



GCE A LEVEL EXAMINERS' REPORTS

**BUSINESS
A LEVEL**

SUMMER 2017

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**EDUQAS
GCE A LEVEL BUSINESS**

Summer 2017

COMPONENT 1: BUSINESS OPPORTUNITIES AND FUNCTIONS

General comments

This was the first sitting of the new specification which has posed interesting challenges for teachers, students and examiners alike. One particularly pleasing aspect of the paper was that almost every candidate answered every question and that, on average, they achieved almost half marks or more on every question. This attests both to their hard work and to that of their teachers who had prepared them for the exam.

The key difference from all previous specifications in the subject is the fact that the entire course is examined at the end of the second year. One consequence of this was that candidates tended to write far more than was anticipated. Not only did many of them use up all of the available space in the answer book, but they also called for extra answer books as well! Unfortunately, in some cases, extra quantity did not translate into extra quality. All candidates would have benefited from writing more concise and considered answers.

There were many cases this year where the handwriting of candidates tested, and sometimes defeated, the palaeographical skills of the examiners which may also reflect a desire to rush and to give quantitative rather than qualitative answers. Candidates are advised to avoid slang and hyperbole, which was often reflected in the use of the word “massively”.

Most teachers and candidates are conscious of the need to read questions carefully and pay particular attention to key words. This means, for instance, that they will be conscious of when evaluation is expected (key words include assess, discuss and evaluate) and cases where it is not (key words include analyse and explain). Candidates who ignore these key words often waste valuable time in the exam without gaining extra marks.

Candidates should always ask themselves “does this question require me to apply my answer to the particular stimulus in the question?” If the question uses the term “such as” application is not required and other examples can be given.

Question-specific comments

Section A

Question 1 asked candidates to outline three factors that are likely to affect the demand for ready-made meals. The word ‘outline’ indicates that candidates were expected to state each of the three factors with a brief comment as to why they were relevant to ready-made meals. If a candidate only stated three relevant factors, for example the price of ready-made meals, people’s lifestyles and the cost of substitutes, without relating these factors to ready-made meals they would only have achieved half marks. In the event full marks were achieved in four out of five cases.

Question 2 required candidates to identify one normal good and one inferior good outlining the reason for their choice. In general, candidates who clearly understood that normal goods are those whose consumption increases as income increases and that inferior goods are those whose consumption falls as income increases achieved full marks. Many candidates gave what might be called common sense answers stating that normal goods are ones that are used every day and inferior goods are of poor quality for which they were not rewarded with a mark.

Question 3 was based on the business of Sharon Thomas who had decided to open a café that specialised in healthy foods.

Part (a) asked candidates to explain the implications of unlimited liability to Sharon. Almost all candidates understood the concept of limited liability but many did not apply this knowledge specifically to Sharon's business as the question asked them to.

Part (b) asked candidates to describe why the manager of the bank told Sharon that it was important for her to write a business plan. Again, most candidates were aware of the purpose of a business plan but many of them lost marks because they did not apply this to Sharon's business.

Part (c) required candidates to outline three suitable methods of market research that Sharon might undertake before starting her business. Most candidates were able to suggest three suitable methods of research but only achieved full marks when they related the methods to Sharon's café.

Part (d) (i) asked candidates to calculate the total spending on Café meals in Sharon's area per year. Most candidates were able to perform the relatively straight forward calculation required for this answer.

Part (d) (ii) asked candidates to calculate her weekly profit. Some candidates lost marks because they assumed that she would capture the whole market rather than 5% of it. Rather surprisingly there were a significant number of candidates who lost marks because they did not know how many weeks there are in a year. Some divided by 12, to get the months, and then by 4 to get the weeks, giving a total of 48 weeks, others seemed to think that there are 53 or 54 weeks in a year.

Section B

Question 4 (a) asked candidates to discuss the reasons why consumers sometimes need protection from exploitation by businesses. This part of the question appeared to give many candidates a lot of trouble. Whilst the specification does not call for detailed knowledge of particular pieces of consumer protection legislation it does expect candidates to know the general areas these acts cover. Many answers were very general and, for example, talked about businesses "ripping off" consumers rather than talk of specific issues such as the need to describe products accurately, to provide goods of merchantable quality and for the need to control of weights and measures. Some of the better answers referred to the horse meat scandal and other relevant examples.

Question 4 (b) required candidates to evaluate two different types of pricing strategies that can be used by a supermarket. Most candidates were able to suggest two suitable methods but not everyone gave valid evaluations: often emphasising the advantages of the strategy without explaining its potential drawbacks.

Question 5 was based on a six month cash flow forecast for Gerry Spencer who has a jewellery business.

In part (a) candidates had to calculate the missing figures for total cash outflow, net cash flow and the opening and closing balances for November. Most candidates were able to do this successfully.

Part (b) asked candidates to explain two impacts on a business if it does not control its cash flow effectively. Many of the weaker answers to this question were rather vague, for example, saying that the business would run out of money or would make a loss. The better answers were more specific and identified problems that might arise, for example, an inability to pay suppliers would mean that the business would no longer be able to purchase supplies and as a result would have to stop production, leading to loss of sales.

Part (c) required candidates to evaluate ways in which the cash flow situation of a business can be improved. As there was no specific reference to Gerry the question was generic and there were no marks for application. This part of the question was generally well answered with candidates suggesting a number of successful ways that a cash flow problem might be addressed. Some of the weaker answers lacked development and balanced evaluation. For example, they might have suggested taking out an overdraft without explaining that this was an expensive option and not one that would solve any of the underlying problems.

Question 6 was based on the General Electric (GE) Company.

Part (a) asked candidates to outline what is meant by the term lean production. Most candidates realised that lean production is to do with the minimisation of waste and the use of techniques such as JIT, Kaizen, Kanban etc. Some of the weaker answers just talked about efficiency without explaining the nature of lean production.

Part (b) asked candidates to discuss the impact of lean production on a manufacturing business, such as GE Appliances. Once again this was a generic question since it used the term “such as”, again this meant that there were no marks for application specifically applied to GE, although candidates could use GE as an example if they so wished. In general this question was not answered well. Many answers to this question were rather brief and concentrated on only one aspect of lean production such as JIT. Some candidates talked vaguely about quality control without mentioning TQM. Some candidates even felt that lean production might have a negative effect on both quality and motivation.

Question 7 was another generic question for which no application marks were awarded. The stimulus was about Peter Jones of the Dragon’s Den television programme and the question read as follows: “with reference to the various leadership styles and theories that you have studied, discuss the view that the leadership style of one individual, such as Peter Jones, can be appropriate for all different types of business”. It was hoped that this question would give candidates the opportunity to demonstrate their understanding of the new theories that have been added to the specification, i.e., Fiedler and Wright and Taylor. In the event, the number of candidates who incorporated these theories into their answers was disappointing. Many of the weaker candidates wrote a great deal about motivation without relating it to leadership theory and not all answers considered the appropriateness of different leadership styles to different types of business.

BUSINESS

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COMPONENT 2: BUSINESS ANALYSIS AND STRATEGY

General comments

Generally, this paper was accessible for most candidates, and it was pleasing to see that candidates were able to demonstrate their knowledge of the specification content. Most candidates were able to attempt all the questions with 99.48% of the questions being attempted, and the quality of written communication was generally good, with very few illegible or incomprehensible scripts. Some candidates however, wrote very lengthy answers with very little use of structure or paragraphs, that made the answers hard to follow. It appeared that most candidates used the time of the exam effectively and were able to dedicate sufficient time to all questions.

A number of good scripts were submitted where candidates had shown effective use of the full range of skills; knowledge, application, analysis and evaluation.

Good subject knowledge (AO1) was shown throughout the paper, especially around Porters Five Forces Framework and critical path analysis – which had the highest mean score of 8.1 out of 14. The areas that candidates appeared to find most problematic were index numbers, depreciation and the purpose/use of mission statements.

It was in some cases apparent that candidates had not effectively used the stimulus material effectively to be able to achieve AO2 marks and their answers were very theoretical, rather than focussed on the business scenario provided. Also, many candidates quoted points from the case studies, but were then unable to use that information to support their argument.

Equally it should be noted that some candidates were failing to show good/excellent analysis by developing their points well into structured arguments, which made it difficult to score high marks on certain questions, particularly noticeable in Question 4b and Question 5. The better candidates were able to give detailed, well-structured and balanced arguments, and were able to interpret the requirements of the question well by looking at the phrasing of the question and the key trigger words used. Lots of one-sided answers were produced with either no or limited evaluation, which really restricted the marks for these questions (particularly Question 3 and Question 5). Evaluation marks were generally quite high on Question 6b.

Quantitative skills were generally demonstrated well (Question 1c, 2a and 4a), with many candidates often achieving full marks, especially those with good attention to detail, remembering to express their answer in the correct numerical measurement.

Question-specific comments

- Q.1 (a) Most candidates were able to interpret from the graph that the general level of income rose over the period. However, very few candidates were able to demonstrate good knowledge of index numbers and how they work. Some candidates were able to read the data to discuss the level of changes for each income group, and some explained possible reasons for the changes. Weaker candidates incorrectly described all income groups starting at the same level of income in the base year.
- Q.1 (b) Many candidates only demonstrated limited application and analysis on this question and very simply described that an increase in income for normal/luxury goods would lead to an increase in demand. Candidates that scored well on this question took this further and discussed the impact this would have on capacity/manufacturing and wage costs. Some candidates demonstrated good AO2 by linking to how different car manufacturers would be impacted differently.
- Q.1 (c) Generally, this question was answered well by the majority of candidates, with a high number achieving full marks. Some incorrectly labelled the final answer as a %, for which a mark was deducted. Most candidates used good practice and wrote out the formula, which was awarded a mark. The most common mistake made was to calculate the % changes correctly, but then input them into the formula upside down.

Overall for Question 1, it was the second highest scoring question on the paper, but brought down by the lack of the correct interpretation of index numbers.

- Q.2. (a) (i) There were mixed responses to this question. Strong candidates were able to concisely and accurately achieve full marks, with a requirement of this question being to express the answer in both £s and millions. There was also the requirement for good understanding of what working capital is, and generally descriptions of this were very limited to 'capital for day-to-day expenses'. Stronger candidates were able to take this on further and discuss issues like liquidity, or examples of expenses. There were also candidates who were unable to pick the correct figures out from the table.
- Q.2 (a) (ii) Candidates generally answered this less well than the previous question, with few being able to identify the components. There was the same requirement for the answer to be accurately expressed with its units of measurements. Stronger, well prepared candidates were able to answer this question effectively.

- Q.2 (b) The concept of depreciation seemed to cause some confusion amongst candidates, and there were few who were able to accurately explain why assets depreciate and why the final accounts need to show depreciation figures. The best answers discussed why it is important to show a fair representation of the current value of the business. Weaker candidates discussed cash flow and the cost of depreciation, but didn't show correct understanding. Most candidates were able to refer to the figures presented for limited AO2, but stronger candidates were able to take this further and discuss in a retail setting and also looked at why the different assets may have depreciated at different levels.
- Q.3 Candidates approached this question in lots of different ways, but some weaker candidates quickly lost focus of the question and wrote long answers that were off topic. The concept of what a mission statement is and how it is used as part of the strategy and objective setting process seemed to be lost on most candidates who discussed it primarily as a PR tool to attract customers. Stronger candidates discussed benefits of both the old and the new mission statements, and particular parts of it and how it may be used internally within a business. Some candidates focussed on the benefits/drawbacks of changing a mission statement, and whilst that may have allowed for some AO4 marks to be credited, it didn't allow their answer to focus on the question. Stronger candidates were able to conclude with a supported judgement as to why (or why not) the new mission statement would be of greater benefit to Starbucks.
- Q.4 (a) (i) This was a very accessible, standard critical path diagram for the well prepared candidates, and lots were able to complete correctly. Some candidates failed to read the requirements in the question and did not label the time required for each task. The most common error was made at node 9, where 6 was added to 15 to get 21, instead of the longer route through activities H and K.
- Q.4 (a) (ii) Most candidates who had correctly completed the diagram were able to identify the critical path. Some candidates inaccurately missed off either activity A or M from the critical path which lost them the mark, and some took the path incorrectly through J. Candidates chose lots of different methods to mark the critical path, and some were hard to decipher how they had chosen to show it, rather than the standard slashes through the activity line.
- Q.4 (b) Most candidates approached this question well, using a good structure of looking at uses of the theory, limits/downsides and then overall conclusion as to whether it would be useful. Some candidates struggled to gain AO2 marks here, making it relevant to this particular context. The strongest candidates not only linked to the concept of music festivals with strict deadlines/affected by the weather etc, but also made reference to the diagram to support their answer e.g identifying areas where there was float time available. The strongest candidates who scored the highest AO4 marks made a judgement on the overall usefulness of the theory to John Scott Ltd, and also factors that affect the usefulness such as the experience of those preparing the CPA. Weaker candidates' answers tended to just list advantages and disadvantages without developing or explaining them for good AO3 marks.

- Q.5 There was a wide spread of marks achieved on this question, with some candidates writing long answers that were not really focussed on the question. Stronger candidates who were clearly well prepared were able to use the performance measures cited in the specification, most commonly discussing employee and customer attitude surveys, and market share, and weaker candidates discussed a wide variety of measures including SWOT analysis and the Delphi Technique, which made it extremely hard to answer the question effectively as they were not really relevant here.

Stronger candidates were able to use the stimulus material in the question to help create their arguments, where some weaker answers were just generally linked to a retail scenario.

Lots of candidates failed to identify the requirement for AO4 in this question and did not pass any judgement at all, and in most cases was limited evaluation and struggled to get out of band 1. Stronger answers were able to not only judge Next's performance based on these measures, but effectively 'discussed' them by looking at problems of these performance measures. Additionally, lots of answers failed to achieve the top band for AO3, as they simply described the measure and did not focus on the question – how Next might use this measure to assess the performance. This could be the reason that this question had the lowest mean score on the paper, with a facility factor of 46.3%.

- Q.6 (a) Most candidates were able to correctly identify the five forces, which scored 2 out of 3 marks. Stronger candidates were able to summarise what the model is used for i.e. to determine the likely levels of profitability within an industry. Lots of candidates were too vague with this description to be awarded a mark for it.
- Q.6 (b) This was an accessible question for the candidates who were able to identify the five forces, and lots of candidates wrote lengthy answers and were able to score highly.

Common points of confusion were mixing up competition and substitutes to give incorrect analysis, and when discussing the force of buyer power, some candidates discussed Domino's as the buyer, not their consumers. This limited AO3 marks, as it was not showing detailed/correct descriptions of the force.

Weaker candidates who were not able to identify clearly any forces were able to score low level marks for vague answers discussing the market share/market structure information in the stimulus material, but a long answer just focussing on market structure was not able to achieve higher than band 1.

The strongest answers that scored band 3 for AO4 did not only pass judgement on the strength of the force, they were able to take this further and discuss the impact this would have on the market that Domino's was in, their profitability and the impact this would have on them being able to set prices.

BUSINESS

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COMPONENT 3: BUSINESS IN A CHANGING WORLD

General comments

This was the first sitting of the new specification which has posed interesting challenges for teachers, students and examiners alike. One particularly pleasing aspect of the paper was that almost every candidate answered all of question 1 and attempted one of the essay questions in section B (one or two unfortunate candidates attempted more than one question) and, in most cases, they achieved at least half marks. This attests both to their hard work and to that of their teachers who had prepared them for the exam.

The key difference from all previous specifications in the subject is the fact that the entire course is examined at the end of the second year. One consequence of this was that candidates tended to write far more than was anticipated. Unfortunately, in some cases, extra quantity did not translate into extra quality. Many candidates would have benefited from writing answers which were more thoughtful and concise.

There were many cases this year where the handwriting of candidates tested, and sometimes defeated, the palaeographical skills of the examiners which may also reflect a desire to give quantitative rather than qualitative answers. Candidates would also be well advised to avoid slang and hyperbole, including the use of the word “massively” which often turned up in some of the less well-expressed answers.

Most teachers and candidates are conscious of the need to read questions carefully and pay particular attention to key words. This means, for instance, that they will know when evaluation is expected (key words include assess, discuss and evaluate) and cases where it is not (key words include analyse and explain). Candidates who ignore these key words often waste valuable time in the exam without gaining extra marks. Candidates should always ask themselves “does this question require me to apply my answer to the particular stimulus in the question?” If the question uses the term “such as” application is not required and other examples can and probably should be given.

Question-specific comments

Section A

The questions in this section were based on a short case study concerning the activities of JD Sports Fashion Ltd. This is a business that should be familiar to most candidates although no detailed knowledge of its operations was required.

Question 1 (a) asked candidates to analyse the importance of new technology to JD Sports Fashion Plc’s success. This question proved accessible to almost all candidates, who demonstrated good understanding of the types of new technology that were available to JD Sports and made good use of the information in the case study. Whilst most candidates demonstrated knowledge and applied it well to JD Sports many answers lacked detailed analysis. Some candidates talked about new technology and production, insofar as this was relevant to warehouse operations this was acceptable, but as it was clear from the case study that JD Sports do not manufacture the products that they sell such answers were not considered to be acceptable.

Question 1 (b) required candidates to calculate the net profit margin, acid test and gearing ratios and use them to assess the financial performance of JD Sports. Although ratios are included in component 2 it should be remembered that component 3 is synoptic and may include questions from any part of the specification. Overall the answers to this question, which is one that occurred frequently in papers under the previous specification, were not as good as might have been expected. To achieve more than half marks on this question it was essential to calculate all three ratios correctly, for many candidates this proved to be difficult, particularly when it came to calculating gearing. Many candidates achieved good marks for analysis but failed to pick up full marks for evaluation.

Question 1 (c) asked candidates to evaluate the ways that JD Sports could respond to the risks that faced the business. These risks were detailed in the case study but some candidates chose to ignore them. Many good answers referred to insurable and uninsurable risks and also to crisis management and contingency plans and applied these to the case of JD Sports. The better answers fully evaluated the responses that they suggested and included both the advantages of the response and its downsides.

Question 1 (d) asked candidates to discuss the advantages to JD Sports of growing the business by acquisition rather than by organic growth. Most candidates seemed to appreciate the difference between the two methods and to identify one or two advantages of one of them. Some of the weaker answers did not refer to JD Sports and only spoke in general terms. The better answers were directly related to JD Sports and were more comprehensive, giving several advantages and disadvantages of both acquisition and organic growth.

Question 1 (e) asked candidates to evaluate the strategy of expanding in overseas markets for a business such as JD Sports. The key words in the question were “such as”. As explained in the introduction this means that there are no marks available for application and that the question was not specifically about JD Sports. Unfortunately, the majority of candidates seemed to be unaware of this and restricted their answers to JD Sports and, in many cases, reiterated much of what they had written in the previous question. Since all of the marks in this question were awarded for the higher skills of analysis and evaluation it proved to be the least well-answered question in this section. The better answers gave a balanced evaluation of the strategy of overseas expansion. Explaining the potential gains but also detailing the possible pitfalls.

Section B

Candidates were required to choose one of the three following essay questions.

Question 2 (a) asked candidates to explain how and why a company that produces chocolate confectionery, such as Cadbury or Mars, might segment its market. This proved to be the most popular of the essay questions (although only marginally more candidates attempted this question than question 4). Most candidates had some idea about the meaning of segmentation, with the better answers explaining several different methods and giving examples relevant to a confectionery business. Candidates lost marks here by not explaining each market segment in enough detail to enable them to access marks for analysis.

Question 2(b) required candidates to discuss, with the use of examples, the view that “businesses that successfully promote their products are likely to be the most profitable”. The most common approach to this question was to look at the possible advantages and disadvantages of promotion and then to look at the other elements of the marketing mix. Many candidates enriched their answers with examples of real businesses for which they were rewarded. The better answers included deeper analysis and balanced evaluation for example stating that the amount of promotion might depend on a number of factors including whether or not it was a new product, how well the product was known and whether the product was a necessity or a luxury.

Question 3 (a) asked candidates to explain ways in which small independent high street businesses might best respond to the changes that are likely to affect them in the future. This was by far the least popular of the three essay questions and, in general, was less well answered than the other two. However, there were some excellent answers. Some candidates just reiterated the theories of Lewin and Storey that they had learned without going any further and applying this to this particular type of business. The better answers considered the problems faced by small high street independents such as the threat from chain stores, the increasing use of the internet and legislation affecting employees, such as increasing the minimum wage and suggested sensible ways in which these threats might be mitigated.

In question 3 (b) candidates were asked to discuss the following statement “the ability to manage change successfully is the most important aspect of management in today’s business world”. Once again, many candidates referred to the theories of Lewin and Storey with the better answers explaining the impact of choosing each approach on the workforce and management. Some candidates did consider the other functional roles of management but often depth of analysis and evaluation were not as good as question 2 or 4.

Question 4 (a) asked candidates to explain the possible implications of Brexit (UK withdrawal from the European Union) to the UK car industry. This is clearly a very topical subject and one which most candidates were familiar with. However, many candidates found it difficult to apply their understanding of Brexit specifically to the car industry. The better answers showed that the candidate had thought about the type of inputs that might be imported in order to make a car rather than making general comments about the effects of tariffs.

Question 4 (b) required candidates to discuss the impact of globalisation on the key stakeholders of UK businesses. Most candidates started with a more or less accurate definition of globalisation. The weaker answers looked at globalisation from the point of view of one British business rather than UK businesses in general. Some of these answers looked at the impact on non-UK stakeholders, such as the workers in developing countries rather than UK workers. The better answers included real examples of UK businesses and their stakeholders. These answers included a considerable depth of analysis and evaluation of the impact of globalisation on a variety of stakeholders. They considered both the positive and negative effects of globalisation.



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