

# BUSINESS STUDIES

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Paper 0986/11  
Short Answer/Data Response

## Key messages

- Questions which require application, such as **part (c)** and **(d)** of each question, refer to the business in the scenario by name. Candidates should be reminded to use information from the stem to help answer such questions as this provides the basis for application.
- **Part (e)** of each question is no longer marked for application. These questions now have 2 knowledge, 2 analysis and 2 evaluation marks.
- Effective evaluation is an area which requires development. Candidates should be reminded that evaluation must include a justified decision that follows on from the points raised in the answer. A repetition of points already explained in the answer will not gain evaluation marks. The mark scheme for each **part (e)** question includes one example of how evaluation may be demonstrated in the answer.

## General comments

Questions requiring definitions and knowledge, such as **parts (a)** and **(b)** of each question were generally better attempted this session. Some candidates needed to be more precise when defining the requested terms. This was a particular issue in **Question 4(a)**.

Weak understanding of business terminology was also a factor in the low marks awarded for **Questions 1(d)**, **3(e)** and **4(e)**.

There was some evidence that candidates were not reading the entire question. This was an issue within **Question 3(d)** where candidates did not explain the effect of the change.

## Comments on specific questions

### Question 1

- (a) The majority of candidates were able to provide at least a partial definition for this term, most frequently training whilst working. Candidates lost marks by specifying that this was training for new workers and therefore providing an explanation that could be related to induction. Such answers gained no marks.
- (b) The strongest candidates illustrated how they had achieved their correct answer by providing their workings. Many candidates were unclear on this calculation frequently dividing output by variable cost per unit.
- (c) This **part (c)** question required no application to the business stated in the stem. The strongest candidates recognised the importance of the factors noted in the mark scheme when making this production decision. Weaker responses often simply stated the four factors of production, capital enterprise land and labour with no attempt to relate these to the decision being made.
- (d) The concept of quality control was not well understood by many candidates. Many incorrectly stated that this method would ensure that no errors would appear in the product, showing lack of awareness that only some products would be checked. Stronger candidates identified that the

method attempted to reduce errors but could not identify the stage at which the error occurred. Candidates struggled to provide two different points of application for this question.

- (e) The strongest answers recognised that adding new features may make a product more appealing to customers increasing sales revenue. Only the strongest candidates were able to correctly explain any problems with this strategy, most often this was that customers may dislike the changes. A mistake made by many candidates was to explain the benefits of designing a totally new product which did not answer the question set. No candidate provided an effective evaluation for this question.

## Question 2

- (a) Well answered by many candidates. Candidates lost marks by stating that this was the product chosen rather than given up.
- (b) Many candidates struggled to answer this question. Answers frequently did not focus on labour but stated other methods to measure size, such as profit or output. The strongest candidates recognised the problems of part-time staff and capital-intensive production.
- (c) This **part (c)** question was one of the most challenging for candidates. The strongest candidates explained how personal assets would be protected in the case of business failure for this electricity supplier. A common error was to state that the shareholders would not pay any debts. Such answers showed a lack of understanding that money invested into the business would be used to pay debts.
- (d) Although candidates showed awareness of the concept of pressure groups, the focus of their answers was frequently incorrect. Only the strongest responses were able to fully explain two different actions that pressure groups could take. Weaker responses often stated that pressure groups would force the business to change its way of working without identifying how they would do this.
- (e) Many candidates had a good understanding of methods of internal communication. Stronger candidates explained why a meeting would be preferred as it allows workers to ask questions to ensure that they fully understand. A mark of 2 was common as many candidates simply stated methods of communication with no development to show application to the question set.

## Question 3

- (a) This term was generally understood with many candidates offering clear definitions. An error made by some candidates was to state that these assets would not be owned by the business.
- (b) Candidates were confident in their understanding of this topic, many gained both marks available.
- (c) A variety of correct, appropriately applied points were provided for this question. A common error was to state that wages would have to rise, or staff would be made redundant. These are not direct consequences of a rise in taxation so could not be credited. Some candidates lost the application marks available by not referring to the business in the question.
- (d) Many candidates simply identified that both ratios would fall quoting appropriate figures to support their answers. Such answers gained the knowledge and application marks available. Very few candidates were able to answer the question set and explain the effect on CPK of these changes. The mark scheme provides examples of the most appropriate impacts that were credited.
- (e) Candidates found this to be one of the most challenging questions on the examination paper. Although many had a general understanding of the terms, they were unable to explain how these motivation methods worked. The strongest candidates identified the benefit of workers feeling valued and money as a major motivator, gaining 2 marks. A mistake made by some candidates was to confuse job enrichment with job rotation.

#### Question 4

- (a) This term was not well understood. Very few candidates provided clear and precise definitions. Some candidates stated that this meant business failure or identified features of a recession such as high unemployment.
- (b) Many candidates provided two correct answers. Weaker responses often stated by price or product, showing some confusion with the marketing mix.
- (c) The strongest candidates identified the need to pay day to day expenses and for use in emergencies providing appropriate examples of each situation. Many candidates provided two examples of expenses which could be paid by a hairdresser. Such answers gained a maximum of 2 marks as they illustrated one reason. Some candidates incorrectly stated that working capital would be used to purchase the franchise.
- (d) There were some good answers to this question which made effective use of the information provided in the question stem. The strongest answers explained the benefits of purchasing a well-established brand name and the support offered by the franchisor. A significant number of candidates did not apply their answers to the context of a hairdressing salon and lost the application marks available. The weakest responses suggested that the franchisor would operate the business with Beena acting as a manager. Such answers gained zero marks.
- (e) A mark of 2 was common for this question as candidates demonstrated appropriate knowledge but were unable to fully develop this to show analysis. Most commonly the knowledge shown was that primary research would be up to date, but expensive, while secondary may be outdated. The strongest candidates recognised that a start-up business would have limited finance and therefore may be unable to afford effective primary research. Candidates struggled to provide effective evaluation of the two methods. A small number of candidates confused primary and secondary research.

# BUSINESS STUDIES

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**Paper 0986/21**  
**Case Study**

## Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one **(a)** question that will usually be generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a) and (b)** for application. In this particular case study candidates were expected to refer to a small business that organises safari tours. It is advisable for candidates to ask themselves about the size of the business, is it a service or manufacturer and what is the type of business organisation? This may add to the quality of their answers.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2. Few well developed points will score higher marks than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and make reference to why the alternative option(s) was rejected.

## General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of SA, a small business organising safari tours, provided an accessible scenario for candidates. Those who applied their answers to the context of SA boosted their marks much further. The majority of candidates seemed to have time to complete the paper and attempted all questions.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Also the question should be read carefully to ensure answers are appropriate and clearly address the question asked, such as answering from the point of view of a business rather than its employees. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in some cases it was clear that certain topics were not as well understood. The weakest understanding was of ecommerce and the impact of a rise in inflation.

Overall, the standard was good with very few weak scripts. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not 2a on this particular paper) and the conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower-level mark band. Candidates should aim to consider the consequences/implications/long term/short term/balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

### Comments on specific questions

#### Question 1

- (a) The majority of candidates could name and explain four business objectives and make an appropriate link to the context of SA. The business had started just two years ago so one example of a strong response was to identify the objective of survival so that Tokumbo could focus on establishing his new safari business with a secure future. Many responses mentioned making profit, providing good customer service and increasing market share as objectives and then offered explanations in the context of SA to earn additional marks. Weaker responses discussed strategies rather than objectives, sometimes copying points made in the case study.
- (b) This question required candidates to consider the opportunities and threats of e-commerce for SA. Many candidates discussed the benefit of customers being able to make a direct booking with SA which would remove the need to use holiday companies as an intermediary. This would increase profit margins for SA. Stronger responses supported their answer by referring to the flexibility of a website being able to change prices and holiday details, easily linking with other aspects of tourist services such as booking hotels and travel. Consideration of the threats of ecommerce often cited the need for expertise to set up and maintain a dynamic website to attract customers. Mention was frequently made about hacking or poor internet connection. Ecommerce does not bring face to face contact between SA and its customers so the website would need to be more attractive and informative than the many competitors also offering safaris. Only a few candidates went on to offer a meaningful judgement as to whether or not the opportunities outweighed the threats. SA is only a small, relatively new business so the threat of competition in ecommerce would be very hard to overcome without a comprehensive website gaining many hits on search engines to give SA the best chance of increased sales and profit.

#### Question 2

- (a) Knowledge of why quality is important to a business was generally strong. Many candidates identified brand image, customer loyalty and not having to replace faulty products as important factors. There were no application marks in this question, so it was possible to earn maximum marks by making four clear points with additional development or reasoning for each. Some weaker responses offered repetition of points or focused on the importance to customers rather than the business and consequently did not earn the highest level of reward.
- (b) The majority of candidates showed sound knowledge of sources of business finance. There appeared to be less confidence in discussing leasing as an option to finance new vehicles compared to bank loans and retained profit. Stronger candidates explained that leasing allowed payments to be spread out each month and included vehicle maintenance. However, at the end of the lease there would not be an asset for SA to sell since they did not have ownership of the vehicle. This might make it more expensive to replace the vehicles later on. The option of a bank loan as a source of finance was related to the context by candidates who pointed out that although interest rates had fallen to 2 per cent, a relatively new business, such as SA, might not be able to secure a loan of sufficient size at this lower rate of interest. To earn Level 3 credit in the conclusion, responses needed to make a justified judgement about which option would be the best choice. Stronger answers avoided repeating points made earlier in the response and related to why one choice was more suitable and the other two options less suitable for SA.

#### Question 3

- (a) This was a well-answered question. Many candidates were able to outline independent decision making, keeping all profit or being easy to set up as an advantage of being a sole trader. The disadvantage of this type of business was identified as having unlimited liability, difficulty in raising finance or having a very heavy workload. To gain the highest number of marks on this question additional explanation was required which also referred to the context of Tokumbo's business. Some responses discussed **two** advantages or **two** disadvantages, but this did not gain access to maximum marks because the question clearly asks for one advantage and one disadvantage.
- (b) Strong numeracy skills were displayed by candidates answering this question. Many candidates were able to make good use of the data in Appendix 3 to calculate levels of profit and average costs for each of the three options for expansion. Correct calculations of this nature earned Level 2 credit with additional application marks for referring to the appropriate data in the case study. Such

calculations provided evidence to support a justified decision by the candidate. The best answers earned Level 3 credit by using the calculated data to explain which option would be a better option for growth and why the other options would not be such a good choice. Weaker responses simply copied data about forecast number of tourists and total costs which did not earn any credit.

#### Question 4

- (a) This question required candidates to explain the effects of an increase in inflation on Tokumbo's business. Strong responses mentioned that SA would experience increased costs of fuel and accommodation which would force SA to increase prices. The increase in the cost of living, caused by inflation, might reduce demand for safari tours and lower sales revenue and profit. Good application explained the likelihood that potential customers would not choose a safari holiday when rising prices meant they would decide to spend their income on basic wants and needs instead. Some responses offered brief outcomes of inflation without explaining the sequence of economic principles and, more importantly, not linking their answer to SA itself.
- (b) The topic of training employees was widely known. Most responses discussed the advantages and disadvantages of on-the-job and off-the-job training. Candidates should be mindful that brief definitions and mirror image statements do not earn credit when developed explanations of advantages and disadvantages are required. On-the-job training would be a cheaper method of training and would be specifically planned for SA's own safaris. However, it might lead to bad habits being passed on and if this resulted in a bad reputation amongst customers SA might experience a fall in sales and profit. Off-the-job training would teach a wider range of skills and may lead to expert qualifications, but the risk would be that tourist guides might take their expertise to a rival safari business. Stronger recommendations weighed up the benefits against the drawbacks of each possible method of training as part of the justification for the decision made. These recommendations took into account the one that would have the most positive impact on the reputation of the safari tours whilst not being too costly for a small business, like SA.