



# **GCE EXAMINERS' REPORTS**

## **BUSINESS STUDIES AS/Advanced**

**JANUARY 2013**

## **Statistical Information**

The Examiner's Report may refer in general terms to statistical outcomes. Statistical information on candidates' performances in all examination components (whether internally or externally assessed) is provided 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.

<b>Unit</b>	<b>Page</b>
BS1	1
BS2	4
BS3	6

# **BUSINESS STUDIES**

## **General Certificate of Education**

**January 2013**

### **Advanced Subsidiary/Advanced**

*Principal Examiners:* 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.

<b>Unit</b>	<b>Entry</b>	<b>Max Mark</b>	<b>Mean Mark</b>
BS1	2,772	50	27.8
BS2	731	70	31.9

#### **Grade Ranges**

	<b>BS1</b>	<b>BS2</b>
A	38	48
B	33	42
C	28	36
D	23	30
E	18	24

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

## General Comments

The examination paper proved to be slightly more challenging for many candidates, notwithstanding, there were some superb answers from centres. It was very encouraging to see that once again nearly all the candidates were able to make an attempt at answering every question.

- Q.1 (a) As usual, the intention was to give the candidates a gentle introduction to test their knowledge, and the majority of candidates were able to give suitable examples of merit goods. Candidates should be encouraged to refer to state schools and not public schools if they are referring to state funded education.
- (b) This question proved to be particularly challenging. Some candidates thought that the fact that street lighting was state funded automatically made it a public good which left some doubt about their understanding of merit goods. The average candidate seemed to have some understanding of the non-excludability concept and the good candidates had an understanding of non-excludability and non-diminishable.
- Q.2 (a) Most understood market segmentation, though many were not entirely sure of the meaning of demographic segmentation. Answers were often generic, so, not obtaining Level 3 because of the lack of application and examples.
- (b) This question was very well answered with most able to use the example to illustrate their knowledge of opportunity cost. Some weaker answers were irrelevant by discussing the high cost of higher education, probably a subject close to their heart. Others did not illustrate the 'cost' but merely discussed the advantages of each option.
- Q.3 There were some very good answers to this question, both part (a) and part (b).
- (a) There was clear understanding of the relationship between supply and demand. Those who lost marks showed lack of care and precision on the diagram, lines drawn in pen, then, when they changed their mind these were scribbled out and re-drawn. Many candidates forgot to label their diagram but the written explanations were very good.
- (b) There were clear explanations demonstrating knowledge and good examples to develop their answers.
- Q.4 (a) Many candidates did not do justice to themselves on this question. They started by explaining what they understood by a market-orientated approach which is good practice, however, they then lost sight of the question which was asking for the reasons for adopting this approach.
- (b) Candidates had very good knowledge of the different features of public and private companies. Many did not achieve Level 3 because they went into advantages and disadvantages mode rather than applying their arguments to Magmatic Ltd. Many answers were generic.

Q.5 This was the type of question many candidates felt they could answer from general knowledge which is not the case. Centres could check that their information is up to date as text books will not keep up with legislation in this area, e.g. the rights of part-timer workers, the rights to sick pay, pension etc. Some candidates did not understand flexi-working.

This question did give the opportunity for good candidates to produce excellent answers. This was also the question on which communication was being assessed. Generally their communication skills were adequate but there were numerous examples of terms being misspelt.

## BS2

### General Comments

Whilst there were some excellent scripts submitted – scoring over sixty raw marks – the level of knowledge of key areas of the specification was often weak. In particular, industrial marketing and TQM were poorly understood by many candidates. Little progress seems to have been made in relation to the quality of written communication. It was pleasing to note, however, that candidates were attempting to make more use of the data provided to enhance the quality of their responses.

- Q.1 (a) This opening question discriminated well. The vast majority of students were able to offer two benefits of marketing products internationally and went on to develop the benefits identified. Development was often insufficient to take the candidate out of Level 2 but there were plenty who did manage to produce a well-rounded response and thereby gain full marks. Candidates need to bear in mind that one short sentence is unlikely to be sufficient development when tackling a question worth six marks.
- (b) Many pleasing responses were written to this question and candidates appreciated the importance of the link between well motivated staff and the quality of customer service. Candidates made use of the text to enhance their responses and the vast majority reached Level 2. Efficiency, productivity, reduced levels of absenteeism and staff turnover, adaptability and creativity were all offered as advantages related to a well-motivated workforce. Some candidates over emphasised one point, (usually the customer service point), and produced somewhat repetitive answers.
- (c) Level 3 candidates had sound knowledge of Maslow's Hierarchy of Needs and were able to use this knowledge and the text effectively to explain the high levels of motivation in Boot's workforce. Some very insightful responses were submitted, demonstrating impressive analytical skills. In the main, however, knowledge of Maslow's work was sketchy and this was reflected in some poorly structured and repetitive responses. Many candidates were unable to effectively use the data provided to help develop their response and confusion with other motivational theorists was not uncommon. Far too many candidates had no knowledge of Maslow at all and consequently produced very poor responses, some failing to gain any marks at all.
- Q.2 (a) (i) It was very surprising to find that a significant number of candidates had no understanding of industrial marketing at all. Better answers were able to clearly define the term and offer an example of business to business activity.
- (ii) Very good responses referred to the importance of a more finely targeted approach and the use of specialised sales personnel. Trade fairs were often referred to and their function well explained. The use of negotiation was alluded to by many but not well developed. Top answers were thin on the ground and knowledge of this area of the specification was poor. All too often candidates focused on pricing strategies to the exclusion of everything else – with penetration pricing being the most frequently used tactic. Disappointingly, far too many candidates failed to get out of Level 1 as they offered responses focused on mass retail marketing rather than on industrial marketing.

- (b) The majority of candidates were able to pick up full marks on this calculation and the workings were generally well laid out and logical. The major error was to leave out the fixed costs – this resulted in the application of own figure rule (OFR). Centres should encourage candidates to use '£' signs when appropriate and to say what the figures they are using represent. There were instances of candidates not attempting this question at all: but these were few and far between.
- (c) (i) Again, the majority of candidates dealt with this effectively and picked up the marks. As with Q.2 (b) some candidates did not attempt this question.
- (ii) The responses to this question often contained lots of irrelevant and incorrect material, with the key issues being ignored. Many did not understand what was meant by 100% capacity and confused the issue with frequent references to waste reduction, profit maximisation and storage problems. Level 2 candidates often offered disadvantages in relation to worker stress and over use of machinery but did not offer any distinct advantages – thereby failing to evaluate. The key advantage of the minimisation of average costs was rarely seen and those that did offer this tended to be Level 3 candidates. Top responses offered a well balance response, often pointing out that having no spare capacity can result in lost orders to competitors and pointing out that an ideal capacity would be somewhat below 100% to allow for maintenance and training.
- Q.3 (a) Those who had learned their definitions picked up their six marks with clear and concise answers. It was surprising to note the number of candidates who had little or no knowledge of these terms and were not able to use the diagram to help them. Lots of imprecise explanations were offered with for all three terms and the need to learn definitions carefully when revising was well illustrated in this question.
- (b) The majority of the candidates were able to collect the three marks on offer. However, the number who were unable to give the correct response to the lead time was surprisingly high.
- (c) The concept of 'budgeting' and its usefulness was not generally well understood. Nonetheless, some excellent responses were offered, which fully evaluated the construction of a budget to the firm in question. The majority of responses were able to point out the usefulness of a budget as a tool for controlling the business but few went beyond this. The main point raised in relation to the drawbacks of budgeting was that it was time consuming and that this time could have been better spent elsewhere – a point which is somewhat dubious for anything other than very small businesses. As a result many candidates failed to progress beyond the lower reaches of Level 2.
- (d) Some impressive responses were seen from those candidates who understood the concept of TQM and those strategies used to implement it. They were able to use the text effectively to identify those problems that could be helped by the implementation of TQM and those that were not likely to be impacted. Top answers understood that TQM was a business wide concept, if implemented properly, should enhance the success of an organisation. Many Level 2 responses only focused on production quality issues, but they did tend to utilise the text to develop their response more effectively. Wrongly, very many scripts argued that TQM could do nothing to solve the problem of late supplies, when clearly it can; by forming a closer relationship with suppliers and sourcing their raw materials from more than one supplier. Far too many candidates had little or no idea what TQM entails and submitted brief, largely irrelevant responses which did not address the issue of solving the company's problems.

**BUSINESS STUDIES**  
**General Certificate of Education**  
**January 2013**  
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*Principal Examiner:* Mr M Culliford

**Unit Statistics**

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<b>Unit</b>	<b>Entry</b>	<b>Max Mark</b>	<b>Mean Mark</b>
BS3	1,594	60	31.3

**Grade Ranges**

A	41
B	35
C	29
D	24
E	19

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



## BS3

### General Comments

This paper was based on the manufacturer of health and hygiene products Reckitt Benckiser plc. The company has been very successful in the past but, faced with maturing markets in the USA and Europe was refocusing its growth strategy on emerging markets. The growth strategy was based on its so-called power brands, such as Dettol and Nurofen.

As has been the case in the past with this paper there was a considerable amount of information for candidates to digest, but for the majority of candidates this did not seem to be an obstacle, although a minority had trouble with time management and struggled to complete all of the questions.

Overall the quality of candidates' answers was of a high standard, combining detailed knowledge of the subject with an ability to analyse and evaluate relevant information. By its nature this paper is synoptic and provides candidates with considerable challenges, which in most cases, were dealt with competently.

As has been stressed many times at CPD meetings and in previous reports candidates should be prepared to answer some questions based on AS content. In this instance question two, on the importance of brands, was based partly on the content learned for the marketing section of BS2.

Many candidates answered question three first. No doubt they wanted to do this whilst their revision of the relevant formulae was fresh in their minds. In fact, candidates may answer questions in any order they choose, however, since a full understanding of the accounts requires an understanding of the general context facing the business, it might benefit candidates to answer question one first, in order to give them a better understanding of the challenges facing the business in general.

In general, this paper was tackled well by the majority of candidates and seems to have been received favourably by most candidates, their teachers and lecturers.

- Q.1 The first question asked candidates to "explain how Reckitt Benckiser plc's new ten-year strategy is likely to affect the various stakeholders of the business". Mercifully, there were only one or two candidates who confused stakeholders and shareholders, with the better answers to this question considering the impact on several stakeholders. These included employees, some of whom might have been expected to lose their jobs, others in new markets gaining work; managers, who may have been affected positively or negatively; shareholders, who might have lost out in the short run but have expected to gain in the long run; customers who would have had a greater choice of products, although some products might have been withdrawn; suppliers may have increased their business; competitors may well have lost business; local communities in some areas may have benefited with jobs but possibly lost out through increased pollution; governments may have gained from increased payments of corporation tax. It was not expected that all of these points would have had to have been made to achieve top marks but several well-developed points would have been sufficient.
- Q.2 This question asked candidates to "assess the importance of its 'power brands' to Reckitt Benckiser plc's success". Some candidates, unfamiliar with the term 'power' brands might have done better if the question had simply referred to 'brands' rather than 'power brands'. For some reason the word 'power' seemed to have unnerved them. Power brands are simply brands that perform particularly well. In terms of the Boston matrix they are the cash cows and stars of the company's portfolio. These are the brands that the business promotes the most and from which it expects to receive the highest level of returns. Many candidates recognised that there are several other factors that accounted for RB's success but that the power brands played a very important part.

- Q.3 Question three asked candidates to “analyse and evaluate the financial performance of Reckitt Benckiser plc”. They were expected to apply the six well-known formulae to the company’s accounts for the two years 2009, 2010. Some candidates attempted other ratios, such as debtor days and stock turnover, but these are not required in the specification and would not have been rewarded. The better answers not only calculated all six ratios correctly but they also realised their significance and were able to make an overall assessment of the financial health of the business. The profitability ratios, on the whole painted a very healthy picture. The liquidity ratios were very low, but given the high stock turnover of this type of business, might have been thought to have been acceptable. Gearing had increased but was still below the 50% level which was acceptable provided the increase did not get out of hand. Overall the business seemed to be doing well from a financial perspective.
- Q.4 Candidates were asked “how might Reckitt Benckiser plc’s plans for the future be affected by macro-economic factors such as inflation, interest and exchange rate changes and the business cycle?” There were many quite patchy answers to this question, with some confusion shown about the nature of these macro-economic variables and the way in which they might impact on the business. Some candidates had reasonable knowledge but failed to apply it to RB. The better answers explained that inflationary pressures could affect costs and, if there was a great deal of competition it might be difficult to raise prices and profit margins would be affected. On the other hand if inflation was caused by excess demand the company might not be so badly affected as they could raise their prices in line with the rise in the general price level. Low interest rates might benefit the company both in terms of the cost of their borrowing and because their customers might have more disposable income. Although customers relying on investment income might be less well off. Some candidates wrote vaguely about exchange rates but the better answers often used the acronym SPICED to remind themselves that a strong pound meant cheaper imports and dearer exports. The issue of exchange rates is complicated because it depends where production takes place and there is also the issue of the repatriation of profits. Some candidates also mentioned the possibility of using hedging in order to guard against the dangers of currency variations. Most candidates were aware of the influence of the business cycle but it was also recognised that since the items that RB sell represent only a small proportion of a customer’s income and as they are mainly essential items, the demand for them is likely to be relatively inelastic.
- Q.5 Question five asked candidates to answer the question “to what extent does the experience of Reckitt Benckiser plc indicate that only businesses that operate on a global scale will ultimately be successful?” Many candidates restricted their answers to RB alone instead of using RB’s experience to make more general points. The better answers recognised that RB had been successful and that operating on a global scale had given them access to a very large market and allowed them to benefit from economies of scale. However, they also realised that not all companies attempting to operate globally had been successful. Some cited the case of Tesco and their Fresh & Easy subsidiary in the USA as an example. They also pointed to the many difficulties that can confront a business operating globally such as problems with language, culture, different legal structures, competition from established competitors and so on. Many also made the point that many businesses operated very successfully in niche markets and did not feel the need to operate globally. Many of the better answers gave examples, some, for instance mentioned one of our previous case study businesses, Greggs, as an example of a company that has been successful operating in the UK.



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