



GCE EXAMINERS' REPORTS

**BUSINESS STUDIES
AS/Advanced**

JANUARY 2012

Statistical Information

This booklet contains summary details for each unit: number entered; maximum mark available; mean mark achieved; grade ranges. *N.B. These refer to 'raw marks' used in the initial assessment, rather than to the uniform marks reported when results are issued.*

Annual Statistical Report

The annual *Statistical Report* (issued in the second half of the Autumn Term) gives overall outcomes of all examinations administered by WJEC.

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BUSINESS STUDIES
General Certificate of Education
January 2012
Advanced Subsidiary/Advanced

Principal Examiner: Mrs. M. Williams
Mr. D. T. Evans

Unit Statistics

The following statistics include all candidates entered for the unit, whether or not they 'cashed in' for an award. The attention of centres is drawn to the fact that the statistics listed should be viewed strictly within the context of this unit and that differences will undoubtedly occur between one year and the next and also between subjects in the same year.

Unit	Entry	Max Mark	Mean Mark
BS1	2,792	50	29.1
BS2	643	70	30.9

Grade Ranges

	BS1	BS2
A	38	44
B	33	39
C	29	34
D	25	29
E	21	24

N.B. The marks given above are raw marks and not uniform marks.

BS1

General Comments

It was very encouraging to see that nearly all the candidates were able to make an attempt at answering every question. The mean mark for the paper was higher this session than last January and I commend the teachers for having prepared the candidates well.

- Q.1 (a) This question was very well answered on the whole. Those who did not quite get the full marks were those who forgot to include examples or those who gave appropriate examples but could not explain that a good is a physical product and that a service is intangible.
- (b) Nearly all candidates knew the aims of a business and were able to develop their answers with a varying degree of skill. Some lost marks because they did not pick up on the part of the question that said 'apart from maximising their profit'.
- Q.2 (a) The good work continued with this question where candidates were able to say succinctly the advantages and disadvantages of setting up as a private limited company. There were a few who did not score well on this question because they had confused private limited company with public limited company.
- (b) The business plan seems to have been really well taught and candidates gave accurate confident answers. Some candidates wasted time giving the disadvantages of writing a business plan which had not been asked for but even those who did not know the benefits were able to say what is included in a business plan.
- Q.3 (a) Candidates tended to get either full marks or no marks on this question. For those who knew what they were doing it was straightforward, but there were others who were unable to calculate the percentage of the market share.
- (b) Generally this question was well answered. There were a few centres where candidates gave excellent answers which were worthy of inclusion in any business studies text book.
- Q.4 (a) Generally this question was not answered very well. The question did not say how many reasons were being asked for but the mark allocation should have been an indication that an answer such as "to retain all the profit" would not be sufficient. Candidates needed to explain the reasons why Zara would prefer to operate their own stores. I would urge teachers to remind candidates that the mark and number of lines allocated are an indication of what is required.
- (b) It was interesting to note that about half of the candidates understood what was meant by vertically integrated with many of them giving the example of Starbucks used in a previous paper. This question required the candidates to apply their knowledge of vertical integration to Zara and to say why this could be beneficial to the company. Those who did not refer to vertical integration in the case of Zara lost marks. Many candidates gave long descriptions of forward and backwards integration whilst others talked about horizontal integration. The question did not ask for this.

- Q.4 (c) This was the question with the widest spread of marks with few really good answers. Candidates were credited for being able to demonstrate their knowledge of product and market orientation. However, this question required them to use this knowledge in the case of-Zara and then to come to a decision based on sound reasons as to whether or not they thought Zara was product or market orientated. Either product orientated or market orientated were acceptable.
- Q.5 Many candidates were able to give full answers to this question and displayed that they were very familiar with examples of exogenous shocks. They were able to identify with and express the effect on both the customer and the business. Most candidates based their answers on the examples given even though it was not essential to do so, examples from other situations were equally acceptable.
- Most candidates were able to evaluate the statement and come to a clear conclusion. Weaker candidates tended to repeat the same point in different words.

BS2

General Comments

No one question stood out as being problematic for candidates and in the main candidates were able to finish the paper in the allocated time. The reluctance to use the correct terminology remains a concern, as does the poor communication skills demonstrated by many of the candidates. There is still a good deal of evidence that candidates fail to focus on the key words in the tasks/questions set. Centres are advised to focus on this aspect of the examination, especially when there is a need to evaluate. It is also worth reminding candidates that the use of red or green ink is not permitted as this hampers the marking process.

- Q.1
- (a) Far too many candidates do not appreciate the difference between 'Market Research' and 'Research and Development' and as a result many failed to provide a worthwhile response. Centres would be well advised to stress the distinction between the two concepts as many candidates wrote solely about market research. Those who did understand the concept generally pointed out the importance of the competitive edge that R&D might give McCain Foods and many also referred to the development of innovative products. Very few candidates made any reference to the role of R&D plays in creating more efficient manufacturing processes and the importance of this in lowering costs and improving quality.
 - (b) Those candidates that had a sound understanding of quality issues were able to demonstrate their knowledge effectively, displaying an understanding of what features make up a TQM approach. Amongst the most common features were quality circles, training and zero defects. The very best responses referred to a 'culture of quality' which should manifest itself throughout the whole of an organisation, with each department treating the next as its 'customer'. Weaker candidates used vague generalisations and often referred to 'checking' repeatedly. A number of candidates had little or no knowledge of the concept of TQM and were unable to identify any key elements at all.
 - (c) Some very pleasing responses were written for this evaluative task with sound arguments being offered in a balanced and knowledgeable framework. Sensible conclusions were reached in relation to the importance of all functional departments supporting each other in a successful business. Many candidates, whilst realising the importance of the support that each department gives to the others, were unable to explain the important role that production has in a business such as McCain Foods. Generalisations such as *'if production did not manufacture products then there would be nothing to sell'* were all too common and issues such as quality, efficiency and cost minimisation were conspicuous by their absence. Some candidates clearly did not understand the concept of a functional department at all and wrote about the *pricing department* and the *advertising department* – failing to understand that these are Marketing functions.
 - (d) Knowledge in relation to the Boston Matrix and its usefulness to businesses was generally very good, with many candidates using a diagram to aid their explanation. The majority of candidates understood how products within a portfolio can support each other and applied their understanding to McCain Foods. There was a tendency, however, for a significant number of candidates not to refer to *market share* or *market growth*, and this detracted from the quality of their response. Disappointingly, evaluation of the usefulness of the matrix was generally poor, with few candidates able to offer valid criticisms. Many candidates offered no evaluation at all. The majority of those that did attempt evaluation provided very superficial or illogical responses.

- Q.2
- (a) It was pleasing to see so many candidates gaining their two marks on this calculation. The majority of those who failed to score omitted to put in brackets or a minus sign.
 - (b) Many candidates are still failing to understand the fact that a cash flow forecast is a prediction and, as a result, were unable to develop their responses sensibly. Those that did appreciate the correct nature of the forecast were able to outline possible advantages. Better candidates developed their responses and fully explained how business can use a cash flow forecast to identify where possible problems may arise in the future and how it might be used to support an application to borrow money. Whilst it is clear that candidates can master calculations in relation to cash flow forecasting their understanding of the use of the forecast is limited. This is something that centres may wish to address in the future.
 - (c) Some excellent, well-thought out responses were written on this task. Candidates made good use of the text/data to support their suggestions and considered the consequences sensibly. A good number of candidates achieved the top of Level III. Those candidates who failed to score highly tended to offer suggestions which were illogical: most common amongst these was the suggestion that ToneZone cancel their equipment rental contract and purchase their own equipment instead.
 - (d) The benefits to ToneZone of having a well trained workforce were generally well explained. The majority of responses referred to improved customer satisfaction as a result of better performance by the staff. There was a good deal of repetition from weaker candidates: an inability to express themselves clearly was a particular problem for some.
 - (e) The need to evaluate (*to what extent do you agree?*) was ignored by many candidates. The vast majority seemed to have an understanding of a laissez faire management style and the problems of managing untrained staff when adopting such a style. However, too many candidates then went on to talk at considerable length about alternative styles which the couple may have adopted. Whilst this was not totally irrelevant, there was so much more that needed to be discussed. Those candidates who reached Level III pointed out that the problems also stemmed from poor financial management and increased competition, to name but two.
- Q.3
- There were some very well argued submissions to this final question. Both sides of the argument were addressed and a sensible well balanced conclusion reached. For many, however, their inability to develop a piece of extended writing hampered their progress. Many middle range responses were poorly organised and often repetitious, especially when it came to the conclusion. Far too many saw this as a 'black and white' argument, when it is clear that the benefits of internet shopping are not good/bad for all consumers or all businesses. It was also apparent that a number of candidates did not leave sufficient time to attempt this 12 mark task, indicating poor time management.

BUSINESS STUDIES
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January 2012
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Principal Examiner: Mr. M. Culliford

Unit Statistics

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Unit	Entry	Max Mark	Mean Mark
BS3	1,453	60	32.4

Grade Ranges

A	42
B	36
C	30
D	25
E	20

N.B. The marks given above are raw marks and not uniform marks.

General Comments

This paper was successful in posing an interesting but fair challenge to all candidates. The quality of candidates' answers seemed to be of a similar standard to that achieved in previous sittings and nearly all candidates attempted all of the questions. It was clear that a great deal of effort had been made by teachers and candidates to prepare for the exam.

The exam was based on a case study about Kingfisher plc., an interesting business that faces a wide range of opportunities and threats. The company has grown both through organic growth and acquisitions. It has a strong presence in the UK, Ireland and France and is beginning to expand worldwide. It has had mixed fortunes in terms of global growth having faced setbacks in particular in China. Like many retailers their sales were hit by the recession of 2009 but since then sales have begun to pick up. It has a history of introducing innovative products and is looking to widen its appeal to different market segments.

- Q.1 This question asked candidates to identify and explain the ways in which Kingfisher plc. has responded to changes in the demands of its various customers. The purpose of the question was to ensure that candidates had read the case study thoroughly and were able to extract relevant information from it. The weaker answers picked up one or two relevant points whereas the stronger ones were able to identify the majority of the issues. These included the fact that it targeted both households and trade customers. For the former, as well as offering DIY products it was aiming at the home improvement market, including the market for eco-friendly products. It particularly promoted its products to women as well as men and even organised DIY classes for customers. It offered its goods at competitive prices. For trade customers it opened special counters which provide all of the products that they require at times which are convenient to them. It is also expanding its overseas business and promoting the idea of DIY in those markets.
- Q.2 This question asked candidates to explain ways in which Kingfisher plc. might manage the quantifiable and unquantifiable risks that face the company. This question provoked some interesting suggestions but not all of them addressed the specific risks that were facing the business such as the fact its Chinese business may fail to deliver the desired return or that there may be a major health and safety failure.
- Q.3 This question asked candidates to analyse and evaluate the financial performance of Kingfisher plc. It was pleasing to see that most candidates are familiar with the six ratios that are given in the specification. However, there were still a few candidates who did not use ratios and consequently did not get higher than level one. It should be noted, as has been stated many times at continuing professional development sessions, that these are the only ratios that are required and that other ratios such as debtor days and stock turnover will not be credited. The better answers to this question not only calculated the ratios correctly for both years but were able to explain what they meant for the business. Many candidates noted that the liquidity ratios were low but that, as Kingfisher was a retail business, and especially as it had recently negotiated longer payment terms with its suppliers, this did not necessarily indicate that the business was in trouble. Many also commented on the relatively low and reduced gearing ratio and commented that the business was in a position to borrow more money if it needed to do so in order to expand. Some candidates characterised a low gearing ratio as 'boring', which is not necessarily the case. The better candidates also realised that the marked improvement in the profitability ratios was partly due to the fact that they were very poor in the previous year due to the general state of the economy.

- Q.4 This asked candidates to comment on the competitiveness of Kingfisher plc., with reference to Porter's Five Forces Framework and the information given in the case study. Most candidates demonstrated some familiarity with Porter, but the main difference in the quality of answers was in the ability to apply the theory to this particular case study. Quite a few candidates confused buyer power and supplier power, although many of the better answers did recognise the fact that Kingfisher had negotiated late payments with its suppliers as an indication of strength on their part viz-a-viz their suppliers. There was not always agreement as to whether or not it was easy for new businesses to enter the market. Whilst it was often correctly stated that there are few barriers to entry in terms of setting up a business selling DIY products, it would, however be difficult to do it on the scale of Kingfisher, especially as they were able to reap economies of scale, not least in the areas of purchasing and advertising. The question of substitutes also caused some debate but most of the better answers agreed that, as a retailer, Kingfisher was not greatly threatened by substitute products, partly because it was very innovative itself and partly because, if a new product were to appear in the market it would be relatively easy for them to stock it.
- Q.5 This asked candidates to evaluate Kingfisher plc.'s plan for global expansion. Most candidates were able to give reasons why global expansion was likely to be of advantage to Kingfisher. The home market was relatively saturated and the prospects for growth were better in some overseas markets, particularly if Kingfisher could help to encourage the craze for DIY that exists in the UK. There were further opportunities for economies of scale and it might be possible for Kingfisher to find new products and suppliers that it could introduce back into its existing stores. Overall these factors could lead to increased turnover and profit for the company. Some candidates seemed to think that Kingfisher would be manufacturing overseas and could take advantage of cheap labour. Whilst the advantages were generally well-stated the counter-arguments were often less well-treated. The company had already experienced problems in China and this may have been an indication of problems that it might face elsewhere. Clearly there are cultural differences, not everyone is interested in DIY, especially in countries where labour is cheap. It may cost a lot of money to establish and promote new stores. There may already be well-established competition. There may be language problems and other cultural barriers. There may be legislative and regulatory barriers that are difficult to overcome. In general the better answers stated that there may well be problems but that, in the long run, global expansion would most likely be of benefit to Kingfisher.

Business Studies is an important subject that deserves wider recognition for the advantages that it has for those that study it. It is an excellent vehicle for key skills, giving plenty of opportunity for problem-solving and working with others as well as developing numerical and language skills. It is one of the few subjects that can be studied in school that is contemporary, where students are encouraged to keep up-to-date with current events.

Students are required to produce a synthesis and apply their knowledge to unfamiliar situations. The knowledge gained will be of great benefit in the future to anyone who has to work with other people, deal with finance or have to produce or market anything. This applies not just to a working environment but also in dealing with social activities and at home.

As Business Studies teachers we need to promote the subject to attract more academic students and achieve the acceptance from higher education institutions that we deserve.



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