

BUSINESS STUDIES

Paper 0986/11
Short Answer/Data Response 11

Key messages

- Questions which require application, such as **parts (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.
- Analysis and effective evaluation are areas which require further development. Candidates should be reminded that analysis should show the effect of the knowledge. 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 analysis or evaluation marks. The mark scheme for each **part (e)** question includes one example of how evaluation may be demonstrated in the answer.

General comments

Candidates found this paper to be accessible and most were able to achieve marks on the majority of questions. However, **Questions 2(a), 3(e) and 4(c)** did cause candidates some issues. A noticeable number of candidates did not attempt **Questions 2(a), 2(d) and 3(b)**.

Some candidates needed to be more precise when defining the requested terms. This was a particular issue in **Question 1(a)**. Weak understanding of business terminology was also a factor in the low marks awarded for **Questions 2(a), and 3(e)**.

There was some evidence this session that more candidates were reading the questions thoroughly before starting to write. Although, within **Question 1(d) and 2(b)** some candidates did not carefully read the instructions given.

Application continues to be an issue for a number of candidates. Many repeated the same point of application in each section of an answer. Others simply stated 'product' rather than naming the product or service that the business offered.

Evaluation continues to be a weak area for many candidates. A common error being to restate the points of knowledge as a conclusion. Candidates should be reminded that points can only be credited once within an answer, there is no benefit to be gained by repetition.

Comments on specific questions

Question 1

- (a) This term was not well understood by the majority of candidates. A mark of one was common as many responses offered a feature of unincorporated businesses such as unlimited liability. Weaker responses confused this with a sole trader enterprise and gained zero marks.
- (b) This question was well answered by many candidates with a range of suitable objectives being suggested. A small number of candidates confused objectives with barriers. Such candidates thought that objectives prohibited success.
- (c) This **part (c)** question required no application to the business stated in the stem. A wide variety of different characteristics were correctly stated. Many responses achieved full marks. Responses

which did not gain full marks often stated that entrepreneurs must be charismatic or skilled. Such answers were too vague to be credited.

- (d) The potential reasons for failure were not well understood by the majority of candidates. Strong responses often provided only one suitable reason. The most common correct answers being lack of experience or failure to attract customers. Many candidates did not carefully read the instruction within the question and discussed a lack of finance. Candidates struggled to provide two different points of application for this question, often repeating gardening or related words.
- (e) The strongest answers for this question recognised that owner's savings may not be sufficient for a successful start-up but has the advantage of no interest being paid. A mistake made by many candidates was to state *it saves time* with no elaboration. Such answers were too vague to be credited. Very few candidates attempted an effective evaluation for this question.

Question 2

- (a) This concept was not well understood by many candidates. Better responses identified the points listed in the mark scheme. Weaker responses described the information presented in the chart and did not answer the question set.
- (b) The strongest candidates illustrated how they had achieved their correct answer by providing their workings. Some candidates did not carefully read the information in the question and calculated profit at a different level of output. Such responses were able to gain one mark if a method of calculation was outlined. A significant number of candidates were unclear on this calculation.
- (c) For this question, better responses recognised the benefit of gaining new customers and retaining loyalty for this cooking pot manufacturer. As with other questions, candidates often repeated the same point of application in each benefit. The weakest responses stated that having a good brand image means having a good reputation and gained zero marks.
- (d) A noticeable number of candidates did not attempt this question. The weakest candidates were confused by this topic. Often these answers discussed lowering price, which would increase the output required to achieve break even. As with part(c) even better responses were unable to provide two separate points of application in this part of the question.
- (e) Many candidates had a good general understanding of social media. Stronger responses explained the benefits of reaching a large group of people and compared this to an alternative method of advertising. Weaker responses gained two marks by stating points with no development. Very few candidates attempted evaluative comments, those that did often simply repeated the points of knowledge.

Question 3

- (a) This topic was generally well understood with many candidates gaining both marks. An error made by some candidates was to identify internal users such as managers or workers.
- (b) A significant number of candidates did not attempt this part of the question. Some candidates incorrectly stated liquidity ratios rather than the profitability ones required.
- (c) Correct answers produced for this question focused on the potential for lower prices and higher quality for this computer manufacturer. The same point of application, computers, was often repeated in each reason. Weaker responses thought that the business was selling rather than buying raw materials abroad.
- (d) Many candidates understood the benefits of being ethical in attracting customers to the business. Such answers often gained the knowledge and application marks available. Limitations were less well understood. Very few candidates were able to develop their answers fully to show analysis. The mark scheme provides examples of the most appropriate impacts that were credited. A significant number of candidates confused being ethical with following laws.
- (e) Candidates found this to be the most challenging question on the examination paper. Although many had a general understanding of the terms, responses were unable to explain why these are important in a business. The strongest answers explained that profit could potentially be reinvested

to increase growth while cash is vital for paying day to day costs. A mistake made by the weakest answers was to state that profit was used to pay wages and raw materials.

Question 4

- (a) Very few candidates provided clear and precise definitions of this term. A mark of one was common as responses identified that this involved some sharing of tasks or authority. The weakest responses stated that this meant *delegating tasks* which was considered too vague for credit.
- (b) Many candidates provided two correct answers, most frequently such candidates identified controls over dismissal and discrimination. Weaker responses lost marks by providing unclear general answers related to paying wages rather than minimum wages.
- (c) This **part (c)** question was one of the most challenging for candidates. The strongest responses identified two of the four key functions of management which were then clearly applied to the context. Many candidates provided descriptive answers which failed to clearly name these functions. Such answers could not be credited.
- (d) Strong answers to this question focused on profitability, sales, or costs. Such answers frequently did not make effective use of the information provided in the question stem, gaining only one of the application marks available. A mark of three was common as the answers were not fully developed to show analysis.
- (e) For this question candidates demonstrated appropriate knowledge but were unable to fully develop this to show analysis and evaluation. Most commonly the knowledge shown was that the business could reduce prices or improve the quality of the products. Weaker responses discussed the *production* rather than *selling of new items*, for this retail business. Candidates struggled to provide effective evaluation in this question.

BUSINESS STUDIES

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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 large, public limited company that produces a range of protective hats for construction and mining workers. 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 PH, a large business manufacturing high-quality protective hats, provided an accessible scenario for candidates. Those who applied their answers to the context of PH boosted their marks much further. Most of the 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 it was clear that certain topics were not as well understood. The weakest understanding was of the analysis of company accounts and the concepts of quality control and quality assurance.

Overall, the standard was good with very few weaker 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 **2(a)** on this 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) Most candidates could identify two advantages and two disadvantages of PH being a public limited company. Many responses mentioned the advantages of raising a large amount of capital by selling shares to the public and providing continuity of the business as shareholders die and pass on their shares to others. However, there was a tendency to overlook the need to apply these points to the context of PH. For example, raising large amounts of capital would specifically help PH with their plan to expand and open factories in other countries. Similarly, the disadvantages of PH having to publish their accounts and being at risk of a takeover should have been explained in the context of PH being a manufacturer of protective hats and currently being the market leader. Some responses demonstrated good knowledge but scored only half of the available marks without relevant application.
- (b) This question required candidates to consider quality control and quality assurance as ways to ensure quality production at PH. Some candidates seemed confused about the difference in these approaches and mixed up the explanations. In the discussion about quality control, strong responses outlined the benefit of checking the protective hats at the end of the production line so that any faults could be eliminated, and customer satisfaction would be achieved. This would maintain the reputation that PH has for producing high-quality hats. However, it would mean recruiting quality control inspectors which would raise costs of training and wages for PH. This kind of developed explanation earned Level 2 reward. Simple statements which mentioned that the hats would be checked carefully at the last stage of production to ensure there were no errors earned only Level 1 reward. Consideration of the quality assurance option focused on the benefit of reducing waste because checking at each stage of production would mean that errors could be sorted out quickly and productivity would be high. In the recommendation at the end of the response candidates need to balance the two options and justify which would be the most appropriate way to ensure the highest quality of production to earn level 3 reward. Candidates may have reasoned that quality assurance would be preferable because the 100 production workers would feel more trusted and motivated by having responsibility for the highest quality standard in their own particular work. Quality control would take that responsibility away from the production workers and would only emphasise the low level of job satisfaction that has been identified at PH recently.

Question 2

- (a) This question required candidates to consider the limitations and benefits of a business developing new products. It was a generic question and the available marks were rewarded for making a relevant point with additional explanation. This was the only response which did not need to reference PH. Some good answers pointed out the limitation of undertaking extensive market research which would be time consuming and expensive. Others identified the risk that a business may damage its reputation if a new product is not properly tested and trialled before it is put into production. The benefit of developing a product which would attract a different market segment and boost sales to new customers was explained by many candidates. Some responses did not focus on product development and consequently did not earn credit. Production and sales take place after the product has been developed not during the process.
- (b) Many candidates demonstrated sound subject knowledge in their response to this question. Three methods of market research were discussed, and a recommendation made about which method would ensure accurate data would be collected. The option of using a focus group of existing customers would allow in-depth questioning of customers who already had first-hand experience of using the protective hats. Useful and specific feedback could be recorded in a discussion group that would encourage interaction and honest opinions. However, this would not be a way of gathering information about competitors and may not result in many new ideas. The online survey would be a quicker and cheaper way of gathering data which could be collated and analysed effectively. However, response levels from this type of research are quite poor and no extra explanation of the questions would be possible without an interviewer present. Merely asking five questions would produce too small a range of data. Most responses mentioned that secondary research would be out of date and more general, thus having limited use and accuracy. To earn Level 3 credit in the conclusion, responses needed to make a justified judgement about which option would be the ideal choice. The best answers avoided repeating points made earlier in the

response and related to why one method of research would result in more accurate data and the other two less accurate data for PH.

Question 3

- (a) This was a well-answered question. Many candidates were able to outline two reasons why training is important to PH. The benefit of employees learning new skills to improve their efficiency was often discussed by candidates. This would lead to more protective hats being made than before. Other strong responses explained that understanding how to correctly use the machinery was an important point of safety which would also reduce accidents on the flow production line. To gain the highest number of marks on this question it was necessary to make a clear point, offer additional explanation and reasoning, and ensuring that this was in the context of factory production at PH. Some responses briefly mentioned several reasons for training instead of developing the explanation of just two points, whilst others repeated themselves.
- (b) Some candidates found this question quite challenging. Not all responses showed good knowledge of how different stakeholder groups might use financial information. The wording of the question directed candidates to use the data in Appendix 3 to support their answer. Comparison of data from 2021 and 2022 allowed a judgement to be made of how it might impact on PH employees, shareholders and competitors. The possibility of employees seeking a wage rise, as a result of OH maintaining a healthy level of \$20 m profit, could have been discussed. Employees might feel empowered to argue for a rate of pay above their current minimum wage with strong financial data to support them. Shareholders may note that a fall of 4 per cent in PH's profit margin is an indication of poor financial management and may question this at the next AGM. The competitors of PH will be able to use the financial data to compare their own performance in the protective hat market and may see that the 25 per cent increase in revenue indicates the strengthening position of PH as market leader is too significant for them to consider a takeover. Responses that made clear points and developed reasoning, making relevant use of the data, were likely to access Level 2 reward. A supported justification of which stakeholder group would find the data most useful would have possibly earned Level 3 credit.

Question 4

- (a) This question required candidates to explain two benefits of becoming members of a trade union. Strong responses made clear points, developed the explanation and made good use of the context. PH are paying their employees just the minimum wage and there have been complaints about working conditions. If employees join a trade union, they could speak with one voice and negotiate a pay rise with PH management. There is more likelihood they will be listened to, since there are 100 workers, and more chance they will get higher wages. Some responses quite rightly mentioned the benefit of trade unions offering advice and support if members feel they have been unfairly treated by PH. For example, if they had an accident on the production line the union could help the member get proper medical attention and compensation. Some responses demonstrated knowledge and understanding of trade unions but did not always focus on the benefits in the context of PH.
- (b) The discussion about three possible benefits for PH of becoming a multinational company resulted in some varied responses. It was often mentioned that expanding into new markets would allow PH to substantially increase sales revenue and profit, especially where mining and construction industries were strong. Currently PH sell their hats around the world but production in other countries might bring a benefit of reduced transport costs, increasing profit margins and boosting profit overall. Many candidates pointed out the benefit of choosing a location where labour costs would be lower, also increasing profit margins. In the last year, the data shows that the profit margin at PH has fallen by 4 per cent so a decision to produce more cheaply in another country would be a wise decision. Some governments in other countries might offer grants to PH if they set up in an area of high unemployment. A grant might lower start-up costs for the new factories and reduce the amount that PH would need to borrow. Lower interest payments on smaller loans would reduce expenses. The responses that offered good recommendations did more than offer repeated earlier points – they weighed up the benefits, large or small, which might result from PH becoming a multinational company. The best answers justified their decision with reasoned argument about which would benefit PH the most.