



# **GCE EXAMINERS' REPORTS**

**BUSINESS STUDIES  
AS/Advanced**

**SUMMER 2011**

## **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**  
**Summer 2011**  
**Advanced Subsidiary/Advanced**

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**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	1900	50	25.2
BS2	3155	70	33.8

<b>Grade Ranges</b>	<b>BS1</b>	<b>BS2</b>
A	37	47
B	31	41
C	26	35
D	21	30
E	16	25

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

## BS1

### General Comments

This paper seemed to work very well with most candidates able to attempt all the questions and make reasonable responses. There was evidence of the hard work put in by centres to ensure that candidates had the basic knowledge on which to build their answers.

- Q.1 This question was well answered by the majority of candidates. There was good evidence of knowledge of the public sector, who owns and runs it, how it is paid for and many made reference to merit and public goods. Some candidates only gave one example and others were unaware of the difference between state and public schools.
- Q.2 (a) On the whole, this question was not well answered. Many weaker candidates did not know the various methods of production, others gave a description of one or two methods but did not make a selection of an appropriate method. Many of those who did choose a method did not justify why they thought that method was appropriate. Many candidates did select the batch method of production but did not have a clear idea of what it is.
- (b) It was encouraging to see that most candidates understood the term 'niche market' and consequently were able to attempt an explanation of the advantages of a niche market. The good candidates were able to explain the advantages and also to apply the knowledge to the scenario.
- Q.3 (a) All candidates understood the scenario and most were able to explain and make reference to the effects of the earthquake on the price of wine. Candidates lost marks when it came to adapting the diagram, although they understood the situation they were unable to show that on the diagram.
- (b) There were a few excellent answers showing clear knowledge of factors affecting demand. Some candidates wasted time by explaining supply when the question only asked for the demand factors. However, nearly all candidates did try to apply their knowledge to the Chilean situation.
- Q.4 The responses to this question were disappointing with very few candidates scoring full marks. However, this was the first time for social enterprise to appear on the BS1 paper and it was a demanding question requiring comparison with other types of business organisations. Having said this, many candidates scored at least half marks.
- Q.5 (a) Most candidates were familiar with the term 'entrepreneur' and were able to describe the characteristics of an entrepreneur. They found it difficult, however, to explain the effect that these entrepreneurs can have on the economy.
- (b) The answers on the secondary sector were very mixed. Most could outline primary, secondary and tertiary production and many understood the function of the secondary sector. Better candidates went further to discuss the interrelationship between the sectors.
- There was no one right answer to this question but it was an opportunity for candidates to display their communication skills by building an argument to support their point of view.

## BS2

### General Comments

The vast majority of the candidates completed the paper, indicating that time management is improving amongst candidates sitting the BS2 paper. The advice given at INSET seems to have been taken on board and there is evidence that candidates are making better use of the information provided for them in the text – although there is still a good deal of work to be done in this area.

Sadly, the quality of written communication is showing no signs of improvement and some scripts were very badly presented indeed. Illegible writing, poor spelling and an inability to construct logical sentences was all far too apparent. This problem was particularly noticeable in 2(d) and 3(e).

- Q.1 (a) The majority of candidates understood the concept of differentiation and were able to identify two ways in which the business in question attempted to differentiate itself from its competitors. Better responses incorporated the term 'Unique Selling Proposition' (USP) and clearly explained two ways in which they felt that the business stood out from other accountancy firms. It was pleasing to see candidates using the data provided to assist them in formulating their answer. There were very few candidates who had no idea of what was being asked of them and the majority reached Level 2.
- (b) Top level responses accurately identified two external stakeholders and went on to fully explain why they might have an interest in the accounts of a business. Many candidates were able to identify two external candidates but, all too often, gave vague explanations as to why they had an interest. Quite a significant number of the cohort were unable to identify external stakeholders and many internal stakeholders were offered instead.
- Q.2 (a) Many candidates were able to carry out the calculations effectively and scored full marks. An own figure rule was applied to this calculation and the majority of candidates scored 3 or 4 marks. However, there is still a significant minority who clearly had no idea how to approach such a task, although there are fewer candidates than in previous examinations who fail to attempt any sort of calculation.
- (b) (i) A very wide set of responses were offered by candidates to this question. This was a classic illustration of the need for students to learn their definitions more effectively. There were many vague generalisations and candidates would be well advised to systematically learn to define key concepts as this would enhance the quality of their examination papers in general.
- (ii) Those who adopted a logical approach to this task provided well constructed explanations as to how a benchmarking exercise is carried out and applied their response to the business in question. Unfortunately, these candidates were relatively few and far between. It is fair to say that the overall understanding of this element of the specification is a concern.

- (c) Those candidates who reached Level 3 provided an accurate definition of Quality Circles and fully analysed how they might be useful to the business in question. Level 2 candidates tended to offer less precise definitions, although the majority were able to offer some reason as to why the use of quality circles is beneficial to businesses that employ them.
  - (d) Some very impressive responses were submitted by a good number of candidates. It was pleasing to see top marks being awarded to those candidates who had sound knowledge of this area of the specification, backed up by an ability to analyse and evaluate effectively. The majority of candidates were able to identify financial and non-financial methods of motivating employees, although weaker candidates were unable to categorise them clearly. Good use of the 'motivation theorists' was made but a lot of candidates simply described the theories and failed to apply them at all. Those candidates who remained in level 1 tended to have poor knowledge of the methods employed to motivate employees. A small number of responses tended to anecdotal, usually describing experiences gained during part time employment.
- Q.3
- (a) Those candidates who gained full marks offered a precise definition in relation to the difference between the cost of raw materials and the selling price and applied this to the business in question. Some offered a numerical example to reinforce their response. The majority of candidates, however, offered imprecise and confused responses and clearly demonstrated a lack of knowledge in relation to this concept. Indeed, a worrying number of candidates offered no response at all.
  - (b) Knowledge of this area of the specification was generally good. Those candidates who gained full marks were able to correctly identify both above and below-the-line methods of promotion and clearly distinguished between the two. Some candidates simply identified the different methods and a minority were unclear as to what methods fell into which category.
  - (c) Those who adopted a systematic approach scored well – dealing in turn with three objectives and developing their response in relation to *Innocent Drinks*. It was evident in this task, however, that many candidates were unable to apply examination technique effectively. Here the use of paragraphs would have been particularly useful in helping candidates organise their answers. There was a good deal of repetition in many responses and quite a number of the objectives identified were not related to promotion at all.
  - (d) In the main, candidates' knowledge was good in relation to packaging and effectively applied to *Innocent Drinks*. The analysis undertaken was well thought out and it was pleasing to see the number of candidates who achieved full marks. Those who did not reach level three tended not to develop their responses fully or focussed too much on one particular aspect to the detriment of others important issues.
  - (e) The knowledge demonstrated in relation to leadership styles was generally very good. Some top quality responses were submitted. They were well argued, backed up by sound knowledge and correctly applied to *Innocent Drinks*, making full use of the information provided in the text. Level 2 responses tended to be briefer and the evaluation undertaken was somewhat superficial. Nonetheless, it was a task which the vast majority of candidates attempted, which suggests that time management is improving.

**BUSINESS STUDIES**  
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**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>
BS3	826	60	30.8
BS4	1586	60	34.4

<b>Grade Ranges</b>	<b>BS3</b>	<b>BS4</b>
A	38	43
B	33	37
C	29	31
D	25	26
E	21	21

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

## General Comments

This year's paper was based on a case study of the budget airline company Ryanair. Most candidates were able to answer all of the questions, although, as might be expected, the quality of their answers varied considerably. As always, the better answers showed evidence of having been planned.

Q.1 This question, as with previous papers, is in part a comprehension exercise. Candidates are expected to apply their knowledge to the case study and extract the relevant details. Specifically the question asked candidates to "explain the key factors that have made Ryanair a successful business". Whilst, there was a considerable amount of relevant information available to the candidates, some answers focused on just a few areas whereas the better answers identified several key factors. These included Ryanair's pricing policy that enables it to keep most of its flights operating at full capacity; the fact that it keeps its costs low by not providing free food and drinks; the large number of destinations that it flies to; the motivation of its employees; its effective marketing campaigns; its use of modern aeroplanes; its excellent record for reliability and the good use that it has made of its website.

Q.2 This question required candidates to "explain how an airline, such as Ryanair, can be affected by political, legal and environmental factors". In order to do well on this question candidates needed to apply their understanding of the relevant theory to an airline. They were not expected to have any specific knowledge of airlines apart from the information in the case study and the use of common sense. The better candidates explained two or three factors under each heading. Political factors might have included: deregulation of the industry; the impact of taxation; the impact of political unrest and terrorism and government policy towards the expansion of airports. Legal factors might have included: health and safety regulations; employment law; consumer protection legislation; laws relating to advertising standards; competition law and specifically Ryanair's shareholding in Aer Lingus. Environmental factors might have included: depletion of fossil fuel reserves due to the use of aviation fuel; the environmental impact of building new runways; the effect of natural disasters such as the ash cloud; the activities of pressure groups such as Greenpeace.

Some candidates misread the question and gave various other 'PESTLE/STEEPLE' factors, such as economic and technological factors and whilst candidates would not be penalised they would not gain credit for this.

Q.3 Candidates were expected to "outline Ryanair's marketing strategy and consider the view that it demonstrates a conflict between ethical responsibility and profitability".

This question was not done particularly well. Although in effect in two parts it was felt that it was accessible with candidates being asked to outline the marketing strategy before tackling what might be considered the more difficult part of the question.



Some good answers explained the nature of ethical responsibility and the standards that might be expected of a major company. They then looked at the four Ps of marketing and analysed Ryanair's behaviour with regards to each of the Ps. On the whole it was felt that the product, or rather service that they offered was beneficial to customers and was not unethical. Ryanair's pricing policy is, at first glance, cheap and to the benefit of consumers, but there are numerous hidden extras. The biggest area of controversy is Ryanair's promotion. The company regularly attacks its competitors by using adverts that are provocative and, in some cases illegal. Some of its advertisements also contained explicit sexual content, which many would disapprove of. As regards place some candidates were aware of the fact that some of the airports that Ryanair uses are some way away from the final destination. Nevertheless Ryanair does fly to a large number of destinations, which benefits their customers and is not unethical. Many concluded that despite Ryanair's apparent lack of ethical scruples consumers were still willing to take advantage of its low fares.

- Q.4 Candidates were required "to analyse and evaluate the financial performance of Ryanair". Some of the weaker answers did not include ratios but the majority did, although the calculations were not always correct. Particular care needs to be taken in learning the relevant ratios. It should be noted that the specification now only expects candidates to calculate the following ratios: gross and net profit margins; the current ratio and acid test ratio, the return on capital employed (ROCE) and gearing. It is appreciated that there are different ways of calculating these ratios and any correct method was accepted. Some candidates calculated other ratios such as debtor days and stock turnover, but these are beyond the requirements of the specification.

Whilst most candidates now are able to calculate ratios more or less correctly there is still a considerable variation in the way that the results are interpreted and the overall picture that the accounts present. In the case of Ryanair the accounts showed improvement between 2009 and 2010, largely because 2009 was a very difficult year for most airline businesses. By 2010 gross and net profit margins were good, but ROCE, whilst improving was still low. The liquidity ratios were both high but this probably reflects the nature of the business and is not a problem. Gearing was marginally higher than might be considered desirable but with interest rates so low this was unlikely to be a problem. Overall the business appeared to be in a healthy position and was being run on a sound financial basis.

- Q.5 Candidates had to discuss the view that "Ryanair should now seek to become a global business rather than operating mainly in Europe".

The better answers to this question gave a good balance of pros and cons.

On the plus size increased turnover may lead to increased profits. The company might be able to negotiate better prices on the things that it purchases including aircraft and fuel as well as benefiting from other economies of scale, e.g., marketing and managerial economies. By operating in many countries it would have the option of moving elsewhere should it be unhappy with a particular airport and being global it would have more negotiating power with governments.

On the other hand Ryanair might face greater competition and so have its profit margin reduced. It may need to invest heavily in new aircraft and it is already quite highly geared. It may face legal barriers, cultural differences and language barriers. It will not be able to operate a no-frills policy on long-haul flights.

Some candidates suggested that it may be a good idea to go global, but it would probably be advisable to start on a small scale or takeover or merge with another airline that already has the necessary experience and equipment.

## BS4

### General Comments

This was the second sitting of this paper under the new specification. In general, candidates seem to have managed well. The two main problem areas were question 2(a) on contribution and question 5 the essay about Research and Development. Unfortunately a large number of candidates did not know the formula for contribution, which is surprising given the importance of the concept and in question 5, candidates wrote about marketing.

### SECTION A

Candidates were required to answer all questions in this section of the paper.

- Q.1 Candidates had to explain "the advantages and disadvantages to a business of having a marketing plan". Generally this was answered well by candidates who mostly knew what a marketing plan was and were able to explain such advantages as co-ordinating marketing activities and making sure that everyone in the organisation worked in unison to achieve its marketing aims.
- Q.2 (a) Candidates needed to "calculate the total value of the contribution if Highlights Ltd decides to accept the new order". They were specifically asked to show their workings. In general, this question was not answered very well. The majority of candidates did not seem to know the formula:  $\text{contribution} = \text{total sales revenue} - \text{total variable cost}$ .
- (b) Candidates were asked to "discuss the factors which Highlights Ltd should consider before deciding whether or not to accept this order". Apart from the size of the contribution, it was also important to know what other orders were extant, how much capacity was being utilised, the likely reaction of existing customers, the likelihood of follow-on orders and other variables such as exchange rates. Candidates could have achieved full marks without discussing all of these factors.
- Q.3 (a)(b) Candidates were given a network diagram which they had to complete and in part (b) they were asked to mark on the diagram the critical path. This was an area of the specification that might have caused some consternation to candidates and their teachers before the examination and so it was pleasing to see that the majority of candidates answered it correctly.
- (c) Candidates were required to "discuss the usefulness of critical path analysis to a company such as A J Moore Ltd". Perhaps surprisingly, some of those candidates who got parts (a) and (b) wrong managed to write something sensible in answer to this part of the question. The better answers were well-balanced between the advantages and disadvantages of this type of analysis.
- Q.4 Candidates had to "consider the view that there are advantages and disadvantages to both employers and employees from having a national minimum wage". As might be expected all of the candidates were aware of the minimum wage. The weaker answers gave very general descriptions of the advantages/disadvantages. The better answers were more detailed and considered such things as the numbers of workers and the types of jobs that were most likely to be affected by the legislation as well as the possible responses of businesses, such as introducing part-time work, or moving jobs overseas where wages are lower.

## SECTION B

Candidates were required to choose one of three essay questions.

- Q.5 This question was very popular with candidates but unfortunately many of them wrote about market research rather than research and development. The better answers started with a definition of research and development, i.e. such as the following: "the investigation and discovery of new ideas in order to solve a problem or create an opportunity and subsequently changing ideas into products". They then discussed the advantages such as the following: R & D may be used to create new products, improve quality, reduce costs, develop new materials and reduce environmental damage. It can give a business a competitive edge and make production processes more efficient. It can improve a business's image and improve the motivation of staff. It is likely to bring benefits to consumers, which in turn will improve sales and may allow the business to charge a premium price (skimming).

Candidates were also expected to discuss the downsides of R & D such as the fact that expenditure on R & D can be very expensive, it can involve a considerable amount of risk and that it can take a long time from the beginning of research until a final product is launched.

The better answers also pointed out the bulk of R & D expenditure is restricted to particular industries such as pharmaceuticals and the motor industry and that for these businesses R & D expenditure is an essential component of success, but in other industries it may be less important.

- Q.6 This question was the least popular of the three but those candidates who attempted it provided some good answers. The best answers to this question were those that weighed up the arguments for and against the statement before coming to a considered conclusion.

Arguments for included the argument that state run industries tend to limit consumer choice and are less efficient than private businesses, which are driven by the profit motive and therefore respond better to consumer demand. Also there tends to be under-investment in state run industries and political interference can affect the efficient running of the businesses.

Arguments against the statement mentioned the role of the state in providing public goods and merit goods as well as discouraging the consumption of demerit goods such as cigarettes. The state may also be needed to provide or regulate natural monopolies, e.g. railways and water supply. The government needs to protect consumers from abuses of monopoly power and unfair or illegal practices, e.g., with regards to weights and measures and health and safety. The government, as well as providing the legal framework in which businesses operate, is also in charge of the macro-economic management of the economy.

In conclusion, the better answers argued that there was need for both public and private sectors and that, whilst the private sector was good at providing many goods and services, the government still played an essential role in the economy.

Q.7 Recent events have made this question more topical than perhaps was intended when it was written and it was pleasing to see that many students referred to these events in their answers.

Clearly there is no correct answer to the question and the best answers discussed the arguments for and against in some detail. Some of the benefits of joining might have included the elimination of the costs involved in exchanging currencies and the fluctuations between the UK and other Eurozone countries thus making it easier to plan for the future. Prices would have been more transparent.

Arguments against the statement included the fact that the UK government would have lost much of its control over the economy and that there might have been a loss of sovereignty.

On balance, it is difficult to decide whether the arguments in favour of entry in 2002 outweigh the arguments against. Some industries and individuals would have benefited others would not.



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