



GCE EXAMINERS' REPORTS

BUSINESS STUDIES AS/Advanced

SUMMER 2013

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Unit	Page
BS1	1
BS2	4
BS3	8
BS4	11

BUSINESS STUDIES
General Certificate of Education
Summer 2013
Advanced Subsidiary

Principal Examiner: 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	2404	50	26.6

Grade Ranges

A	39
B	33
C	27
D	22
E	17

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

General Comments

Overall both papers (BS1 and BS2) discriminated effectively, although the mean marks for both papers were, disappointingly, below those attained in summer 2012. Some excellent scripts were submitted, demonstrating the accessibility of the papers and showing what can be achieved when thorough revision is combined with an ability to analyse, evaluate and communicate clearly. Yet again, however, the general standard of presentation and written communication was all too often poor, with some papers barely legible. The drawing of diagrams and charts was particularly poor; as demonstrated by very many of the responses offered to Q1 (a) on the BS2 paper. Whilst it is accepted that this is a very difficult issue to resolve with post-16 students, it is a major factor in the underachievement of many candidates in the AS Business Studies examinations. The lack of appropriate terminology is also a concern.

BS1

Question specific comments

- Q.1 (a) The majority of candidates scored well on this opening question. Examples were extensively used, although many failed to point out the 'unlimited' nature of wants and did not attain all four marks available.
- (b) Good technique was evident from many candidates who identified an advantage of selling products internationally and went on to develop their point in an appropriate manner. A range of reasons were offered, with growth and an increase in potential revenue being the most common.
- Q.2 (a) Those candidates who did well in this task clearly explained relevant methods of quantitative and qualitative market research, suggesting correct examples of how such research might be undertaken. There were quite a number of scripts where the candidate confused the two or gave inappropriate examples, thus reducing their score. There was also some confusion with primary and secondary market research.
- (b) Those candidates who fully explained at least two benefits of market research and applied them to the scenario gained Level 3. Those who used the data provided effectively, made the point related to having the right stock available for the proprietor's customers. Many, however, failed to notice this point. Weaker responses tended to be somewhat repetitive or too brief, with the points made not being effectively developed.
- (c) Those who understood the concept of asset-led marketing clearly pointed out that such a marketing strategy is based on both the organisations strengths (core competencies) as well as awareness of customers' wants. They then went on to identify the competencies that the organisation possesses and how they related to its asset-led approach. Quite a number of candidates wrote entirely about a product-led approach and others had no understanding of the concept at all.
- Q.3 (a) (i) Many candidates had learned the definition correctly and demonstrated their knowledge effectively. Those candidates who only talked about merging failed to gain the second mark available.

- (ii) Sound explanations were offered by many candidates, with economies of scale and the removal of a competitor being the most common. Some candidates did not appreciate that Dolland and Aitchison would cease to trade under that name (rebranded under the Boots name) and consequently offered confusing responses. It was pleasing to note those responses which alluded to the combining of expertise that might result following the merger and why this might be beneficial to Boot Opticians.
 - (b) Knowledge of franchising was good but far too many candidates demonstrated poor technique by spending too much time on describing the features of franchising rather than focusing on the advantages and disadvantages. Some excellent responses were submitted. They were soundly evaluated, clearly expressed and correctly applied to Boots Opticians. Far too many candidates did not carefully read the question and focussed on the advantages and disadvantages to the franchisee, as opposed to the franchisor.
- Q.4 Most candidates did make use of the information provided in attempting to explain the key features of a social enterprise. Some excellent responses were submitted, capturing the essence of the concept, as well as using other examples to enhance understanding. The majority of candidates reached Level 2 but many failed to offer other relevant examples. Weaker candidates presented brief responses, often characterised by repetition.
- Q.5 A full range of responses were evident in this final task on the paper. Well organised candidates with good communication skills were able to formulate a well balanced discussion on the effect upon a variety of stakeholders of recent changes in the High Street. Sound conclusions were drawn by those candidates reaching the top of Level 3 and good understandings of the issues of change were demonstrated. The ability to express ideas clearly and in context was not the norm, however. This led to some very confusing responses, characterised by a good deal of repetition. Whilst the concept of the 'Stakeholder' was generally well understood quite a number of candidates confused the term stakeholders with shareholders and focused their whole response in this way. The poor communication skills of some candidates hampered their ability to express their arguments clearly and the quality of handwriting made some responses very difficult to follow.

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Unit	Entry	Max Mark	Mean Mark
BS2	3586	70	31.9

Grade Ranges

A	45
B	39
C	34
D	29
E	24

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

BS2

Question specific comments

- Q.1 (a) The figure of 98.3% showing the number of candidates who attempted the drawing of the break-even chart is somewhat misleading as many candidates drew one or two random lines on the graph, indicating no understanding of the requirements at all. The standard of the work was very disappointing indeed, given that emphasis that has been placed on the construction of diagrams in recent CPD meetings and the information on the secure website. Far too many candidates did not use a ruler, which meant that drawing an accurate break-even point was not achievable. It was surprising that many candidates calculated the break-even quantity and the margin of safety and yet completed the chart in an entirely different way. All too often the total revenue and total cost lines did not stop at the output of 600 hampers and the margin of safety was rarely drawn with any degree of accuracy. The attainment of the full six marks was a rarity. Given the straightforward nature of the task set, this was very disappointing and centres are urged to emphasise to candidates the importance of accuracy in the construction of diagrams.
- (b) Better candidates were able to identify and develop two or three relevant advantages to the construction of a break-even chart and thereby achieve Level 3. However, they were the exception to the rule and the general level of knowledge was poor. Vague generalisations were the order of the day; with far too many candidates proposing that one advantage of constructing a break-even chart is *'that it shows a business where it will break even'*. A significant number of candidates also decided to outline the disadvantages, thereby penalising themselves in terms of time. This was a good example of a question that was not read carefully by many candidates.
- (c) (i) The concept of penetration pricing was generally well understood with many of the candidates making three relevant points to demonstrate their knowledge. Weaker responses were not fully developed or misunderstood the concept altogether.
- (ii) Level 3 responses offered a well-balanced argument in relation to the two pricing policies in question, often reaching a sensible conclusion. Those candidates who failed to get out of Level 2 tended to offer a one-sided point of view, often rejecting the premium pricing policy out of hand. Far too many candidates said that the pricing policy was one of *'skimming pricing'*, which was incorrect. Reference to relevant points given in the data was disappointing, although those that did utilise the information tended to gain the top scores.
- (d) This was by far and away the best answered question on the paper, with a significant number of candidates attaining all three marks. There were very few candidates who did not know about unique selling points/propositions.

- (e) This question offered candidates the opportunity to analyse the scenario and to discuss a variety of issues that the owners of the business needed to consider prior to going ahead with the new proposals. Some very impressive responses were offered, making full use of data provided as well as using sound business sense to consider a number of relevant issues that might impact on the final decision. Many candidates went down the 4/5 P's route, somewhat limiting their chances of attaining Level 3, but still proving relevant points for consideration. However, this was yet another example of many candidates **failing to carefully read the question**. A significant number of responses were written from Jenny's (an employee) point of view and not from the point of view of the five owners. In addition, key points in the data were ignored, especially the fact that Jenny had already undertaken market research and that her target sales figure was merely 600 in the first year. Many candidates suggested '*distribution through supermarkets*', which was clearly inappropriate in this scenario; many also totally ignored the significance of developing a website – something that was prominent in the data. Centres should urge their candidates **to make better use of the data provided** to enhance the quality of the responses offered.
- Q.2 (a) (i) The majority of candidates had some understanding of the concept of Lean Production, with the emphasis being on the reduction of waste.
- (ii) Those candidates who were able to identify and explain two advantages attained the four additional marks on offer. The majority of candidates were unable to do this, however, and this was the generally a very poorly answered question. Responses were often repetitive, poorly constructed or irrelevant. This is perhaps an area of the specification that candidates need to place greater emphasis upon when it comes to their preparation for the BS2 examination in future.
- (b) Just in Time is a generally well understood concept and some excellent responses were provided into the advantages that it provides a business such as a car manufacturer. Quite a number of candidates spent far too much time explaining the process of JIT manufacturing, rather than analysing the advantages that it offers. Top responses fully explained at least three advantages, emphasising the importance in cost reduction and improved cash flow.
- (c) Knowledge concerning the use of robotic technology was generally very good and better candidates were able to provide well-balance responses, correctly applied to the scenario. Many gained maximum marks, providing sophisticated and well-argued responses. Level 2 responses tended to be somewhat one-sided and there was a tendency towards repetition by a significant number of candidates.
- Q.3 (a) Surprisingly, quite a number of candidates chose not to attempt this question. Perhaps the most disappointing aspect was the fact that many responses failed to use the data to help them structure their responses; subsequently answers were often brief or repetitive. Those who did utilise the guidance provided, enhanced their responses and gained Level 3. Yet again, poor examination technique was evident in far too many cases and **application of the data provided is something that would benefit so many candidates**, thereby improving their overall grade.

- (b) Top responses demonstrated an ability to apply sound knowledge of motivational theorists to the scenario and construct a well balance argument, often reaching a logical conclusion. Those candidates who were able to communicate clearly produced some very impressive scripts, applying in particular, the arguments of Herzberg and Maslow very effectively indeed. Sound application of relevant points from the data was pleasing to see and a good number of candidates deservedly achieved full marks. It was good to see an appreciation by some candidates that not all people are motivated by the same things and this point was included in a number of the more sophisticated conclusions. Those candidates who failed to reach Level 3 tended to be less able to organise their responses as effectively and many did not undertake any application to support the points they were making. There was also a good deal of confusion as to what are financial and non-financial incentives, as well as confusion as to what each particular theorist actually said. There were some very brief, bullet- pointed responses from candidates who had not effectively managed their time. Whilst the standard of written communication was an issue in far too many scripts, it was here that it was of greatest concern. **Some responses were virtually impossible to read and this is a matter that centres need to address as a matter of urgency.** Spelling of key terms left a lot to be desired and candidates would undoubtedly benefit from the use of paragraphs in order to help plan their answers.

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Unit Statistics

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Unit	Entry	Max Mark	Mean Mark
BS3	942	60	31.3

Grade Ranges

A	37
B	33
C	29
D	25
E	21

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

General comments

This summer's case study was based on Domino's Pizza Group, a company that most candidates might have been expected to have been familiar with. Approximately two thirds of the candidates entered for this paper were resitting, having attempted the previous paper in January. Just under 3% of the candidates were Welsh medium.

Question specific comments

Question 1 asked candidates to "explain the ways in which Domino's Pizza has used innovation and new technology in order to increase its appeal to customers". The weaker answers to this question simply identified some or all of the relevant information from the case study. Most candidates, however, went further than this and explained why, for example, the use of computers and apps to order pizza's appealed to the business's customers.

Question 2 required candidates to "explain the implications, to the various stakeholders of Domino's Pizza, of its mission, culture, priorities and values". Most candidates considered the ways in which Domino Pizza's mission etc affected its customers and employees but the more complete answers also considered such issues as the way the business treated its suppliers and the local community.

Question 3 asked candidates to "analyse and evaluate the financial performance of Domino's Pizza Group". Most, but not all candidates, are now familiar with the six required ratios and are able to calculate them correctly. The differential in marks comes mainly from the way in which the results are interpreted. As it happened Domino's Pizza have a strong balance sheet but there were some question marks over liquidity as the current and acid test ratios had fallen considerably. This development coincided with a fall in gearing and what appears to have happened is that some of the long-term loans were reaching maturity and had moved from more than 12 months to less than 12 months and now appeared as current liabilities. Some centres seem to be teaching ratios such as debtor days, which are not required in the specification. No credit was given for these. There were various ways in which ROCE and gearing were calculated. Whilst many of these methods are correct, for the sake of consistency we recommend that candidates are taught to use total long-term liabilities plus shareholders' capital as the figure for capital employed. Candidates should also be encouraged to give an overall conclusion as to the financial health of the business. In this case it appeared to be, despite the issues of liquidity, quite healthy.

Question 4 asked candidates to "assess the benefits to Domino's Pizza of expanding its business through franchising". It has been stressed on many occasions previously, both in the examiner's report and at CPD meetings that questions based on the AS specification may be asked in the A2 examinations. This is entirely in tune with the integrated nature of the subject. Clearly at A2 the quality of the answer is expected to be of a more sophisticated nature than that expected at AS. In actual fact the majority of candidates had little difficulty remembering the relevant AS theory. Part of the answer was summed up by one candidate who suggested that franchising has "allowed them to spread their pizzas all over the world". Others mentioned the fact that franchising enabled Domino's Pizza to expand rapidly, at less cost to themselves, sharing risk and benefiting from the success engendered by the high degree of motivation of the franchisees and the advantage of their being better acquainted with local conditions. The better answers also appreciated that the word 'assess' required them to evaluate, and consequently pointed out some of the potential problems that might be associated with franchising, such as lower levels of profit and the fact that the business's reputation could be damaged by franchisees who did not conform to the principles laid down by the company.

Question 5 proved to be the one that some candidates struggled with the most. The main problem was that a substantial minority of candidates did not understand the concept of social costs and benefits despite the fact that they are specifically referred to on page 19 of the specification “the social costs and benefits of globalisation and the activities of multinational companies”. As a consequence these candidates tended to score very low marks. Despite this there were many very good answers to this question with candidates referring to such things as pollution and obesity on the one hand and employment, increased choice and the transfer of skills on the other.

Overall the paper seemed to offer about the same level of challenge as previous papers and candidates coped equally well thanks no doubt to their own hard work and the dedication of their teachers and lecturers.

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Unit	Entry	Max Mark	Mean Mark
BS4	1874	60	36.1

Grade Ranges

A	46
B	40
C	34
D	28
E	22

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BS4

As with previous examinations there were two parts to this paper.

Section A

This section consisted of four compulsory questions, focusing on analytical techniques, some of which required the candidate to do some calculation.

Question 1(a) asked candidates to calculate three variances and to state, in each case, whether the variances were adverse or variable. Whilst the majority of candidates were able to do this successfully a significant minority did the calculation correctly but forgot to state whether the variance was adverse or favourable and as a result received no marks. Part (b) of the question asked them to explain the likely reasons for the variances. The better answers gave two or three reasons for both the adverse and favourable balances. Some reasons given for the adverse sales revenue variance were the activities of competitors, an increase in incomes which meant that consumers were likely to eat in restaurants rather than consume ready-made meals and increasingly health conscious consumers who were preparing their own food rather than buying ready-made meals where, incidentally, the presence of horsemeat might be discovered. It was suggested, amongst other things, that the favourable cost of sales balance might have resulted from the strength of the pound which made imports cheaper; bulk purchasing or even a reduction in wages.

Question 2(a) asked candidates to calculate, from information given to them, the number of workers that left a company in the previous year. Most candidates did so successfully. Part (b) asked them to explain the possible reasons as to why labour turnover had increased and to suggest ways in which the management might respond. There was some confusion over the nature of labour turnover with a number of candidates associating it with increased mechanisation and others with seasonal work. Most answers concentrated on reasons why the workers might have become disaffected and gave sensible suggestions how this might be rectified, including job rotation, job enrichment, quality circles, increasing wages and the implementation of various motivational theories. The better answers also mentioned other reasons why people might have left their jobs, including an ageing workforce resulting in many people retiring and another employer moving into the area offering better wages/conditions of work.

Question 3(a) asked candidates to calculate income elasticity of demand. Disappointingly only just over half of candidates knew the formula and were able to calculate it successfully. Part (b) asked candidates to discuss the usefulness of the theory of income elasticity of demand to a manufacturer of television sets. Many candidates confused income elasticity with price elasticity and suggested that income elasticity could be used to set prices. The better answers realised that it would be useful in helping the business to plan its production in order to meet anticipated demand as a result of an increase in incomes or vice versa in the case of a fall in incomes.

Question 4 proved to be topical as it was based on a cost-benefit analysis of a plan for the Severn Barrage. Candidates were asked to consider the issues that would need to be taken into account when undertaking the cost-benefit analysis. There were many good answers to this question with a detailed discussion of the public and private costs and benefits. However, many candidates failed to explain the problems of expressing some of these costs and benefits in monetary terms.

Section B

This section consisted of three synoptic essay questions with candidates having to choose one out of the three. Unfortunately, a few candidates ignored the rubric and attempted more than one question. Interestingly the mean mark for all three essays was almost the same. Question 5 asked candidates to discuss the proposition that “businesses only exist to make profits for their shareholders; rarely is any consideration given to matters of ethics”. Roughly two in five candidates attempted this question. Many answers were well-balanced and explained the importance to a business of making a profit whilst giving examples of several businesses who had been less than ethical at times and also pointing out that many organisations are not-for-profit and are very often extremely ethical in their activities. It was also often remarked that many businesses almost made ethical behaviour part of their USP, e.g. through using Fair Trade suppliers or not testing their products on animals.

Question 6 proved to be the most popular with just over half of all candidates attempting it. The question asked candidates to “evaluate the proposition that the most successful businesses are always those that invest the most money in new technology”. Again there were many well-balanced answers with candidates arguing that in some industries it was essential to invest in new technology, with the example of Apple often being cited, but that in other industries and for smaller businesses, new technology often played a lesser role in the business’s success. The better answers were full of relevant examples.

Question 7 was the least popular essay question with fewer than one in ten attempting it. The question asked candidates to discuss the view that “oligopolistic businesses, such as car manufacturers, supermarkets and banks, often act against the public interest”. Once again this was an “Aunt Sally” type question where candidates were expected to present strong counter arguments to the proposition and many did indeed do so. The better answers were from candidates who had a good grasp of the theory of oligopoly who understood that non-price competition was a feature of this type of market. They were also able to identify many of the positive aspects of oligopolies in terms of investment and the production of new products.

One aspect of the essays that could be improved is the area of planning. All good essays have a beginning, a middle and an end. They have clear paragraphs with each paragraph developing one point. They are not scribbled out in a rush but on the contrary they are written deliberately, thoughtfully and, as a general rule, legibly.

Overall the paper seems to have posed a similar challenge to those of previous years and once again demonstrated that candidates had generally been well-prepared.

The final version of this Principal Examiner’s Report will be available by 20 September 2013



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