



GCE AS EXAMINERS' REPORTS

**BUSINESS
AS**

SUMMER 2018

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BUSINESS

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COMPONENT 1: BUSINESS OPPORTUNITIES

General comments

Yet again it was pleasing to see a large number of good scripts, which demonstrated a sound understanding of business concepts and theories. Generally, candidates performed better this year, scoring a mean mark of 30.2, an increase of 1.8 compared to last year's mean of 28.4. 100% of candidates attempted all questions. Question 3 scored a facility factor of 65.1, with the least accessible question being question 4, scoring a facility factor of 54.5.

It was a pleasure to see that the quality of written communication was good, with few illegible or incomprehensible scripts. Though weaker candidates continue to struggle with analysis and evaluation, scoring low on AO3 and AO4 marks, the better candidates submitted scripts that demonstrated the full range of skills. These included balanced answers with clear lines of argument and judgement. A good number of candidates responded in context and the skill of candidates in applying the information provided in the stem of the questions, though not perfect, seems to have improved.

Question-specific comments

Question 1 was the second least accessible question on the paper, scoring a facility factor of 60.9.

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 included a bank as a source of information and guidance, despite the question stating that a bank should not be used. Some misread the question completely using market research as an example.
- (b) Question 1 (b) asked candidates to outline the typical characteristics of an entrepreneur. This was an accessible question and most candidates scored high on AO1 and AO2 marks, as they were able to demonstrate good application skills answering in context. Some candidates misunderstood the question, including motives instead of characteristics in their answers.
- (c) Part (c) of Question 1 required candidates to discuss how critical a business plan is to the success of a new business. Few candidates actually made specific reference to a new business and answers tended to be one-sided and unbalanced. Though most understood what a business plan was, few gave an excellent evaluation of why a business plan would enhance the chances of success, with many failing to discuss both the benefits and drawbacks, or including other factors that affect success. Thus, few managed to achieve a high number of AO3 and AO4 marks.

Question 2 was the second most accessible question on the paper, scoring a facility factor of 64.5.

2. (a) Question 2 (a) required candidates to identify and analyse two benefits of using market research, demonstrating an understanding of its impact on business. Most candidates managed to identify the benefits, but some found it difficult to develop their answers and explain the impact on the business and, therefore, lost AO3 marks. Some answers were vague and repetitive.
- (b) Question 2 (b) asked candidates to explain the implications of setting up a partnership for two partners, Nigel and Samaira. Answers had to be in context in order to demonstrate candidate's application skills. The majority of candidates identified two advantages and two disadvantages of being in the partnership, but not all managed to apply these to Nigel and Samiara's situation. Few candidates achieved top marks, scoring low on AO2 and AO3 marks.

Question 3 (a) and (b) tested quantitative skills. This question was the most accessible question of the paper and scored the highest facility factor of 65.1.

3. (a) Generally, this question was answered better than 3 (b), with a significant number of candidates achieving full marks. Stronger candidates were able to work out concisely and accurately the profit made in the month of November. Some weaker candidates, however, used break-even or contribution formula instead in error. Too often candidates made the simple mistake of not dividing fixed costs by 12 months. Most candidates made good use of the £ sign, showing good practice by writing out the correct formula and showing workings. A number of OFR (Own Figure Rule) marks were awarded.
- (b) There were mixed responses to this question. Some candidates struggled with working out the new fixed and variable cost figures or were unable to work out the 20% increase in sales for the month of December. Many candidates who failed to achieve high marks on this question struggled to work out the estimated additional profit at the end of their workings. Many stopped at working out the new profit for December and omitted to take this figure from November's profit. A significant number of OFR marks were awarded. Once again, most candidates made good use of the £ sign though, and, as with 3 (a), no marks were deducted for not including it.

Question 4 was the least accessible question on the paper, scoring a facility factor of 54.5.

4. (a) Part (a) of Question 4 required candidates to explain why consumers sometimes needed protecting from business organisations. This meant candidates had to analyse reasons why this may be necessary and include the impact of consumer protection on the consumer. Most candidates struggled with this question, some giving answers that included just a description of consumer protection legislation without clearly explaining the impact this may have on the consumer. Some identified reasons why consumers needed protection but failed to develop their answers losing out on AO3 marks.

- (b)** The majority of candidates scored at least half marks on this question, with many scoring full marks. Some candidates failed to label the demand and supply curves and the new equilibrium price correctly, missing out on AO1 and AO2 marks. Where AO3 marks were lost this was mainly because some candidates did not explain the reasons for a shift in the demand curve to the right and the impact on the equilibrium price as a result of the bad publicity suffered by Samsung smartphones.
- (c)** Question 4 (c) required candidates to give a well-reasoned evaluation that considered the significance of the key factors that affect the demand for smartphones. Candidates approached this question in different ways, with many weaker candidates quickly losing the focus of the question and simply writing a list of reasons why branding is important to business success whilst omitting the importance of the other significant factors that affect demand. Stronger candidates managed to give a well-balanced answer with clear lines of argument, which allowed for top AO3 and AO4 marks to be credited. Some attempted to include an overall judgement on the most significant factor with supporting arguments as a conclusion.

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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 the Component 2 specification. The standard of quantitative skills demonstrated was good, especially when working out percentages; however a significant number of candidates could not work out profit margins. Few candidates missed out questions suggesting that time was managed effectively during the exam.

In Section A, question 1 had a mean mark of 9 out of a maximum of 16. Question 2 had a mean mark of 10.5 out of a maximum of 23. Question 3 had a mean mark of 8 out of 16. This suggests that question 1 was more accessible with a mean mark totalling 56% of the marks, with question 2 proving more difficult with a mean score of 46% of the total marks. This was no surprise given that a number of candidates failed to understand gross and net profit margins and scored 0-2 marks.

In Section B, 59% of candidates attempted question 4 which also proved the most accessible with a mean mark of 13 out of 25. 13% of candidates attempted question 5 with a mean of 12. 28% of candidates attempted question 6 which proved slightly more challenging as it recorded the lowest mean mark of 11 across both part a and b.

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.

Compared to the last series, candidates offered better structure to their answers considering the key command words within each question. In most cases candidates offered evaluations when one was expected and used the case study when needing to which was an improvement compared to last year's exam where AO2 and AO4 marks were missed due to not understanding the requirements of the questions.

In terms of subject knowledge, topics that created more problems for candidates were the calculations of gross and net profit margins, assessing financial data (all in question 2) and research and development (question 3).

Section B

In Section B most candidates were able to demonstrate effective written communication skills as well as subject knowledge and very few candidates appeared to run out of time and completed this section. Over 99% of candidates understood the instructions for section B and only answered one of the three questions.

Weaker candidates still struggled to achieve high AO1 and AO2 marks in part a and b. Knowledge of business topics in many cases is still limited and lacked depth of understanding which kept most candidates from achieving high marks for AO1. This year more candidates tried to link business topics to the unseen scenario in part a and so more AO2 marks were awarded, however weaker candidates still appeared to offer theoretical answers with no application to the industry/business in question.

Stronger candidates however 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.

Evaluations were not as good compared to Section A questions. This year all questions in Section B part b comprised of two parts; the second more discreet part being: "To stakeholders" or "to long-run success" or "can only be successful". Many candidates did not consider these second parts to the questions and so could not achieve high band marks across the AOs. Few candidates are still offering "depends on factors" when evaluating their answers, rather making a more simple yes and no judgement summarising arguments written previously.

Question-specific comments

Section A

- Q.1 (a)** Most candidates were able to offer some understanding of the term chain of command; however most candidates scored one rather than two marks. Candidates failed to link the lines of authority to the type of communication sent up or down the hierarchy, and in most cases only one part of the definition was present in answers. It was also common that candidates used the word 'command' to define the chain of command and in this case both marks could not be awarded as it was not clear that candidates understood the word 'command'. The minority of candidates scored zero marks usually confusing the chain of command with the term span of control or layers of hierarchy.
- (b)** A large number of candidates correctly defined the term span of control in part i), however, surprisingly a significant amount of these candidates then failed to calculate the new span of control in part ii), which caused more mistakes compared to part i). It was unsurprising that the candidates who didn't understand the term span of control in part i) were also unable to calculate part ii) correctly.
- (c)** Most candidates were able to correctly calculate the new selling price and achieved full marks. It was also pleasing to see that most candidates used the £ sign when expressing their answer. Some candidates were able to calculate that £10 as the additional amount to be charged on top of the £25 cost, however failed to add these figures together to get £35 and so achieved one mark only. Some candidates did not interpret the question correctly and tried to work out an additional 40% of £40 (average industry price) in finding the new price. Few candidates showed no understanding of how to calculate percentages and lost marks in the application of data.

- (d) It was positive to see that the vast majority of candidates understood the implications for a business when changing organisation structures and so most were able to pick up AO1 marks. There were a number of strong responses achieving top band marks across the assessment objectives and evaluations were usually stronger for this question compared to other questions in section assessing AO4. The stronger responses that achieved top band marks were able to explain in detail the impact of the pros and cons applied to Power Ridings throughout. Stronger responses also then compared their pros to their cons and were able to come up with a justified evaluation on the depends on factors that would make the pros outweigh the cons (or vice versa). Most responses for this question gave a good level response and so band 2 marks across all assessment objectives were very common. Candidates that achieved low marks for this question were usually due to the inability to explain the impact of their arguments (why the pros were pros and why the cons were cons), and lacked application to Power Ridings throughout the answer.

- Q.2** (a) This question was answered successfully by lots of candidates who were able to achieve the full three marks. Stronger candidates were able to apply common responses such as greater customer convenience, direct promotions and reduced employee workload to Dominos situation as well as analysing the impact of this benefit. Marks for AO1 were accessible for both stronger and weaker responses and marks were usually lost due to the inability to apply the benefit specifically to Dominos or explain the impact of the benefit on Dominos. Few candidates scored no marks for this question.

- (b) The majority of candidates were able to demonstrate good knowledge of at least two components of the marketing mix and so both AO1 marks were commonly given.

Most candidates were able to link different cultures and tastes in different global markets would mean that Dominos products such as pizza toppings would have to change, so one AO2 mark was usually given for changes in Dominos product. Candidates' application was usually weaker when talking about other elements of the marketing mix. Stronger candidates were able to explain the impact to Dominos of having different marketing mix elements in different countries. Weaker responses usually gave examples describing the reasons for Dominos marketing mix changes rather than explaining the impact of these changes on the company; so AO3 marks differentiated stronger and weaker responses in this question.

- (c) Most candidates were able to identify that cost of sales had something to do with the direct variable costs such as raw materials. A high proportion of these candidates was also able to give Dominos specific examples and achieved the full two marks. Although many candidates achieved two marks here, there were very few answers that contained the full definition of cost of sales and instead achieved AO1 marks by mentioning that the term was to do with raw materials / ingredients. Candidates that achieved no marks usually did so by identifying that cost of sales was to do with total costs rather than variable direct costs.

- (d) (i) and (ii) This question was a real differentiator between strong and weak candidates. Many strong candidates were able to calculate both ratios for both years correctly and achieve the full 8 marks. There were lots of weaker responses that achieved 0 to 2 marks with an inability to calculate profit margins for both years even when the formula was correctly presented in some instances. Significant amount of candidates were able to correctly calculate gross and net profit but lost marks when trying to convert these figures into ratios. In minor cases a few candidates presented their answer using £ symbols or without a % and so lost marks.
- (d) (iii) Candidate's responses to this question on the whole were very disappointing, including the majority of responses from candidates who scored full marks in part i) and ii). Very few candidates scored more than band 1 (2 marks) for this question due to a lack of understanding of what gross and net profit margins actually mean. Candidates usually described the changes in their calculations over the two years and/or changes in figure 2 over the two years without analysing what these changes actually mean for the business i.e. (a better management of variable costs (gross profit margin) or total costs (net profit margin), and therefore many candidates scored 0 to 1 marks for AO3. Very few candidates gave a good evaluation considering that only two years' worth of data was presented and that a better judgement could be made if data for rival businesses data was available or industry average figures. Most candidates instead defaulted to a basic evaluation, identifying that a positive trend in calculations and figure 2 are positive for the business. It is advised that teachers develop candidates' skills more going forward when assessing financial data.

- Q.3** (a) The majority of candidates demonstrated understanding of the different production methods and were able to pick up marks for this question. However, there was a clear difference between weaker and stronger responses. Weaker responses stated/described the pros and cons of production methods and on many occasions applied these to Tesla and Morgan. Stronger responses were able to apply themselves more throughout the answer and analyse the impact of production methods (why the pros were pros and cons were cons) which allowed a larger number of stronger responses to access top band marks. There were also a number of responses which although demonstrated knowledge of production methods, the knowledge was limited and so did not access top marks for AO1. Many of these examples occurred because responses repeated facts about Tesla and Morgan from the case study without linking them enough showing full understanding of what the production methods actually involve.
- (b) This question proved difficult for many candidates given that marks were only awarded for AO3 and AO4, however it was answered better than that of Question 2 diii) with the same assessment objectives being assessed. There were a number of really strong responses that clearly understood the concept of research and development (R&D) and had the ability to present a well-balanced analysis on the value of R&D. Stronger candidates were able to achieve high band AO3 as a result of two/three arguments showing a strong, detailed clear chain of argument on both sides. Fewer candidates achieved top band for AO4 compared to AO3, as fewer candidates considered depend on factors that determines whether R&D is beneficial, which is very much

dependent on the industry and resources available. Instead many candidates offered more of a summary evaluation and so more commonly achieved low band 2 AO4. As a result, full marks for this question was less common compared to question 3a and 1d. There were also a large amount of responses that focused more on research (market research) than that of R&D. There were a number of responses that analysed the pros and cons of research such as understanding competitors and customers with limited reference to the development process of new products or new processes. Typically, candidates usually achieved low band 1 answers for this type of responses as it wasn't clear that they understood the difference between R&D and market research. It is recommended that for future questions on this topic, candidates make it clear at the start of their answer that they know that R&D is different to market research. As a result of different levels of responses there was a large range of marks awarded for this question that differentiated stronger from weaker candidates.

Section B

- Q.4 (a)** This was by far the most popular question choice in Section B and also achieved the better marks. Few candidates were unable to demonstrate knowledge of different sources of finance and a minority of candidates were unable to compare how the sources of finance would differ between large and small businesses. The vast majority of candidates understood different sources of finance but were unable to access top band AO1 marks because not enough understanding of the sources of finance was presented.

In most case candidates offered some knowledge about sources of finance and went into the comparison for small to large businesses too quickly. For example 'a Bank Loan has interest that has to be paid, but newer smaller businesses would have a higher interest rate as they are more risky'. This example shows suitable AO2 but not enough knowledge about a bank loan has been provided and so candidates in this case were unable to access top band AO1 marks. Better responses were able to show excellent knowledge for example describing the process of obtaining a bank loan such as the need for a business plan, collateral, monthly repayments, that it can be obtained quickly, and its purpose for medium to long term buying of assets (not property). This amount of knowledge for two or more sources of finance was able to achieve top band marks for AO1, which a number of strong candidates were able to demonstrate, but the majority of responses achieved band 2 AO1 marks.

On occasions there was some confusion between small and large businesses such as venture capitalist being more appropriate for larger businesses. In most cases, candidates were able to achieve at least limited application. Good application was awarded when it was clear that each source of finance described was also linked to the extent to which it was more or less suitable for new small or large expanding businesses.

- (b)** Out of all the Section B 15 mark essay questions, this was the better answered one with a greater percentage of candidates achieving top band marks across the AO's compared to the other two 15 mark questions. However, there were still a number of limited responses to the question showing limited knowledge of the value of budgeting. Understanding of stakeholder needs and the value of budgeting in most cases was generally good; as a result many candidates were able to achieve at least band 2 marks for knowledge.

Stronger candidates were able to link the value of budgeting more precisely, and in more depth to different stakeholder needs and the impact budgeting could have upon them. Stronger responses were also able to evaluate the extent to which each stakeholder group benefits throughout their answer considering how each stakeholder group both could benefit but also could be disadvantaged by budgeting. As a result, a greater percentage of candidates were able to achieve top band AO3 and AO4 marks by analysing and evaluating throughout their answer. It was also pleasing to see that stronger candidates were also able to come up with a number of different depends on factors within their evaluation to determine when budgeting is more of value to different stakeholder groups. The best answers were able to come up with these depend on factors at the end of each argument that focused on the value of budgeting to one stakeholder group at a time. Weaker answers focused on budgeting with little reference to stakeholders (or vice versa) and as results there were also a number of band 1 marks awarded.

- Q.5 (a)** This was the least popular question choice in section B. Few candidates were able to demonstrate excellent knowledge for this question with the majority of responses only being able to define the different below the line promotional strategies rather than provide good/excellent understanding of how each strategy works, its issues, and how the strategies may be different to one another and appropriate for different situations.

Most (but not all) responses attempted to apply themselves to a soft drinks producer, however many just used business names such as Coca Cola without any real application to the sale of fizzy drinks. Good examples of application included ideas surrounding lower sugar content of the drinks and how public relations could be used to promote this to customers. Another good example was the use of taste stations being set up at events or in city centres for personal selling of new flavoured drinks. There were a number of responses that in either part or the whole of the answer confused below with above the line. Using social media was the most common example of this mistake.

- (b)** This question was not answered particularly well on the whole. Most candidates did not consider 'long-term success' within their answer and so could not achieve top band marks for AO3 and AO4. A number of candidates talked about elements of the marketing mix and why each is important rather than linking their analysis and evaluation directly to the question. A number of candidates also talked very briefly about the marketing department, usually the advantages of promoting the business and then focused the rest of their answer on everything else that contributes to success demonstrating limited knowledge of the role of marketing.

Only a minority of candidates considered 'long-run success' throughout their answer comparing how a number of different marketing roles (not just promotion) to other roles allow the business to be successful in the long run. As a result of this there were few candidates than scored top band marks for AO3 and AO4.

- Q.6 (a)** Similar to question 5a, candidates were able to identify and briefly describe different non-financial motivators, however knowledge presented was generally limited/good therefore there were few band 3 AO1 responses. To get band 3 AO1 responses candidates need to provide more detail on how each method of motivation can work, it's possible issues, and how the motivational techniques are clearly different to each other.

Most (but not all) responses attempted to apply non-financial methods of motivation to a Theme Park and Zoo and in many cases the application was described to a similar level of detail as the knowledge. For example job rotation is switching between jobs, in a Zoo workers could swap between looking after different types of animals each day to keep them more interested. It would be better if candidates could also describe the process to introduce job rotation for example the need for training, the implications on operations, implications of not specialising and also how it motivates the worker compared to them doing the same job. There are no marks here for AO3 so we are not expecting candidates to analyse the impact of these pros and cons when using different non-financial methods of motivation. However, we would like to see more candidates describing how these motivational techniques can work, and the relative merits and issues rather than just definitions to enhance AO1. This would then allow AO2 to be applied more thoroughly in answers.

Marks were not awarded when candidates described fringe benefits (a common response) as a non-financial motivation technique. Although there is no direct money involved, they are regarded as financial incentives due to the money value of the fringe benefit gained that the employee does not have to pay for themselves.

- Q.6 (b)** Similar to question 5b, this question was not particularly well answered. A number of responses considered motivational theorists, leadership and management styles to build arguments. However, only in the minority of cases the impact of these issues were effectively analysed and evaluated in terms of how they demonstrate reasons why good relations is important or not to business success. In most cases when used it lacked focus and lacked depth of analysis and evaluation.

More common arguments related to how positive/negative relations could affect motivation, labour productivity and labour turnover. It was surprising that fewer responses linked to the implications of trade unions, and the impact this could have on the business as a result of a breakdown in relations. Analysis for this question usually lacked depth and in many occasions didn't link to the impact upon success so most responses achieved band 1 or low band 2 marks.

Evaluation in most cases also lacked depth, instead summarised arguments with little justification. The number of responses that considered different depend on factors showing understanding of certain situations where positive relations was more important than others was few and far between, and so there were very few top band answers for this question.



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