

BUSINESS

Paper 9609/12 Short Answer and Essay

Key messages

- In **Section A** of the paper candidates are reminded that the command words for section **(b)** of questions **1, 2, and 4** are 'briefly **explain**'. Answers which simply present a single sentence statement are unlikely to provide sufficient development or explanation. There must be evidence of some developed explanation to secure maximum marks for these questions.
- Candidates should ensure that where a question has a specific business context, the analysis and discussion should be directed to that context.
- Where there is no specific business context given, answers should be rooted in a clear business setting. Giving examples of where a business action or activity might be especially relevant are likely to be rewarded.

General comments

- There was evidence of sound knowledge and understanding of syllabus content by many candidates.
- However some candidates appeared to spend too little time reading and interpreting a question before commencing to write an answer. It is very important to focus on the stated requirements of a question rather than write 'all you know' about a specific topic. Some answers to question **5(a)** for example produced very general discussions of motivational theories and theorists rather than link the importance of motivated employees to the pursuit of business objectives.
- Candidates are reminded of the value of constructing a meaningful concluding section to the answers in **Section B**. This should give an opportunity to make some evaluative comments.

Comments on specific questions

Section A

Question 1

- (a) A majority of candidates correctly defined the private sector as that sector where businesses are owned and controlled by individuals or groups of individuals and where there was little or no government involvement. The public sector was correctly defined as organisations/businesses owned by and/or controlled by and/or directly accountable to the state (central and/or local government). Some candidates however confused the public sector with public limited companies
- (b) While some candidates carried through an incorrect definition of the public sector into this section, the majority of answers correctly identified two advantages of public sector businesses such as the production of public welfare services at affordable prices and providing employment opportunities. Some answers stopped short however with two simple statements. This section requires candidates to 'briefly explain' which requires a measure of explanation/development of any statements made. This requirement relates also to answers to questions **2(b)** and **4(b)**.

Question 2

- (a) Many correct answers defined productivity as an efficiency measure of the rate at which output is produced by a given resource in a given time period or the ratio of input to output. Weaker answers defined this as total output produced rather than productivity.

- (b) Most candidates identified two ways of improving manufacturing productivity as 'training and motivating the workforce' and 'introducing more advanced equipment'. Many answers did not explain how these measures might lead to a greater rate of production and some referred only to quality improvement rather than to efficiency improvement.

Question 3

A significant number of answers made little or no reference to 'accurate cost data' as set out in the question. These answers correctly identified the importance of cost data in setting prices, in calculating profit, and in producing cash flow forecasts. However the importance of such costs being 'accurately' calculated or estimated was not mentioned or explained. It is important that candidates read the questions carefully and address all aspects of a question.

Question 4

- (a) Strong answers correctly defined product differentiation as making a product distinctive, giving it a USP to make it stand out from its competitors. Some weaker answers incorrectly defined the term as creating a range of products to attract customers.
- (b) Some strong answers referred to the ability to charge higher/premium prices for a product with a USP, and explained how product differentiation could strengthen the brand image and reputation of a product and so assist the marketing efforts of a business.

Section B

Question 5

- (a) This was a very popular question. Unfortunately a significant number of candidates focussed almost exclusively on the word 'motivation' and presented a general discussion of different motivational theorists and theories, rather than an analysis of the important link between motivated employees and the successful achievement of business objectives. Strong answers initially identified some common business objectives such as survival, growth and profitability. These answers then analysed how a motivated workforce might contribute to the achievement of these objectives with reference to high efficiency, low labour absenteeism and turnover, and a loyal contributing set of employees. Motivational theories were referenced and were used to show how specific motivational effects might be linked to business objectives such as increased productivity leading to reduced unit costs leading to more competitive goods and services and greater profitability. Very strong answers discussed the importance of motivated employees as compared with other factors such as the strength of the competitive environment and/or the strength of the local/national or international economy.
- (b) This was generally not well answered. Only a minority of responses recognised that there are separate bodies of business literature relating to 'managers' and 'leaders'. Strong answers used the Mintzberg typology of manager functions to explain how the focus of the work of a 'manager' is to organise, control, coordinate, and motivate resources to ensure operational efficiency while that of a 'leader' is to focus on strategy, vision, and organisational purpose and mission. Very strong answers recognised that such distinctions are not always so clear as set out in theories and typologies and advanced these views as part of a concluding evaluative section. Many candidates presented non relevant material on styles of leadership in answer to this question.

Question 6

A relatively small number of candidates answered this question. However many showed a good understanding of corporate social responsibility and were able to effectively contextualise examples from the business of an international food producing business. Strong answers recognised the requirement to discuss 'why' and 'how' CSR might be a business objective and adopted the effective approach of developing two sections of relevant material. The 'why' section referenced such reasons as the need to be competitive, to preserve and enhance business reputation, and to avoid external criticism. The 'how' reasons included company structures such as a social responsibility committee/mission statement, a human resources policy to ensure socially responsible employment practices, and appropriate environmental support policies.

Question 7

- (a) The majority of answers understood the need for a business to effectively manage cash to remain solvent and explored the problems of holding too much or too little cash. Many answers analysed how good cash flow forecasting was an essential part of any approach to effective cash flow management. The strongest answers recognised that there are few more important activities than cash flow management for the financial survival and health of a business and provided examples of the potential consequences of poor cash level management.
- (b) Liquidity ratios were generally well understood as were stakeholders. However many candidates were not confident in identifying external stakeholders. Employees and managers were often incorrectly defined and discussed as external stakeholders. Really strong answers, while exemplifying why liquidity ratios are valuable for external stakeholders such as suppliers, also recognised that other factors might also be important in assuring suppliers that a business might be a safe company to engage with.

BUSINESS

Paper 9609/22
Data Response

Key messages

- Repetition of the data is never needed. Candidates who copy out the given data waste time and gain nothing.
- There is a difference needed when approaching a definition question and a 'briefly explain' question. The definition can be a learned piece of knowledge, but the explanation requires some application and understanding. An example (that is not repeated from the case) is an excellent way to show this.
- Good application and analysis is the basis for the marks in question **1(c)** and **2(c)**. This requires the candidate to show the effects on the business or stakeholder step by step. Do not jump to the end effect (for example on profit) without exploring all the steps in between.
- Evaluation must be based on good analysis. However that does not mean it must come at the end of the response. Candidates will often deal with one point at a time but never show how this point helps them to formulate an answer to the question. Good analysis is like building up a jigsaw, piece by piece. Good evaluation is about showing how the whole picture is developing and this can be done after each of the main pieces has been covered. The very best responses are ones where the candidate has already shown evaluation on more than one occasion before the conclusion is written.

General comments

This is the first sitting of the new 9609 examination format and candidates generally coped well with the minor changes to mark allocations.

The businesses in both pieces of data seemed to be well understood with candidates able to apply their Business knowledge to the scenarios. In the case of Lovell's Jewellery (LJ) candidates needed to use the context of the business to provide good analysis for questions **(c)** and **(d)**. Most candidates realised this for question **(d)** but less candidates made good use of the context for question **(c)** about sources of finance.

The second piece of data about Fruit Fusions (FF) also required good contextual analysis to answer questions **(c)** and **(d)** but in this case candidates made good use for question **(c)** but it was less well used for question **(d)**.

The majority of candidates attempted all the questions and there was little evidence of time restricting candidates' work.

Comments on specific questions

Question 1

- (a) (i)** This question called for a 'definition' for two marks. This requires a theoretical knowledge of the term that is precise and shows that a candidate has the required knowledge. Most candidates had this knowledge of a sole trader focussing on the features that separate a sole trader from other forms of business ownership (unlimited liability, one owner etc.). However some candidates gave a less than accurate definition that could have applied to other forms of ownership. A definition must have precision and accuracy.
- (ii)** This question called for a 'brief explanation' which is different to the definition required in question **(a)(i)**. A brief explanation must show knowledge of the term but also some application. This application does not need to be to the data given, but it does need to show some way in which the term is used or perhaps an example.

In this case the term was 'start up capital' and most candidates had some understanding of the term, but relatively few could express this without using tautological explanations. Far too many candidates tried to explain it as capital that is used to start up a business. Sadly this shows no explanation as it is merely a repetition of the terms in the question. Likewise some candidates gave a good explanation of 'capital' but failed to explain 'start up' and vice versa.

- (b)(i) 'The profit margin' is a specific term that requires candidates to use the 'profit for the year' figure in their calculations. In the previous syllabus this was referred to as net profit margin, but modern international accounting terminology no longer uses this term, the syllabus now reflects this. Sadly, many candidates misread this and calculated the gross profit margin instead of the profit margin. As this is the first sitting of this new syllabus this was given as a benefit of the doubt, however this is unlikely to be repeated in future sessions of this examination as candidates and centres should be aware of the syllabus changes.
- (ii) Most candidates showed some knowledge of economies of scale, although too few actually mentioned a potential cost reduction that might come from the economy of scale. This question differentiated the candidates who merely know about the term in a 'textbook' type way and those who could apply their understanding to the data given.

For this type of question, which specifically references the business, there must be some application to that specific business. In this case Sara owns a jewellery shop and some examples of economies of scale, such as lower transport costs from deliveries of inventory, are less likely than others, such as marketing economies of scale. Good candidates chose the most likely economies of scale for LJ, not just the first ones that came to mind.

- (c) Most candidates knew a great deal of sources of finance and some proceeded to list all of the ones that they had learned. This often took the form of a long answer with up to 6/7 different sources of finance covered in detail. Not only is this totally unnecessary and a waste of time, it is also unlikely to provide good analysis.

The key to this question is doing exactly what the exam question asks for: an analysis of just two appropriate sources of finance that Sara could use. This, therefore, requires candidates to be selective. Some sources are unlikely to be appropriate, such as an overdraft, which would normally be associated with a short term need for finance, not the opening of a shop. Some sources are unavailable to Sara, such as selling shares, as she is not a company (unless the candidate makes it clear that she could convert to a company first).

By narrowing down the appropriate and contextual sources of finance, candidates can then go on to analyse the use of these for Sara. This should include the benefits of choosing that source of finance and the costs of the source. All eight marks could be gained with a couple of paragraphs (one for each source of finance) that outlined why it was appropriate and in context for Sara and then analysed the benefits and costs.

- (d) The nature of this question made it difficult for candidates not to answer in context because the context was the focus. However weaker answers simply copied out large parts of Table 2 and did nothing more with the data. This repetition of the data will never be rewarded.

Good answers were once again selective in their use of the data. Some of the points in the table were obviously more important for Sara than others. It was not necessary to cover every element of the table and the best responses focussed on the most important two or three elements.

Analysis of the elements in the table needed to make reference as to why this was good or bad for Sara when making this decision. In other words, how would it be likely to affect the profits and costs of the business?

Good analysis should always be in context and should always link the data to the outcome for the business through a series of steps. Responses such as 'Location A is on a busy street so Sara will gain more profit' do not have the necessary links in the chain to show good analysis. It would be better to suggest that a busy location may mean more customers are likely to see the jewellery in the shop window, which may lead to more customers coming into the shop and making purchases, which can lead to an increase in profits. This linked analysis (as long as it is in context) is the basis for good analysis.

Evaluation is about answering the question, and in this case it was about making a recommendation. However that recommendation must be based on good, contextual analysis of both locations. It must also be evaluated in terms of the extent to which the judgement is always going to be the right one. For this question it would be perfectly reasonable for a candidate to come to a recommendation that either location would be best as long as their arguments support this view.

Question 2

- (a) (i) Most candidates gained full marks on this question, which obviously represents a well taught piece of knowledge. Those who failed to gain both marks often had a definition which was too vague to differentiate batch production from other production methods. There was also a small tendency to use tautologies in responses (i.e. batch production is when products are made in batches...), which must be avoided.
- (ii) This was not a well understood term, and many candidates confused this with a product specification. Those candidates who did understand the term had few problems explaining the term and applying their knowledge, often with an example. Centres must make sure that candidates have a comprehensive knowledge of all the terms of the syllabus and this is especially true for the newer terms like this one.
- (b) (i) Generally a well completed question with most candidates able to answer the question. Where mistakes were made it was generally with a misunderstanding of the question. Some candidates worked out the yearly salary and then added on the commission. This highlights the need for candidates to show their working in case an answer is wrong but an element within it can be rewarded.
- (ii) The majority of candidates showed a good understanding of commission and then applied this to FF by stating that the business could gain more sales. It was disappointing to see a few candidates who had a good understanding of commission but then did not go that step further to apply it to the business given.
- (c) This question differentiated between candidates well. Weaker candidates simply wrote the data in Table 4 without any knowledge or analysis. This was a complete waste of time. There is never a need to repeat data. Candidates should refer to elements in the table but copying it out is not necessary. Good candidates were able to analyse individual elements of the table and show how they would enable FF to employ a good Marketing manager or how they may hinder the recruitment and selection process.

Few candidates picked up on the 'deliberate' mistakes in the person specification. For example the inclusion of an age limit would be considered unethical and illegal in some countries. Also the inclusion of the Market manager's responsibility for two sales staff should have been part of a job description not a person specification. Only the best candidate responses picked up on these issues and showed excellent understanding of the subject and context.

- (d) Candidates know many pricing strategies and, very much like question 1(c), these were often stated one after another with little attempt at using context or good analysis. Good responses selected two or three appropriate pricing strategies and analysed how each could help or hinder the successful launch of Fusion Plus.

Too many candidates tried to make every pricing strategy appropriate, despite the evidence in the case to suggest that it may not be. Whilst the case does not 'rule out' any possible pricing strategy, there are hints as to the easiest ones to argue for. The fact that there was no competition in the market, the focus on niche retailers rather than supermarkets and the nature of the target market (health market) all should have helped candidates to select the most appropriate strategies.

Once a minimum of two strategies have been analysed well in context, it should have been straightforward to make a judgement over which strategy was most appropriate for FF to use to launch Fusion Plus. Again, like all evaluative question on this paper (and future papers) there is no right answer that the examiner is looking for. Candidates could make a case for any pricing strategy as long as it was based on good analysis.

BUSINESS

Paper 9609/32

Case Study

Key messages

- Candidates should show method for calculations.
- Focus on the question asked.
- Many questions require an understanding of strategy.
- Make use of calculations in answers where relevant.
- There is often two parts to a question. Candidates should ensure that they follow directives to refer to calculations and other information.
- Marks are weighted towards analysis and evaluation. Evaluative comment is particularly significant for **Section B**.

General comments

Candidates demonstrated good understanding of most parts of the syllabus and it was the quality of analysis and evaluation that differentiated between candidate marks. Candidates performed particularly well with the quantitative techniques tested with many gaining the full 14 marks available. The majority of candidates gave answers that were well focussed on relevant theory and its application to BS. Strong understanding of leadership styles was evident and marketing provided more concise answers than in some previous sessions (this is to be commended).

As in previous reports it is worth emphasising that **Section B** questions carry 10 marks for evaluation. It is therefore important to structure answers with the aim to constantly make evaluative comment. Candidates might be well advised to include evaluation in each paragraph of their answers to either **Question 6** or **Question 7**.

Implementation of strategic change was the only topic that highlighted specific weakness in candidate understanding.

Comments on specific questions

Section A

Question 1

Candidates demonstrated a good understanding of the likely benefits to BS of moving production to just one factory. Benefits identified included the potential reduction in distribution costs, lower costs due to fewer employees and possible economies of scale from operating a larger factory. The majority of candidates were able to gain marks for application by linking knowledge to particular points of information from the case study, such as the distance between the existing factories and lower distribution costs because clothes and shoes could now be delivered together. Better candidates developed extended chains of argument to demonstrate how these benefits would impact on BS in a positive manner. For example linking the duplication of job roles to the cost to BS in wages and salaries to competitiveness and then onto profits. However, a significant minority of candidates did not follow the focus of the question i.e. the benefits of moving production to one factory; instead these candidates discussed the benefits and the disadvantages of moving to a single factory. There were no marks available for consideration of disadvantages however valid those points. It is essential that candidates take time to consider the question and keep their answers tightly focussed as this will prevent time being wasted developing irrelevant content.

Question 2

The majority of candidates gained full marks on this question with accurate calculations of dividend yield and the price earnings ratio. In all calculation questions the 'own figure rule' applies so it is essential that candidates show full working of their answers so as to ensure that if mistakes are made then it may still be possible to receive some of the available marks. It is also good practice to state the formula being used.

- (a) (i) Calculation of dividend yield was well understood. A few candidates gave an incorrect answer and as no working was shown they were awarded zero marks.
- (ii) A much higher percentage of candidates accurately calculated the price earnings ratio than in previous sessions.
- (b) The case material provided a range of evidence that could be used to recommend whether to increase dividends paid to shareholders. Some of the answers were excellent with detailed arguments for and against increasing dividends before a justified recommendation was made. These answers tended to be selective in their use of argument and focussed on a small number of key issues rather than trying to address all possible factors. In depth analysis of a few issues can score more highly than making lots of separate points. Many good answers focussed on the need for finance for expansion, making reference to the specific plans of the business, and contrasted short term rewards for shareholders against long term rewards. The reduction in profit was often used to justify the reduction in dividends paid to shareholders with relevant links made to the dividend yield. Most candidates were able to make relevant comment about the dividend yield and its importance to BS and its shareholders. However, as in previous sessions, interpretation of the price earnings ratio was less well understood; very few answers recognised that an increase in the ratio could reflect increased shareholder confidence in the future profits of BS.

Question 3

With marketing strategy questions there is always a danger that candidates consider the elements of the marketing mix in isolation. Thus, an answer will methodically work through price, place, product and promotion without considering **how these elements fit together** to provide an integrated strategy. The parts of a marketing strategy should complement each other and be designed to meet the specific objectives of the organisation, within the constraints of internal factors such as the available budget and external factors such as the level of competitive rivalry and the state of the economy. A good starting point for many answers was to comment on the existing marketing approach taken by BS. Candidates questioned whether the current cost based pricing would be able to achieve an increase in market share. Some very good answers focussed on just two elements of the marketing mix rather than attempting to consider all of the 4Ps. Such an approach enabled more considered and in-depth analysis. A few answers made effective use of case material by performing relevant calculations of the level of sales required to achieve the marketing objective of a 10% market share. This led to good evaluation of the likely success of marketing to achieve a more than doubling of sales in country P.

Question 4

Candidates completed the calculations well. However, there were some simple errors that resulted in a great many answers not obtaining full marks. A common mistake was to give the answer to **Question 4 (a) (ii)** with the incorrect units i.e. candidates gave an answer of \$565 rather than \$565 000.

- (a) (i) How to calculate the payback period was understood by most candidates with the answer of two years identified. A small, but significant, number of candidates did not give any answer – indicating that there are gaps in candidate understanding of quantitative business techniques. It is essential that candidates practise these techniques, as once mastered they provide access to a significant number of marks.
- (ii) Although most candidates had knowledge of how to complete a net present value calculation, there were many examples of errors highlighting the need to take care when multiplying cash flows by discount factors. This demonstrated the benefit of taking a methodical approach to laying out answers; many candidates set out the cash flows in a table enabling examiners to see appropriate method being employed. A few candidates did not subtract the capital cost from the discounted cash flows.

- (b) There was a good understanding of the difference between leasing and purchase of machinery. Candidates used the case study effectively to comment on the likely advantages and disadvantages of each option. Good answers were typically well balanced and gave support for the final judgement. The best responses contextualised the decision through considering the finance needs of the business in making this investment and the other strategic investments under consideration. Candidates might have improved their evaluation by commenting on the likely accuracy of the data provided and whether or not the suggested discount rate of 10% was appropriate given the economic information presented in the case. This question is typical of case study questions in requiring candidates to consider both the numerical answers already calculated and other information. A few candidates did not make reference to their answer to part (a) and therefore limited the analysis and evaluation marks they could achieve.

Question 5

Candidates clearly appreciated the difference in management style between the two existing factory managers and were able to make a supported judgement about who should be appointed. Most candidates started their answer by identifying that Jake was an autocratic leader and Neeraj was a democratic leader. There was good understanding of the theoretical benefits of each approach; however some candidates did not effectively use the evidence within the case study. A number of candidates appeared to assume that a democratic style of management was always best and tended to ignore case evidence of some of the successes that Jake had achieved. The best answers gave a balanced consideration of the merits of each candidate using both theory and case evidence.

Section B

Question 6

This question was preferred by the majority of candidates. The nature of strategic choice was well understood by candidates and most were familiar with the Ansoff Matrix, Force Field Analysis and Decision Trees. Most candidates correctly explained the strategic choice techniques. Reference was made to the information in Appendix 3 but some candidates did little more than repeat the information. Good answers developed analysis of how these techniques contributed to effective decision making but also explored the extent to which the techniques were reliable and commented on other information that might be required by decision makers within BS. As in previous sessions, relatively few candidates developed an in-depth evaluation of the usefulness of strategic choice techniques. Many responses made simplistic statements that each technique was either important or not important without providing supporting evidence.

Question 7

A number of answers provided significant analysis of whether BS should choose strategy B, rather than focus on how the strategy should be implemented. These answers necessarily scored few or no marks. The best answers gave a definition of 'change management' and then structured comments around considering the benefits of setting clear objectives, communicating with and involving employees, identifying the changes that would need to be made and reflecting on how the external environment might influence changes. Few candidates developed meaningful evaluation of their suggestions; this could have been achieved by considering, for example, the extent to which there were cultural differences between BS and the factory in country P or whether Sarah, the Managing Director, was the right individual to lead change.