per cent market share in city X.

The question clearly calls for promotion methods, so one would not be enough. However, a candidate who could effectively analyse two promotion methods in context and then evaluate which was most likely to help him achieve his objectives (or each objective) was able to gain all of the marks and not waste precious examination time.

## Question 2

- (a)(i)** Definitions must define the whole term and be precise. In this case, many candidates gave tautological answers, explaining internal growth using the words 'internal' and/or 'growth' as part of the definition. The essence of internal growth is that a business expands using its own resources. Most candidates could define the growth element but struggled to show their understanding of using the businesses own resources, such as retained profit.
- (ii)** Most candidates had good understanding of the term capital intensive and could identify the use of machinery as opposed to a business being labour intensive and using workers. The third mark in

an explanation question is always for those candidates who show good understanding. In many cases an example, that has not been repeated from the data, is a good way to do this and any reasonable example of a capital intensive business or process was accepted.

- (b) (i) Most candidates could identify the relevant figures but there were many variations on how to answer this. As with **Question 1(b)(i)**, the need to be able to use percentages is vital in business. The most common error was for candidates to use the wrong base year (i.e. showing \$1.5bn as a percentage of \$61/5bn) or to calculate the 2017 figure as a percentage of the 2018 figure (i.e. \$60bn as a percentage of \$61.5bn).
- (ii) This was not usually answered well. Those candidates who started by understanding the data were more likely to give a good answer than those who were looking for a theoretical answer. This market is based on candy and there are likely to be many ways in which the marketing mix will differ between countries. Those candidates who explained how the product, price, product or place may need to change for candy in different countries gave good answers. However, too many candidates did not fully read or understand the question and there was a range of wrong answers that went no way towards a good answer.
- (c) Candidates were required to analyse one internal and one external source of finance which CP could use for the new machinery. The data had clearly stated that retained earnings and bank loans were not available. However, many candidates used both of these in their answers. This meant that generic knowledge and analysis marks could be gained, but not contextual marks. Again, this highlights the importance for candidates of fully reading and understanding the context before attempting an answer that may be unsuitable for the data given.

Some candidates did not know that, for a public limited company, selling shares is an external source of finance. This is clear in the syllabus and since it involves selling to potential investors who are outside the business, it will always be considered an external source. Many candidates stated that selling shares was an internal source and these answers could not be credited. A few candidates made it clear that they were referring to a rights issue to current shareholders. This is an internal source of finance, but the candidate had to explicitly state this to be given credit.

- (d) Those candidates who had read and understood the data, usually found specific reference to what CP was doing in terms of innovating their processes. Process innovation includes how a product is made, the equipment used and any technology involved. For CP this meant the reduction of their production lines from 20 to only 1, the move to mass customisation as well as replacing their old machinery.

Candidates who used the data and had a clear understanding of what process innovation actually involves were able to analyse at least two benefits to CP and could come to an evaluative conclusion of these benefits.

# BUSINESS

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Paper 9609/23  
Data Response

## Key messages

- **Questions 1(c), 1(d), 2(c) and 2(d)** require analytical answers to create arguments and **Questions 1 and 2(d)** require a justified conclusion. While there has been an increase in the overall ability to develop the analytical elements, a significant proportion of candidates are not providing a justified evaluation that draws together the arguments and answers the question when required. A good structure for an analysis question would consist of two good sized paragraphs with an additional paragraph where evaluation is required.
- It is important that candidates read the question carefully. A common error in **Question 1(c)** was candidates answering a question on motivational theories rather than methods of motivation. While some candidates managed to insert some actual methods of motivation within their answer, it was not the focus and this affected a significant number of candidates.
- In other instances candidates failed to use data at all in their answers. For example, in **Question 2(c)**, while candidates correctly identified some elements of emotional intelligence, they were not related to the case study and were completely generic, which led to many answers only receiving half marks.

## General comments

- Centres must prepare candidates better to respond at the right level to the command words. On this specific paper:
  - **Question 1(a)(i)** and **Question 2(a)(i)** both require definitions only. This is simple repetition of a learned definition with no application or development required.
  - **Question 1(b)(ii)** and **Question 2(b)(ii)** require explanations without any stimulus material. For a three mark question candidates should have a detailed definition plus an example not from the case, as tautological responses do not show understanding.
  - **Question 1(b)** and **Question 2(b)** require the candidate to complete a calculation. This requires basic knowledge and understanding of formulae, which on the whole was completed satisfactorily.
  - **Question 1(c)** and **Question 2(c)** require analysis in context. Candidates should aim for two key points from the text well analysed. There is no requirement for any conclusion.
  - **Question 1(d)** and **Question 2(d)** both require an evaluation based upon developed analysis in context.
- Candidates must ensure they read the question carefully and correctly, and provide clear and succinct definitions. There was a lack of clarity in answers such as **Question 1(a)(i)** and **(ii)** which meant that easy marks were lost due to generic or incorrect focus.

## Comments on specific questions

### Question 1

- (a) (i)** While a seemingly easy question to answer, candidates must focus on key elements and not repeat the words in the question; the answer given should have explicitly mentioned data previously collected and used for a different purpose. Many answers simply stated information collected which is too generic, as is just giving an example such as the internet.
- (ii)** A common error that occurred was candidates defining 'minimum stock levels' rather than 'buffer inventory method' While very similar, the focus of buffer stock is that there is excess stock kept in reserve, something that many candidates failed to mention.



- (b)(i)** This answer was generally done well.
- (ii)** The functions of an operations manager were generally well answered with relation to the case study
- (c)** A significant number of candidates answered this well, although some candidates gave more than two factors, which often led to basic analysis of each point, rather than focusing on two strong, developed answers
- (d)** While most candidates discussed the proposals available and provided limited analysis, a significant number of candidates failed to create effective arguments necessary for the higher level analysis marks.

## Question 2

- (a)(i)** Mostly good knowledge of social enterprises, although a significant minority implied or explicitly stated that social enterprises do not make profits.
- (ii)** Mainly well answered and showing a good knowledge of sources of finance.
- (b)(i)** A well answered question on the whole. Many candidates showed their working in the booklet which enabled some candidates to gain marks where the final answer was incorrect.
- (ii)** Although generally well answered, some candidates failed to link their methods to Nadia's business which cost the candidates the final application mark.
- (c)** Generally good knowledge and application of Goleman's theory, whether the link made was implicit or explicit. However, a significant minority of candidates tried to show a wealth of knowledge by highlighting and explaining all of the elements rather than analysing two in detail.
- (d)** A high level of knowledge of business ownership was evident throughout the scripts, and the answers were generally linked accurately to the case study. However, the main reason for candidates losing marks was due to the fact that too many elements were discussed and this led to a lack of depth of analysis which is required for the evaluation.

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<p><b>Paper 9609/31</b> <b>Case Study</b></p>
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## Key messages

- Candidates need to practise demonstrating their understanding of written and numerate theory concepts across a wide range of case study contexts. This can be best achieved through the use of recent past papers and mark schemes. Teachers should advise candidates to spend the first 15–20 minutes of time allowed reading the case study and really trying to understand what the case study company does, who their customers are and what are the challenges and opportunities presented in the internal and external business environment. It is important to return to the relevant parts before answering each question. Line references given in the insert will help with this.
- Answering questions in order is the best approach, as it allows a detailed picture of the business to be developed. The booklet style question paper makes it easy to return to an answer if candidates have further thoughts. It also means that candidates are able to manage time and move on, but return to add detail later.
- The use of financial analysis, such as ratios and other calculations, will always need to be supported in the later parts of the questions, 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 different parts of the case, should also be used, focused on the business financials in overview. Candidates should be encouraged to consider to what extent the business is a financial success, or otherwise, from the point of view of different stakeholders.
- A good evaluative answer includes detailed application, as well as judgments throughout and a well-supported conclusion at the end.
- Candidates should read the wording of case and questions carefully and return to the precise question before writing each answer and especially their final conclusion to ensure that this is addressed, especially in the **Section B** essays where the longer answers sometimes lose focus on the case context and the question.

## General comments

There was a wide spread of marks, often indicating considerable potential for improvement in candidates' performance especially in the Strategic Management area.

There was clear evidence that some centres had prepared candidates effectively and as a result they knew what to expect in terms of skills to be demonstrated and how to structure responses. The best answers demonstrated excellent understanding of AS and A Level Business concepts and used data and information from the case study effectively, to support their answers. In contrast, there were some answers that reflected a more general approach, more inclined towards generic 'text book' knowledge and analysis. High marks in this case study paper depend very much on the candidate's ability to focus their answers firmly within the circumstances and detail outlined in the case study, as well as demonstrating broad, accurate subject knowledge.

It is also important for candidates to read the questions carefully and show judgment when required. Better evaluative answers make links between different parts of the case and take a strategic overview of the business, current position, objectives and future plans. When a comparison and choice is required, such as whether to diversify into a new product, candidates should do more than just quoting information and data copied from the case. There should be an attempt to analyse the advantages and disadvantages of choices,

firmly in the specific company context. Candidates should also be encouraged to consider alternative views, such as, in this case, suggesting that a soft HR approach may not always be advantageous in managing change successfully.

Centres can improve candidates' performance in the important skills of application, analysis and evaluation, by supporting them in working through recent past paper 3 case studies and assessing answers using published mark schemes. Candidates who are familiar with the structure of the mark scheme, for instance in knowing that there are no evaluation marks in Question 1, will not waste time in the examination. The importance of recognising the 'command words' and answering the exact question asked should be emphasised, as fine focus uses time effectively and is key to good results in the case study paper. Candidates also need guidance on how to choose the optional question in **Section B**, as there was occasional evidence of a choice being made and then changed, wasting time.

The area of strategic management remains challenging for candidates, especially the use of these techniques to answer questions in context. Centres can improve candidates' understanding by introducing the concepts from **Section 6** of the syllabus early in the second year of the course, integrating them with the other A Level content.

Once again, in this series, candidates were required to show correct units in calculation questions in order to gain full marks.

### **Comments on specific questions**

#### **Section A**

##### **Question 1**

This question was well answered by many candidates, who showed a good understanding of HRM policy and the advantages of the 'soft' approach used by QH. Application marks were generally gained by linking aspects of QH's HRM policy, such as teamwork and induction training with resulting high levels of motivation in the workforce. This, in many cases, led to analysis marks focusing on improved business efficiency and performance. Candidates who had misread the question and included disadvantages did not receive credit for this part of their answer.

##### **Question 2**

- (a) (i) Many candidates correctly identified the critical path activities and the 9 day duration for the house kit construction.
- (ii) Some candidates calculated free float of Activity H correctly, with a number also picking up 1 mark for the formula.
- (iii) Those candidates who calculated (ii) correctly, usually also calculated the total float of activity F correctly.

Evidence from (ii) and (iii) suggests that calculation of float times is a part of the syllabus not well understood by many candidates.

- (b) This question was about the role of critical path analysis (CPA) in meeting QH's quality targets, one of which is the guarantee to assemble a kit house in nine days. Many answers demonstrated an understanding of the general advantages and disadvantages of critical path analysis and network diagrams. Application marks were gained by considering the link between the results in 2(a) and the quality targets, as well as the competitive advantage offered by quicker construction than rivals. General disadvantages of CPA, such as the risk of external factors, such as weather disrupting building were also identified and better answers also balanced the risk of rushed construction against quality. Application points often led to analysis marks, such as the impact on efficiency, profit and company image in the long and short term. The most common evaluation points were about the reliability of CPA estimates and the possibility, in this case, that meeting the CPA target days could actually reduce quality.

### Question 3

This question was about the impact of changes to macroeconomic policies on QH. The case study also included some detail on macroeconomic indicators, but the focus of the question was on the changes to policy announced by the Finance Minister of Country Z. There was good understanding shown of the general aims of macroeconomic policies, as well as the impact of higher interest rates on consumers and business. However, many candidates found explaining the likely impact of some changes more challenging, often due to the range of possible effects. A good example of this was the impact of a higher tax rate on high earners. A few candidates misunderstood this as a tax on companies rather than individuals, so did not gain marks for this part of their answer. Others correctly identified a decrease in some workers' disposable incomes, but there was a wide range of responses on who these individuals may be and the impact on sales of QH. The best answers considered the QH context and product, suggesting that sales of house kits may go down, due to lower disposable incomes of those who may be able to afford to buy rather than rent housing. However, sales could also increase as higher earners 'trade down' from more traditional brick built houses. Application marks were gained by reference to housing, building, renting or buying housing and associated topics. Evaluation often balanced possible negative impacts, for instance of interest rate increases against possible positives, such as subsidies if QH decide to enter export markets. Relatively few responses question the extent and the length of time of the changes, which would have been good evaluation opportunities. .

### Question 4

- (a) (i) Many candidates correctly calculated the payback period and some also achieved one mark for a partially correct answer.
- (ii) Many candidates carried out this accounting rate of return (ARR) calculation correctly. The most common errors were forgetting to deduct the original investment and/or dividing by the number of years. Some candidates also missed out the % sign.
- (iii) Many candidates calculated the net present value (NPV) correctly. The most common errors were performing the final calculation the wrong way round and ending up with a positive rather than a negative value and/or forgetting that the figure is in \$000.
- (c) This part of the question was quite well answered, even by some of those who had not correctly performed all parts of the calculations. There was plenty of information in the case, other than the figures, for candidates to use to gain application marks and support arguments for and against buying the new machinery. In the case where figures in **part (a)** were incorrectly calculated then own figure rule (OFR) applied. Most commonly, the results from **4(a)** and **(b)** were commented on, especially the low ARR and negative NPV, as suggesting that the new investment should not be made. Against this was the compelling argument that the current machinery is, in some cases, reaching the end of usable life, so likelihood of breakdowns, lack of quality and efficiency. Either opinion could be justified. Analysis marks were usually gained by considering the future implications for QH of the purchase/non purchase of the new machinery and some candidates offered alternative ideas, such as leasing. Evaluation typically focused on reliability of forecast data, the importance of other factors such as increasing interest rates and possible expansion plans.

### Question 5

This overseas expansion question was quite accessible, with three options given in the case, franchising, direct investment or joint venture. However, some candidates misunderstood the scenario and thought that QH would be aiming to become a franchisee, rather than franchisor, so did not gain marks for that part of their answer. Understanding of the other two options was better, in terms of cost, cooperation and market knowledge. Analysis marks were gained by arguing cost and likely success factors. A common comment was that a joint venture partner may not be easy to find, given the lack of links with European contacts. Evaluative comments were often limited to suggesting the most suitable option (commonly a joint venture), but better candidates took a short/long term approach or suggested that success would depend on other factors, such as communication between Country Z and Europe and maintenance of quality standards suitable for the new market.

## **Section B (Option questions)**

### **Question 6**

This was the most popular questions, selected by 82 per cent of candidates.

Candidates needed to evaluate whether the strategic analysis undertaken by Artur of QH is sufficient to provide a framework for business strategy. The text and appendices provided a range of information to be used with techniques such as SWOT, and Porter's Five Forces, but candidates needed to do more than just repeat from the text to gain application marks. Confusion between strategic management techniques also led, in some cases, to strategic choice techniques such as Ansoff's matrix, which could not be rewarded, except in terms of general knowledge of strategic management and other information which could be useful. The possible future development (steel houses) was relevant here, but candidates were not required to make a choice, just consider whether the strategic analysis information given is sufficient. A good start in some better responses was to link the appendix information to the techniques and proposed future strategy, such as considering/balancing SWOT factors and linking to other areas, such as core competency of QH. Better candidates also analysed why the data given was not sufficient or even very helpful, given the limited techniques and dynamic market conditions. However, there was generally too much focus on repeating the given appendix information in many answers, rather than an attempt to go beyond this and focus on the completeness and relevance of information. Most candidates drew some justified conclusion, but these were generally not fully supported, although a small number of the best candidates did consider wider issues in terms of further information and techniques that would be helpful to QH. There was also often consideration of the limitations of strategic analysis techniques used, as well as those which could have been helpful, such as Boston Matrix and PEST.

### **Question 7**

This was the least popular question, selected by 18 per cent of candidates.

The general area of strategic implementation is often an unpopular topic and this again proved to be the case. This question invited a focus on strategies to manage change, but the mention of developing a strategy also invited more general answers, which were rewarded. Some candidates also fell back on strategic analysis/choice techniques, less relevant here in that developing a strategy to manage change takes place once the decision is made. Some candidates focused on corporate planning and functional strategies associated with the new steel framed house product, such as within marketing and human resources and these answers were rewarded where the focus was on strategy, rather than simply tactics. Most candidates who attempted this question drew some conclusions, but often assertive, rather than supported. Limitation of corporate planning and lack of information were also cited, as well as the need for planning time to for such a major change, will this lessen chances of success? Is the production of steel houses even a realistic option, given the current position of QH and other internal and external factors?

# BUSINESS

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**Paper 9609/32**  
**Case Study**

## **Key messages**

- Understanding of key terms is essential
- Include units for numerical answers
- Practise using financial ratios and analysing answers.

## **General comments**

Candidates demonstrated knowledge of core concepts but there were areas of the syllabus for which understanding was incomplete such as the role of business planning. Candidate understanding of how to calculate and interpret key financial ratios was often lacking. Evaluation is essential in all questions other than **Question 1** and where possible should be developed throughout an answer. The need for this is most evident in **Section B** which remains challenging. Candidates should focus answers on evaluating the usefulness of relevant strategic management techniques in this section.

## **Comments on specific questions**

### **Section A**

#### **Question 1**

This was the most accessible question on the paper and most candidates were able to identify relevant government intervention from the case study and show an understanding of its likely impact on AEV. However, weaker responses did not focus on intervention specific to the car industry and gave more general answers typically about government fiscal policy. Some answers just considered changes in the economic environment such as country K's appreciating exchange rate. This was not related to government intervention in the case study. It is important that candidates sift through the case study information to identify relevant context for the question set. Knowledge of the impact of government intervention was occasionally inaccurate. For example, a few candidates mistakenly believed that country C's import tariff would increase costs for AEV to import materials from country C into country K. A few candidates also found the context challenging and thought that the proposed ban on new diesel cars applied to would negatively impact AEV.

Most candidates identified the relevant government policies from the case study and showed an understanding of the impact on AEV. However, for many candidates the analysis stopped short of linking policy effects on AEV's profit. This limited the award of analysis marks to level 1. There were some strong analytical answers that included a range of thoughtful links. For example, a few candidates explained how the ban on diesel cars could intensify competition within the electrical car industry as traditional manufacturers switched attention to this market.

Many questions set for paper 3 require candidates to consider the impact of internal or external changes on company profits. Candidates should understand that more sales and revenue do not automatically lead to more profits. Profit also depends on costs. Few candidates showed an appreciation of this.

## Question 2

Very few candidates gained full marks on these financial ratio calculations. Knowledge of ratios was often absent. Some candidates correctly calculated the ratios but lost marks for not stating appropriate units.

- (a) (i) Many candidates understood how to calculate the accounting rate of return. However, a significant number of answers did not give their answer as a percentage figure. A-Level candidates are expected to appreciate the importance of not only accurate calculation, but also of using the correct units of measurement. Common errors included not calculating the annual profit or not subtracting the capital cost from the net cash flows.
- (ii) Statistically this was the most difficult question on the paper and was omitted by just over 20 per cent of candidates. Candidates were however able to access marks if they calculated the earnings per share within their answer. Some candidates benefited from the 'Own Figure Rule' when using the correct formula for the price earnings ratio but an incorrect figure for the earnings per share. This demonstrates the importance of stating equations to access marks.
- (iii) Although many candidates stated the equation for return on capital employed most answers did not know how to calculate capital employed. In preparing for exams, candidates should practise ratio calculations using data from a variety of scenarios. There was some confusion about the use of millions and billions which resulted in many candidates placing the decimal point in the wrong place in their answer.
- (b) Responses to this question often lacked development or effective use of results. However, most candidates demonstrated some understanding of their financial ratio results to gain knowledge and application marks. Many candidates included other financial concepts but failed to follow through with an analysis of their effects on shareholders' decisions. For example, some candidates identified that a high gearing ratio could be detrimental to the business but did not go further to explain how this may affect the choice of investors.

There was evidence that although some candidates had learnt how to calculate ratios there was only a limited understanding of their relevance to stakeholders. The meaning and application of ratios was frequently lacking. In particular, very few candidates showed an understanding of the price earnings ratio. One or two candidates correctly observed that a very high PER was not necessarily favourable to investors although it showed confidence in AEV's future profitability.

Any evaluation tended to consist of catch-all comments about possible 'window-dressing' and the need for other, often unidentified, information. A few candidates did not provide a recommendation.

## Question 3

Most candidates were able to make relevant suggestions as to how AEV could address the capacity and supply problems. There were plenty of good answers that achieved L2 analysis marks. A significant number of candidates also demonstrated some limited evaluation.

Candidates covered a wide range of suggestions for AEV and frequently identified the approaches indicated in the mark scheme for knowledge marks. The most common recommendations included finding new suppliers, increasing labour efficiency, reducing labour turnover and outsourcing. Application was commonly developed by considering the use of new suppliers from country C where the rare earth materials were found. Weaker answers did not make relevant case links. For example, candidates referred to outsourcing without identifying what was to be outsourced. Better answers referred to the outsourcing of the car batteries and evaluation was developed by recognising that the batteries depended on rare earth materials which other manufacturers would also find in short supply.

Another popular suggestion was JIT and many students went on to discuss the benefits of lean production such as less wastage and therefore more efficient usage of the rare materials. However, a significant number of students considered the benefit to be relying on just-in-time stocks, and ignored the fact that the real problem was obtaining raw materials. Another very relevant issue covered by a few good answers was using Option 1 which benefited from being closer to supplies and also avoided country C's import tax on the finished product.

Most candidates made good use of the case and gained both application marks. However, it is worth noting that a significant minority of candidates appeared confused over country Cs import tax and incorrectly stated that it applied to country Cs exports.

Many candidates developed effective chains of reasoning regarding the benefits of outsourcing and other solutions and good answers gave balanced argument by considering however points. Most common was the problem of quality when outsourcing and the problem of cost. Only a few strong answers developed effective evaluation by identifying a weighting of argument or making a supported judgement about the effectiveness of solutions. For example, a few candidates identified that the key problems was supply because even if AEV were able to increase capacity it would still face the problem of getting the raw materials.

#### Question 4

As in previous sessions application of time series analysis proved challenging for the majority of candidates. In particular calculating the centred quarterly moving average for quarter 3 in 2018 and SWF's forecast sales for quarter 3 in 2019 proved difficult.

- (a) Most answers stated the equation for calculating labour turnover and the majority of candidates calculated labour turnover correctly for both years. Some candidates did not calculate the difference in turnover and therefore lost marks.
- (b) Most candidates showed a willingness to describe 'hard' and 'soft' HRM and there was often an extensive knowledge of the role of HRM. However, many answers did not link this knowledge to the effects on production. Most, however, did recognise that a well-trained and motivated work force would lead to greater efficiency and output and hence profitability. Candidates who gained marks for evaluation did this by referring to costs involved in training and understanding that other departments needed to contribute to the planned expansion of CellX for its success.

#### Question 5

A few candidates confused product development with the product life cycle and conflated market research with research and development. Knowledge of key terms is always the foundation for any answer.

There were two distinct approaches to answering this question. Some candidates referred to product development within the context of Ansoff's matrix. This approach tended to lead to analysis of the degree of risk of different strategies. Some answers drifted away from discussing the significance of product development into a discussion of the strategic choice between product development and the other strategies within Ansoff's matrix.

Most candidates focussed on the role of research and development in creating new products and discussed the potential benefits to AEV. Application was shown by using data from Figure 1 and referencing the development of battery technology by AEV. Good answers developed analysis of the benefits of product development in context, for example, linking the reduction in battery costs to competitive advantage and increasing sales. Many candidates recognised the importance of keeping up with technology in a dynamic market and the risk of failure and difficulties of financing research and development. The best answers provided a balanced discussion of product development and made a supported overall judgement.

### Section B

#### Question 6

This question was answered by just under 30 per cent of candidates and proved to be the most difficult non-calculation question on the paper. There were very few strong answers. The clearest problem was that candidates wrote purely theoretical answers with little or no application. The functions of planning were well known such as giving direction, promoting co-ordination and links to motivation, but there was little application to AEV or the case study.

Weaker answers provided a broad definition of business planning but then went into detail about the role of departmental planning and typically focused on the marketing mix. By taking this approach these candidates tended to overlook the strategic nature of business planning.



Many candidates demonstrated understanding of the benefits of planning and the disadvantages of not planning were well-known but only stronger answers developed analysis that was related to the case history of the firm and its current plans.

Evaluation in weaker answers tended to rely on business planning being time-consuming and costly and some recognised the need for updating plans in light of a changing external environment but did not provide any context. In contrast, better answers focused on the case material to show that AEV operated in a dynamic market and therefore that plans would only be effective if they were updated and that contingency planning would also be important. Many candidates also recognised the importance of successful implementation. Frequently, however, the evaluation marks could not be awarded because of the lack of application. The candidates who struggled with this question just tended to repeat the points about objectives, providing direction and helping to secure finance throughout the entire response.

Planning questions do not always point candidates directly to the case data. In this case, candidates were simply asked to consider the importance of business planning to AEV's future profitability whereas in **Question 7** candidates, necessarily, had to consider the two strategic options. However, candidates must understand that this is still a case study question and the data given in the case must be quoted and, above all, used in their answer. Failure to do this will tend to disadvantage candidates and result in a much lower mark because evaluation marks, which represent 50 per cent of the marks for **Section B**, will be lost.

### Question 7

This was a popular question and there were many outstanding answers that showed a thorough understanding of the use of strategic choice techniques and their limitations. Nearly all answers made a recommendation and in most cases some support was given for the judgement made.

Many candidates achieved reasonable marks without reference to the techniques at all, although this limited the award of evaluation marks. Marks for application were easily gained by using the information in Table 2.

If a response included an evaluation of strategic choice techniques, it was relatively easy to accumulate marks. Some candidates used the information to calculate the annual rate of return for both options and thus demonstrated an effective understanding of a strategic choice technique. However, candidates also made assertions about the payback period that were not supported by the data due to their being insufficient data.

Weaker answers tended to repeat the information in Table 2 without interpreting the data or considering its relevance or its reliability. These answers did not develop any analysis of the information and in some cases did not show understanding of the data. Better answers selected some of the information and identified the strategic choice techniques that were being used by AEV. This then led to a discussion of the different techniques and enabled the candidates to recommend which option was best.

# BUSINESS

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**Paper 9609/33**  
**Case Study**

## Key messages

- State units in numerical answers
- Develop evaluation throughout answers
- Give more focus to evaluative comment in **Section B**
- Answers are typically enhanced where there is a balance of discussion

## General comments

As in previous sessions this time zone produced some outstanding responses demonstrating a sophisticated understanding of business concepts and the ability to apply these to the case study. Nearly all candidates were able to define concepts, calculate ratios and use the case to build contextual analysis. This was often followed by evaluation in conclusions but there were also many examples of answers that included balanced discussion and evaluative comment throughout. The quality of evaluation was occasionally outstanding with differing approaches shown including consideration of long versus short term outcomes, 'it depends on' commentary, weighting of arguments and supported identification of the most important factors.

Technique and understanding were frequently weaker in **Section B**; these extended essays continue to provide significant challenge. In **Question 6**, although most candidates were familiar with the nature of strategic choice techniques they were less able to develop arguments relating to the usefulness of techniques to CSP. For **Question 7** candidates found it difficult to evaluate the importance of contingency planning leaving many candidates with less than half marks.

The quality of written communication was generally of a high standard and there were only a relatively small number of candidates unable to communicate their ideas.

## Comments on specific questions

### **Section A**

#### **Question 1**

Many candidates addressed the question directly by identifying, from the case study, relevant changes in the energy market or government policy and building chains of reasoning to analyse the negative effects on CSP. The changes in the case were well understood by the majority of candidates such that even weaker responses were able to achieve high marks with all the knowledge, application and level 1 analysis marks typically awarded. Stronger answers developed more complex and extended lines of analysis. For example, many answers recognised that a reduction in government subsidies to individual and business customers would affect the affordability of solar panels and thus reduce demand and consequently CSP's revenue and profits. This was occasionally linked to other case evidence such as CSP's pricing strategy of never offering discounts or promotional prices. The removal of government grants was often linked to the impact on CSP's investment and thus its ability to compete with imports. A few candidates made effective connections between the increasing efficiency of electrical appliances and machinery on the demand for CSP's solar panels. Many answers were concise, demonstrated good focus and used business terminology appropriately. Occasionally, very good candidates strayed into offering points of evaluation and made supported judgements. This was not necessary as **Question 1** required no evaluative comment.

The majority of candidates remained focused on the threats to CSP of changes in the energy market and government policy. However, a handful of candidates used up valuable time analysing the opportunities offered by changes. Analysis of opportunities gained no additional marks.

## Question 2

Candidates demonstrated a good understanding of the ratios tested and most provided accurate formulae and calculation followed by effective interpretation of results in **Question 2(b)**. However, candidates should recognise that units are important for all numerical questions; a few candidates dropped marks for missing the percentage sign in both calculations.

- (a) (i) Nearly all candidates identified the operating profit margin formula and used the case data to give an accurate answer.
- (ii) Many candidates dropped marks on this question as some did not know the formula or made an error in calculating the answer. The most common mistake was to use dividends paid rather than calculate the dividend per share to use in the dividend yield ratio.
- (b) Although many candidates developed effective analysis using both their results from earlier calculations and other case information it was only the strongest candidates who developed effective evaluation. Such answers showed a good interpretation of results but also an ability to weight the different factors that might influence a shareholder to sell their shares. There were some outstanding answers that provided measured evaluation observing that the decision depended not only on current performance but also on likely future profitability.

Some candidates limited the possible mark achievable by only considering either the results to **Question 2(a)** or other information.

## Question 3

Candidates found this a relatively challenging question. Although the role of marketing was well understood there was a tendency for weaker response to simply identify the different elements of the marketing mix. Even when these elements were linked to information in the case, such as CSP's pricing or distribution strategy, many candidates did not consider the importance of the 'greener energy mission statement' or made assertions without providing suitable support. Further, there are still a small number of candidates, who repeat sections of the text at length. This is rarely rewarded as points are not developed or the text interpreted. Candidates should aim to use the case material in their answer rather than repeat it word for word.

The best answers included analysis of the benefits of the marketing strategy being centred on CSP's green mission statement linking this to premium pricing and customer perceptions of the business. However, there was also a more sophisticated consideration of whether customers would be more attracted by lower prices in the future as the use of greener energy became the norm. Strong evaluative answers also considered the degree of competition in the industry and questioned whether the mission statement actually differentiated CSP from other firms in the market.

## Question 4

These calculations provided only a limited challenge for most candidates.

- (a) (i) Correctly answered by the majority of candidates. A few answers did not calculate the difference in capacity utilisation and some missed the percentage sign.
- (ii) Most candidates correctly calculated the change in profits accurately. A few candidates mistakenly included fixed costs when calculating the contribution of the special order and therefore dropped a mark for the change in profits. Nearly all candidates set out their working clearly so were able to access marks for partially correct answers.
- (c) Weaker responses simply identified whether a profit or not was made to make a recommendation to accept or reject the special order. This demonstrated an understanding of an important factor but did not show an appreciation of the complexity of the decision CSP faced. Stronger answers identified and analysed three or four factors before making a supported recommendation. Many candidates understood relevant issues related to the low level of profit, the opportunity to access

future sales, pressure on capacity, the reduced contribution per unit of the order and the possible reaction of other customers. The best answers also made evaluative comment on each factor before making a supported recommendation.

### Question 5

Candidates found this the most challenging question in **Section A**. Some answers focused on the benefits of the trade union to the employees rather than how close involvement of the trade union would affect CSP either negatively or positively. Better answers linked the close involvement of employees to motivation and therefore to efficiency and productivity. Motivational theory was used by some candidates to support analysis. Effective context was developed by some candidates by considering how the involvement of the union was essential if there was to be a change in payment method from piece rate to linking more closely with profits and high quality work. Some candidates also considered the benefits to CSP's reputation and corporate social responsibility of involving unions. However, only the best answers provided a balanced discussion that considered the relative importance of different factors.

### Section B

### Question 6

This was a popular question and there were some outstanding answers that showed a thorough understanding of the use of strategic choice techniques and their limitations.

Weaker answers tended to repeat the information in Appendix 3 without interpreting the data or considering its relevance or its reliability. These answers did not develop any analysis of the information and in some cases did not show understanding of the data. Better answers selected some of the information and identified the relevant strategic choice techniques being used by CSP. This then led to analysis of the different techniques and enabled the candidates to evaluate the usefulness of the techniques. Simple evaluation was often shown by commenting on the limitations of the techniques, in particular the likelihood of estimates of future revenues and profit proving incorrect or the quantitative nature of specific techniques. However, very few candidates developed evaluation beyond level 1. Evaluative comment was often limited to recommending which option to choose rather than the usefulness of strategic choice techniques.

Some good answers identified how consideration of investment appraisal techniques and other strategic choice techniques could reduce risk. There were some very good answers that considered what other information CSP might require to make a better decision between the two options. Good answers also made effective use of other information in the case study such as the financial information in Appendix 1. The best answers often questioned the validity of the data and suggested it could be biased to support the preference of the Chief Executive Officer. Good points were also made about the need for PEST and SWOT analysis before strategy could be formulated but a few candidates focused on strategic analysis techniques rather than strategic choice techniques.

### Question 7

This proved to be a difficult question. It was a less popular question than **Question 6** and the mean mark was lower. The case study highlighted some contextual hooks for candidates to use such as the CEO's reference to the removal of subsidies and the risk of fire. Most candidates picked up on these points to develop some analysis of the benefits of contingency planning. However, only a few answers identified any other contextual elements such as the estimated risk of failure of the two potential growth strategies or the possibility that negotiations with the trade union might fail. Weaker candidates tended to focus their answers on the general role of planning rather than crisis management. Good candidates used case information to analyse the role of contingency planning in minimising the impact of crises. Evaluation, if present, was often limited to comment on the time spent planning for contingencies that might never happen or that as CSP operates in a dynamic market and faces uncertainty contingency planning was therefore necessary.