



GCE EXAMINERS' REPORTS

BUSINESS STUDIES AS/Advanced

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Unit	Page
BS1	1
BS2	3
BS3	5

BUSINESS STUDIES
General Certificate of Education
January 2014
Advanced Subsidiary/Advanced
BS1

Principal Examiner: Mr. D. T. Evans

General Overview

A good number of excellent scripts were submitted, demonstrating the full range of skills - knowledge, application, analysis and evaluation. These scripts were characterised by impressive communication skills and sound examination technique. These candidates had a good command of the subject matter and applied the knowledge effectively to the individual businesses in the text.

It was somewhat disappointing to witness the lack of precision in relation to definitions by so many candidates. Greater attention needs to be given to basic learning of key terminology. Candidates can also help themselves by reading the questions far more carefully in order that they do not waste time by offering responses which are not required.

There are still a significant number of candidates whose communication skills hamper the marking process. Some scripts were almost illegible and centres might identify such candidates and suggest that word-processing their examination scripts may benefit them.

Specific Comments

- Q.1 (a) The vast majority of candidates were able to identify two private sector aims.
- (b) In contrast, the knowledge relating to public sector aims was less widespread. Candidates who gained all four marks were able to clearly explain the main aims of public sector organisations, with the provision of services to the public being the most common. Explanations related to the provision of both public and merit goods in those sectors where the private sector might not find it possible to make a profit. On occasions candidates identified the efficient use of taxpayers' money as being a key aim. Establishing a clear difference between the aims of the two sectors was a challenge for many candidates.
- (c) It was pleasing to witness many candidates developing an argument following the removal of Royal Mail's monopoly. The introduction of competition was often accompanied by the benefits of wider choice for the customer, as well as the likelihood of lower prices. Some argued that more isolated communities may suffer from poorer service if providers were to focus only on the more profitable aspects of the market. The majority of candidates managed to move into Level 3.

- Q.2 (a) Level 3 candidates demonstrated sound understanding of the typical characteristics of an entrepreneur and, pleasingly, married their knowledge with the text to provide well structured responses. Those who failed to utilise the text effectively remained in Level 2. There were relatively few Level 1 responses.
- (b) (i) This core concept was not well understood by far too many candidates and definitions were often vague or simply incorrect. Top candidates were able to accurately define the concept.
- (ii) Better responses were able to pick up all the marks on offer here, fully analysing two or more economies of scale that applied to the business in question. In many cases, however, responses were poorly communicated or inaccurately applied to the situation. Quite a number of candidates failed to score on this task, which is particularly disappointing given the importance of this concept in relation to the course as a whole. Purchasing and marketing economies were by far the most common ones identified.
- (c) (i) Yet again, far too few candidates were able to give a clear concise definition. It was not uncommon for a definition of market research to be offered. It should be noted that marketing is far more than merely promotion, which so many candidates seem to think it is.
- (ii) The best candidates were able to offer a well evaluated response. They explained the importance of anticipating customer's needs and wants and used the text effectively to point out other factors which would also have had a significant role in the success of the business. Poor communication skills were evident in many scripts and this hampered both analysis and evaluation. There was a good deal of repetition as many struggled to reach Level 2. Weak examination technique was particularly evident in this question.
- Q.3 (a) The majority of candidates were able to identify one advantage and one disadvantage and many went on to elaborate and thereby pick up all four marks. Too many candidates felt that having to pay back the loan was a disadvantage in itself, which was clearly not worthy of a mark.
- (b) Good use of the text was evident here, with many identifying the new machinery and an on-line presence as technology that helped the proprietor. Better candidates went on to fully explain how both helped in achieving success for the business. Generally well answered.
- (c) There were some exceptionally well constructed responses to this final question, with evidence of sound evaluative skills. By far the most common advantage identified was the usefulness of a business plan in aiding applications for finance: many spent too much time on this point and offered little else. Candidates who failed to move out of Level 2 often failed to evaluate or offered very repetitive responses, indicating a lack of knowledge. Whilst there were some very well presented responses, too many were grammatically incorrect. Poor spelling continues to be an issue.

BUSINESS STUDIES

General Certificate of Education

January 2014

Advanced Subsidiary/Advanced

BS2

Principal Examiner: Mr. D. T. Evans

Specific Comments

- Q.1 (a) (i) A wide variety of responses were offered for this definition, far too many of which were either vague or incorrect. Far more should have picked up both marks than actually did.
- (ii) Given the disappointing definitions offered in part (i) this element of the question provided more encouragement. Top answers offered a structured response and applied it to the case in point. Level 1 responses tended to focus only on the comparative nature of the exercise and did not fully develop the process of benchmarking.
- (b) The majority of candidates had some understanding of the nature of quality circles, although far too many talked about the whole of the workforce being involved. The fact that quality circles tend to be drawn from all levels of an organisation was not something that was widely appreciated. Attempts to analyse the benefits ranged from the sophisticated to the superficial. The 'motivational' benefit was by far the most common one identified, with many failing to go beyond this point. Top responses identified at least two valid benefits and applied them to the business in question.
- (c) This question provided a good many pleasing responses, with many candidates achieving Level 3. There was sound understanding of the nature of an autocratic management style and good use of the text in gaining application marks. Counter arguments were well developed and balanced responses were offered. Unfortunately a not insignificant number of candidates wasted their time by offering descriptions of other management styles and how they might help the business if adopted. Nonetheless, many reached the top of Level 2 by demonstrating good analytical skills.
- Q.2 (a) Whilst many candidates calculated these figures correctly, a significant number did not appreciate that these were negative/minus figures and failed to score. Candidates generally found the first calculation more straightforward than the second.
- (b) The number of candidates reaching Level 2 was encouraging, with many making a reasonable attempt to explain two advantages. Those who reached Level 3 were able to offer a fuller, well-structured analysis of the advantages and apply it to the business in question. Inaccurate use of terminology was evident in a large number of scripts.

- (c) A full range of answers was elicited from this task. Level 3 candidates offered comprehensive, well evaluated responses, using both the text and their wider knowledge of the subject to support their assessment. A good deal of repetition was evident in many Level 2 responses, although use of the text was evident. Some focused far too much on the cash flow figures and ignored the numerous factors which were also worthy of consideration. It is worth noting some candidates failed to appreciate the very small nature of the business and referred to it as if it were competing in a global marketplace, hence making inappropriate points.
- Q.3 (a) Level 1 candidates simply identified one or two reasons why branding is important to Heinz. The majority went on to offer a sound explanation with brand loyalty and repeat purchasing being by far the most common.
- (b) Lots of candidates drew an accurate diagram and offered a concise explanation to gain full marks. Far too many diagrams were poorly drawn or had no labelling of the axes. Some drew no diagram at all but did offer an explanation. Poor exam technique was evident here.
- (c) Good knowledge was demonstrated by many candidates in relation to packaging and top candidates applied this knowledge successfully to Heinz product range. A pleasing number of Level 3 responses were submitted. Again, there was evidence of repetition in Level 2 responses as well as too much focus on specific aspects of packaging: the eye-catching, 'jump off the shelf' point being the one that many candidates over emphasised.
- (d) A whole range of responses resulted from this task – ranging from the very weak to the very impressive. Far too many candidates do not know the difference between the function of a Research and Development department and the function of a Marketing department. This confusion, along with some very poor communication skills, resulted in more Level 1 responses than might have been anticipated. At the other end of the spectrum, well-argued scripts reached balance conclusions, appreciating the important role of both functional departments in this multinational organisation. The importance of the information provided by Marketing to the Research and Development was appreciated by a number of candidates and formed part of their conclusions.
- (e) (i) It was very noticeable how many candidates had no knowledge of an appraisal process. Many simply viewed it as managers telling subordinates that they had done well i.e. praising them. Even those who did appreciate the process struggled to give a precise definition.
- (ii) Those candidates who had little knowledge of the appraisal process did pick up some marks, almost by default. By far the most common benefit identified was that of 'motivating the workforce'. Better responses went on to analyse other benefits of undertaking appraisals to Heinz but many were hampered by rushed and inaccurate communication – probably a legacy of running out of time in some instances. Those who did attain Level 3 offered a range of well analysed benefits. Quite a number of scripts demonstrated poor examination technique by offering drawbacks to the appraisal process which were not required and used up valuable time.

BUSINESS STUDIES

General Certificate of Education

January 2014

Advanced Subsidiary/Advanced

BS3

Principal Examiner: Mr. M. Culliford

General Comments

This paper was based on the hotel and leisure group Whitbread plc. The company is interesting because it is quite diversified, its activities ranging from hotels and restaurants to coffee shops and it operates successfully in a number of countries.

- Q.1 This asked candidates to explain how Whitbread plc identifies and satisfies the needs and wants of its customers to ensure “a great customer experience”. In order to answer this question candidates needed to read the case study carefully and extract the relevant information. The better answers addressed both parts of the question, i.e., they explained how Whitbread plc identified the needs and wants of its customers and then how it satisfied those needs. Many weaker answers concentrated on the second part of the question but ignored the first part. This meant that they failed to explain the type of market research that the business does with questionnaires, focus groups etc.
- Q.2 This asked candidates to use Porter’s Five Forces Framework to analyse the current position of Whitbread plc. It was pleasing to see that the majority of candidates were familiar with Porter’s Five Forces and were able to, more or less, apply them to Whitbread. Some of the weaker answers referred to some, but not all, of the forces, whilst others stated the five forces but did not really apply them to Whitbread plc. The better answers analysed the different businesses that Whitbread operate and the ways in which the Forces impacted on them. In answering this question there was some room for a difference of opinion. For example, it could be argued that there are few barriers to new entrants opening hotels and coffee shops. On the other hand, it would be difficult for a new entrant to do it on the scale of Whitbread. Similarly, the rivalry amongst competitors might be considered to be more or less strong, depending on the view taken. Most candidates identified Starbucks as a major competitor, but felt that Starbucks image had been tainted recently by revelations about its non-payment of UK taxes. However, the numerous other potential rivals such as Caffè Nero and Coffee Republic, were often ignored. One force which was not dealt with well was substitutes, where many candidates once again referred to Starbucks but ignored the wider possibilities such as tea shops and even pubs, where people might go for a drink. In general, buyer and seller power were dealt with satisfactorily.

- Q.3 This asked candidates to analyse and evaluate the financial performance of Whitbread plc. The accounts showed that the company has a very high gross profit margin and a healthy net profit margin. The liquidity ratios were low, but as some of the more perceptive candidates pointed out, most of the business will deal with cash, rather than credit, so this is not such a worrying picture as at first sight it may seem. Many candidates are confused about the gearing ratio. There are a number of ways that it can be calculated but the one that is recommended is long-term liabilities divided by shareholders' capital + long-term liabilities. Using this method being highly geared is over 50%. If one were to use the method of long-term liabilities divided by shareholders' capital, highly geared is over 100%. Either way the company was just over the highly geared point in 2012. In general, as the better answers stated, the business appears to be in a strong financial position, although with gearing already high, it might be unwise for it to borrow in order to fund further expansion.
- Q.4 This asked candidates to evaluate Whitbread plc's 'Good Together' approach from the point of view of its various stakeholders. The 'Good Together' approach was detailed in the case study and showed that the business was committed to fulfilling what it considered to be its social obligations. The approach includes training staff, improving the nutritional content of food, reducing energy consumption and improving the life of people within local communities. It is concerned with things like reducing youth unemployment and championing healthier lifestyles. It also supports charities including giving money to Water Aid and opening 24 schools. The better answers here looked at all of this from the point of view of all stakeholders who are likely to have been affected by the approach. In most cases the effect was positive but, as some candidates pointed out, shareholders might be affected by a reduction of profit in the short term, but that this would be compensated for by the good will generated by the approach.
- Q.5 This asked candidates to evaluate Whitbread plc's strategy of global growth. Some of the less good answers to this question were one-sided, looking at the benefits of the strategy but not giving sufficient attention to the potential problems that the company might face. In some cases there was evidence of timing problems, where candidates had spent too long on the previous questions and had not left themselves enough time to complete this final one. The better answers were balanced and appreciated the advantages of such a strategy, especially as the home market was beginning to become saturated but also considered some of the problems that might arise, for example due to the fact that the Chinese have not yet developed a liking for coffee. These better answers explained that there are clearly huge opportunities in global growth but also considerable risks.

Overall, the paper seems to have been well-received and there were very few instances of candidates not attempting all of the questions. Also, in most cases, the candidates expressed themselves well and had a clear understanding of the issues involved. This would indicate that they had been well-prepared by their teachers and had worked hard themselves to understand the subject and apply their knowledge meaningfully. On a negative note there are still a number of candidates who need to be reminded of the importance of writing legibly and with the appropriate quality of written communication!



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