



GCE AS EXAMINERS' REPORTS

**BUSINESS
AS**

SUMMER 2019

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BUSINESS

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COMPONENT 1: BUSINESS OPPORTUNITIES

General Comments

Generally, candidates did well on this paper and most were able to write reasonable responses. A large number of good scripts were submitted, demonstrating the full range of skills - knowledge, application, analysis and evaluation. The quality of written communication was generally good with no illegible scripts. Many candidates demonstrated good application skills, but some still failed to read questions carefully and answer questions in the context in which they were set. Some candidates gave repetitive and unnecessarily long responses. Stronger candidates made an effort to give balanced answers when it was asked of them and produced good analysis and evaluation, including sound and valid conclusions. Some candidates, however, still struggled with analysis and evaluation and failed to access AO3 and AO4 marks.

Question 1 scored a facility factor of 60.2 with a mean of 7.2. This seemed to be the easiest of questions though weaker candidates still tended to lose AO2 and AO3 marks. Question 2 scored a facility factor of 59.2 with a mean of 9.5. Part (a) of question 2 was answered better than part (b). Question 3 scored a facility factor of 50 with a mean of 8.0 with many candidates struggling with this topic area. Question 4 scored a facility factor of 43.6 and a mean of 2.6 with only stronger candidates scoring high on this question. Responses demonstrated a general lack of knowledge and understanding of YED. It was pleasing to see that all questions were attempted by all candidates.

Comments on individual questions/sections

- Q.1 (a)** Though simple and worth only 2 AO1 marks, many candidates scored only half marks on this question. Some failed to read the question carefully and described the meaning of quantitative market research instead. Those candidates that answered the question well gave a clear definition, with examples of how qualitative market research is carried out.
- (b)** Most candidates scored well on this question identifying 'Households' as the best target audience for Simon's oven cleaning business. The best candidates used quantitative data in their answers, comparing figures and drawing valid conclusions on how Simon can best use the information to help start his business. Weaker candidates, however, lost AO2 marks because they failed to answer in context and did not use the quantitative data provided in the graph to good effect.
- (c)** Most candidates scored half marks on this question and were able to identify how Simon took advantage of the business opportunity available to him. Many candidates identified how Simon and other businesses could use market research to identify opportunities, and the role of entrepreneurs in filling gaps in the market and meeting market needs.

Some candidates, however, struggled with this question confusing business opportunities with opportunity cost. Some answers were too theoretical and not applied in context. Where marks were lost these were generally AO2 marks.

- Q.2 (a)** Though this question was generally answered well and candidates' knowledge of the key factors of location was good, some candidates lost AO2 marks for failing to give answers in context and only including generic factors of location, without applying these to Evelyn's situation. Most candidates scored highly on AO1 and AO3 marks and were able to explain the impact that a number of key factors had on the success of Evelyn's business. Weaker candidates, however, discussed how suppliers needed to be close to Evelyn's premises and the impact this would have on her costs. Some candidates did not read the case study properly and answered the question as if Evelyn was still a mobile hairdresser.
- (b)** Most candidates referred to private limited companies as PLCs, even though they discussed the characteristics of a Ltd. company. This question was not generally answered as well as 2(a), though most candidates demonstrated a good understanding of limited and unlimited liability. Weaker candidates, however, spent too much time discussing this in their answers and failed to include other relevant advantages and disadvantages of being a private limited company or sole trader. These answers failed to compare both business types and included lots of repetition. Most candidates attempted to give a balanced answer and stronger candidates gave well-reasoned evaluations that considered both types of business structure as well as giving informed and valid judgements. Only some candidates gave an overall conclusion.
- Q.3 (a)** This part of question 3 was answered well by most candidates. Only a handful failed to get any marks at all, though some candidates answered £30 instead of £30 000 for part (ii) and lost one AO2 mark. Most candidates successfully identified the break-even point in part (i) and the price of each box in part (iii).
- (b)** Many candidates failed to give a correct and clear definition of the margin of safety in part (i) of this question. For part (ii) of this question most candidates scored at least one mark whilst attempting to calculate the new margin of safety. Only stronger candidates scored two AO2 marks.
- (c)** In part (i) of this question many candidates correctly plotted the new total cost line after a rise in variable costs. Some candidates, however, lost one AO2 mark for not correctly labelling the new total cost line. Part (ii) was answered well with most candidates scoring one AO2 mark. Many candidates failed to answer part (iii) in quantitative terms and lost one AO2 mark.
- (d)** This question was generally answered well by most candidates, with stronger candidates scoring highly on this question and giving excellent evaluations which were well-balanced and detailed. Many candidates included a good analysis of the usefulness of break-even analysis and its impact on business and included a number of key issues. Weaker candidates, however, lost AO4 marks because they failed to give a reasonably well-balanced answer with development on both sides of the argument. These answers tended to favour break-even analysis without discussing its limitations.

Q.4 This question was either answered badly or very well done. It was clear that those candidates that did not understand income elasticity found it difficult to give a good analysis of how YED impacts upon the demand for different types of goods. Stronger candidates demonstrated a very good knowledge and understanding of YED and were able to link this to revenue and profits. Weaker candidates, however, often confused YED with the price elasticity of demand and gained no marks. Few candidates were able to correctly discuss how YED can be negative, positive or inelastic. Some candidates confused inferior, normal and luxury goods and gave incorrect examples for each of these different types of goods.

Summary of key points

- Candidates should improve application skills by answering in context.
- Candidates should carefully read and select from information provided to support responses.
- Candidates should read questions carefully before answering.
- Candidates should take careful note of command words when answering questions.
- Candidates should avoid repetition and making unsupported judgements.

BUSINESS

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COMPONENT 2: BUSINESS FUNCTIONS

General Comments

It was pleasing to see that most candidates were able to demonstrate reasonably good knowledge on most topics within Component 2 of the specification. Timing didn't seem to be a problem as most candidates attempted all questions. It was also pleasing to see that all candidates followed the rules for section B in answering only one of the three available questions. The standard of quantitative skills demonstrated was very good in the questions that assessed ratios and percentages.

Comments on individual questions/sections

Section A

Section A comprised of shorter questions and offered a good test of candidate's skills and abilities. Although some questions were trickier than others, stronger candidates were able to pick up a large quantity of the 55 marks available. In section A, candidates found most topic areas accessible with types of economies of scale, computer aided design, and McGregor's management theory posing more of a challenge.

- Question 1 had a mean mark of 12.3 out of a maximum of 22 marks, with 100% of candidates attempting the question.
- Question 2 had a mean mark of 11.6 out of a maximum of 19 marks, with 99.6% of candidates attempting the question.
- Question 3 had a mean mark of 7.4 out of a maximum of 14 marks, with 99.2% of candidates attempting the question.

These statistics demonstrate that question 2 was slightly more accessible as the mean mark equalled 61% of the total marks for that section, while question 3 proving slightly more difficult with a mean mark equalling 53% of the total marks available for that question. Given that economies of scale was a topic that many candidates struggled with, it was not surprising that question 3 had a lower mean mark.

Application to the three case studies in section A was mixed. In most questions, candidates were able to apply their answers to the case study scenarios of McDonalds, Eddie Edwards 3D, and/or Airbnb well. However, candidates struggled to apply internal and external recruitment to McDonalds, and types of economies of scale to Airbnb. These two questions in particular proved challenging for candidates to demonstrate their application skills.

Candidates on the whole demonstrated good understanding of the different command words in section A, and therefore attempted to demonstrate the correct assessment skills when developing their answers. However, question 1d on motivation was only answered in the correct way by a minority of candidates. This question asked for a discussion of the impact of a motivated workforce on a business, and very few answers presented a balanced argument. Most answers only considered why a motivated workforce is beneficial to businesses and therefore could only achieve 4 marks in total for a one-sided answer. Few candidates considered the command word of 'Discuss' and so fewer candidates were able to pick up more marks that considered instances where motivated workforce had less of an impact, or issues with keeping the workforce motivated.

- Q.1 (a)** The majority of candidates achieved both marks for this question, very few candidates scored zero marks. Overall knowledge of zero-hours contracts from the employee and/or employer standpoint was demonstrated very well by the majority of candidates.
- (b)** There was a wide variety of different level answers for this question. Candidates scored all different ranges of marks for this question. Most candidates were able to provide limited understanding of Maslow's motivational theory, however understanding of three or more needs were demonstrated by fewer candidates. Candidates tried to apply Maslow's theory to the case study but in most cases only achieved limited application because of a lack of identification of three or more needs. This question was successful in differentiating stronger candidates from weaker ones.
- (c)** Most candidates were able to offer good understanding of internal and external recruitment including pros and/or cons of each. Most candidates lost marks mainly due to their inability to link these pros and/or cons directly to McDonalds and therefore AO2 marks were commonly not awarded. Stronger candidates were able to gain higher marks as they were able to demonstrate band 2 answers for AO3 and AO4 when developing the pros and/or cons of each method in greater detail. A very small minority of candidates ignored the question and analysed the ways a business can recruit and the benefits of recruitment.
- (d)** The majority of candidates understood the concept of employee motivation and so there were very few band 1 answers for AO3. However, a significant number of candidates didn't answer the full question. There were some well-developed one-sided answers on the benefits of a motivated workforce, however the majority of candidates didn't consider both sides to the argument and therefore could only achieve a maximum of 4 marks (AO3- 3 marks, AO4 - 1 mark).

A small number of candidates developed their answers around McDonalds, however, no AO2 marks were awarded for this question. In most cases this didn't add value to candidates' answers and prevented good evaluation marks, as candidates then didn't consider different types of businesses, and given situations where motivated employees were more important.

- Q.2 (a)** Surprisingly, the majority of candidates did not achieve both marks for this question. A large number of candidates confused CAD with robotics/equipment used to manufacturer goods, while other candidates used the word “design” to define “computer aided design”. One mark answers commonly demonstrated that CAD was a way of modelling ideas on a computer, however the full two marks were not commonly awarded as there was not any additional understanding such as CAD allowing the testing and/or changing of on-screen prototypes.
- (b)** Candidates scored the full range of marks for this question. Most candidates were able to identify that Eddie was a theory Y manager, however in many cases, additional development to show full understanding of a theory Y manager was missing from answers. AO2 marks were commonly awarded to candidates who identified that Eddie was a theory Y manager. In a number of cases candidates suggested that Eddie was a theory X manager only and some candidates ignored McGregor’s management style theory and/or used leadership styles to describe Eddie and therefore were awarded 0 marks. There were also a small proportion of candidates that did not attempt this question, so knowledge of this topic varied significantly between candidates and centres.
- (c)** A large majority of candidates demonstrated good knowledge and achieved both marks for this question. Candidates picked up more marks for this definition question compared to other 2 mark definition questions. In most cases candidates understood that leasing was a form of renting and that the asset is not owned by the business.
- (d) i and ii**
- The majority of candidates were able to pick up all three marks for this question. In the instances where candidates lost marks, this was usually for forgetting to include a £ sign in part (ii) to the calculation. Very few candidates scored 0 marks for this question.
- (e)** This question worked really well in differentiating stronger candidates from weaker ones. Stronger candidates were able to demonstrate not only their numeracy skills but also analyse qualitative reasoning for the choice of finance. Weaker candidates used only basic calculations or none at all in attempting to make a judgement. As a result, marks were awarded across the full range available for this question. The best answers calculated not only the costs for the first 5 years but also the on-going costs of each source of finance after 5 years.
- Q.3 (a)** Both parts to this question was answered correctly by the majority of candidates. Candidates that lost marks usually did so in the first part of the question, not coming up with two different roles of the financial department. However, most candidates could usually come up with at least one role
- (b)** Similar to previous papers that assessed this topic area, knowledge of different types of economies of scale on the whole was relatively poor, resulting in a very low average mark awarded for this question. As a result, when candidates attempted to analyse the benefits to Airbnb of growth in general scale terms only one mark for AO3 could be awarded.

However, stronger candidates were able to differentiate themselves by demonstrating good understanding of two types of economies of scale and their benefits and usually applying at least one of them to Airbnb effectively. It was very rare to find both types of economies of scale applied to Airbnb successfully, so few were awarded full marks for AO2, and most candidates lacked the depth within their analysis to achieve full marks for AO3.

- (c) This question was accessible to almost all candidates. Candidates were able to use the case study to build relevant arguments for this question. Stronger responses constantly compared both options against one another within each argument which enabled them to achieve high band marks for AO3 and AO4. Few candidates scored less than 3 marks, however few candidates also achieved full marks due to the lack of depth within AO3 and AO4 when comparing each option.

Section B:

40% of candidates attempted question 4, 26% of candidates attempted question 5, while 34% of candidates attempted question 6. This shows a fairly even spread of questions attempted with question 4 proving the most popular choice, however, it was also the question with the lowest mean score:

- Question 4a achieved a mean mark of 3.9 out of a possible 10 marks.
- Question 4b achieved a mean mark of 7.7 out of a possible 15 marks.
- Question 4 in total achieved a mean score of 11.6 of a possible 25 marks.

- Question 5a achieved a mean mark of 5.4 out of a possible 10 marks.
- Question 5b achieved a mean mark of 8.8 out of a possible 15 marks.
- Question 5 in total achieved a mean score of 14.2 of a possible 25 marks.

- Question 6a achieved a mean mark of 4.3 out of a possible 10 marks.
- Question 6b achieved a mean mark of 7.7 out of a possible 15 marks.
- Question 6 in total achieved a mean score of 12 of a possible 25 marks.

These statistics demonstrate that the question with the fewest number of attempts (question 5) was the most accessible question, with question 4 the least accessible. This is not surprising given that question 4 focused on one topic area and that candidates that didn't show understanding in part A usually scored low in part B. This is different to question 5 as part A focused on place only, while part B focused on all areas of the marketing mix. Both parts to question 6 also focused on a singular topic area of adding value, however, understanding of this topic was better, and therefore candidates achieved higher marks for part A compared to question 4A.

Weaker candidates struggled to achieve high AO1 and AO2 marks in part A and B. Knowledge of business topics in many cases is still limited and question choice sometimes showed a lack of thought. For question 4a, a large number of candidates didn't show understanding of employee appraisals, confusing these with motivation techniques, therefore scoring low marks for both part a and b. For question 5a, a smaller number of candidates showed no understanding, confusing distribution channels with ways of delivering goods. Finally, in question 6a, although understanding of ways to add value were present, in lots of cases candidates didn't link these to whether it reduced input costs or increased the output price. Weaker candidates also struggled more with application for question 4a, however were much better for question 6a.

Stronger candidates were able to answer part A and B well, providing suitable AO2 examples for part A as well as demonstrating excellent detail within their analysis and evaluation for the 15 mark question. During all essay questions in section B, stronger candidates had the opportunity to shine and certainly did so, which differentiated them from weaker candidates. Stronger candidates were able to link the evaluative concepts much better to the topic, i.e. the **importance** of appraisals for profitability, adding value to **all** stakeholders, and the marketing mix to **different** geographical markets.

Q.4 (a) Candidates' answers to this question scored the range of marks available. A large number of candidates that attempted this question confused appraisal techniques with motivational techniques. There were very few high band marks awarded for AO1 overall. When candidates described correct appraisal types, these were usually superior appraisals and peer appraisals. However, in most cases, application to a restaurant scenario was limited and only low band AO2 marks were awarded, a large amount of responses gained no marks for AO2. There were some excellent answers that considered multiple appraisal techniques and linked these to different types of job roles at a restaurant.

(b) Unfortunately candidates that showed no understanding of employee appraisals in part a, then answered part b incorrectly and picked up few marks as their answers did not consider the impact of employee appraisals and instead the impact of motivational techniques, which unless applied to appraisals could not be awarded any more than band 1. Candidates who correctly showed understanding of employee appraisals in part a, were able to identify and explain the impact of having them. These candidates usually lost marks by not relating arguments back to profitability and not considering a balanced argument (why employee appraisals may not lead to greater profitability), so high band AO3 and AO4 marks were uncommon but did allow stronger candidates to demonstrate excellent knowledge, analysis and evaluation skills.

Q.5 (a) Responses to this question were very mixed. Application was usually much better than that of responses to question 4a. Stronger candidates were able to gain high band marks by describing two or more distribution channels in detail with good links to farmed produce. Weaker candidates often did name the distribution channel correctly or were only able to come up with one suitable channel. The number of responses that demonstrated no understanding was slightly less than that of question 4a.

(b) Fewer candidates become unstuck with their knowledge of the marketing mix compared to question 4b. Where candidates demonstrated no/little knowledge of distribution channels in part a, they were able to demonstrate some knowledge of the marketing mix, so were able to pick up marks in part b. However, some candidates ignored the geographical markets part of the question or focused too much on product only, therefore achieving low band answers for each of the AO's. Stronger responses were able to link multiple parts of the marketing mix to different geographical markets, more commonly when targeting a completely different country with different tastes. However, these candidates lost marks as they were less able to consider a balance in their arguments and why certain businesses may not need to change their marketing mix when targeting different geographical markets, so scored lower AO4 band marks.

- Q.6 (a)** Compared to 4a and 5a, more candidates demonstrated knowledge on ways businesses could add value. Better answers looked at ways to reduce input costs and raise the output price. Candidates that only considered input costs or output prices couldn't get into band 3 AO1 marks. Application on the whole again was not great as many adding value strategies were not specifically applied to toy manufacturers, however, there were some very well applied answers that scored top band marks. Quite a few candidates came up with ways to add value but then didn't link these to how it increased value i.e. if the strategies lowered input costs or increased the output price, therefore scored low band AO1 marks.
- (b)** Most candidates demonstrated good knowledge of different stakeholders and their interests, and candidates were usually able to pick up marks by linking the effects of higher prices and/or better quality goods and/or lowering costs of production on different stakeholders. Fewer candidates scored band 1 or less marks for all of the AO's for this question compared to 4b. Stronger candidates were able to pick up higher band marks for each of the AO's as they were able to evaluate each stakeholder on the extent to which they really benefit from increased adding value. Candidates that didn't reach top band marks usually lost marks because they were not able to evaluate each stakeholder, and instead only considered the effects of adding value on each stakeholder in either a positive or negative way.

Summary of key points

- Knowledge on the whole was demonstrated to a good standard, with topics such as appraisals, McGregor's management theory and types of economies of scale causing more difficulties.
- Application to the case studies in section A and scenarios in section B shows an improvement from previous series, however, is still mixed and allowed stronger candidates to pick up more marks.
- Questions assessing analysis also allowed stronger candidates to show off, creating more in-depth chains of arguments, allowing them to achieve higher banded marks and differentiate their answers from the rest.
- Evaluation was demonstrated better than in previous series with many more candidates utilising words such as "it depends on" rather than a more simplistic I agree or disagree approach. However, the report on question 1d still shows that full understanding of command words and knowing when and how to evaluate can still be developed further.
- Question choice in section B is very important given the differences in mean marks achieved across each section; with the most popular choice achieving the lowest mean marks, while the least popular choice achieving the highest mean marks.



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