



GCE EXAMINERS' REPORTS

**BUSINESS STUDIES
AS/Advanced**

SUMMER 2014

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BUSINESS STUDIES

General Certificate of Education

Summer 2014

Advanced Subsidiary/Advanced

BS1

Principal Examiner: Mr D T Evans

General Comments

A good number of excellent scripts were submitted in both papers, demonstrating the full range of skills - knowledge, application, analysis and evaluation. These scripts were characterised by impressive communication skills and sound examination technique. Candidates had a good command of the subject matter and applied the knowledge effectively to the individual businesses in the text. Interesting and perceptive arguments were offered in relation to evaluative questions, which was especially pleasing to see.

However, lack of precision in relation to definitions persists and greater attention needs to be given to basic learning of key terminology by many candidates. 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 to the point. In addition, many students would be well advised, especially in the BS1 paper, to put quality before quantity. Far too many candidates not only used the additional pages provided, but also went on to write in a further booklet; often producing rambling and repetitive responses. They would be well advised to think carefully about their responses and then respond in a more succinct and focussed manner.

There are still a significant number of students whose communication skills hamper the marking process. Some scripts were almost illegible, although an increased number did word-process their scripts, which made their responses more accessible to the examiners.

BS1

Question specific comments

- Q.1 The vast majority of candidates were able to explain the meaning of market research and provide suitable examples. Those who did not attain full marks tended to be able to give two correct examples, but provided an inaccurate explanation.
- Q.2 (a) This relatively straight forward task was undertaken effectively by many candidates. Common faults amongst those who did not attain all four marks were - shifting the supply curve in the wrong direction, not labelling the new supply curve and failing to mark the new price and quantity levels on the axes. There was also a tendency to over-elaborate the explanation in many cases, thereby missing the key points that the examiners were seeking.
- (b) Those candidates who reached Level 3 were able to provide a well-balanced response, using both examples from the text, as well as examples of other unforeseen shocks that have occurred in recent times. Sensible conclusions were drawn in many cases, pointing out that for some businesses the impact will be devastating, whilst for others there will be very little, if any, impact. A significant number of candidates tended to produce rambling, anecdotal responses which demonstrated poor time management. Weaker candidates failed to apply the data provided in the text; again demonstrating poor examination technique.

- Q.3 Knowledge of this area seemed to be good and this resulted in so many candidates writing excessively lengthy responses which impacted on their ability to give adequate time to those questions in the latter part of the paper. Nonetheless, a healthy percentage of candidates managed to attain all six marks – providing succinct, well planned responses which explained sensible advantages and disadvantages to both employers and employees. Weaker candidates focussed far too much on the ‘domestic’ benefits to the employee, such responses lacked balance and remained in Level 2.
- Q.4 (a) Far too many candidates seem to be under the impression that individuals who set up their own business will inevitably be very wealthy. Whilst the opportunity to make yourself better off may be a reason for setting up your own business, the outcome is more often than not disappointing. Centres may wish to emphasise this to their candidates when teaching entrepreneurship. However, in the main, the majority of candidates did manage to explain two reasons why individuals set up their own businesses; with financial reward and independence being the most common responses.
- (b) Many candidates were able to accurately identify two external sources of finance for a small start-up business, although a significant number suggested retained profit, which is clearly incorrect. Many candidates suggested that an advantage of bank loans is that they are easy to obtain – which is far from the truth for small start-up businesses during the current financial climate. It was pleasing to see a whole range of suggestions which, in the main, were correctly evaluated.
- (c) It was encouraging to see some impressive responses to this more challenging of tasks. Those candidates reaching Level 3 were able to put together a range of well analysed reasons why small businesses continue to survive, showing a clear understanding of their crucial role in the UK economy today. The majority of candidates managed to reach Level 2, with the operating of businesses in niche markets being the most common reason offered for their survival. The inability to express themselves clearly was an obvious drawback for many candidates, although this often tends to come hand-in-hand with poor knowledge. This might be a topic which centres should place greater emphasis upon as many candidates remained at the lower end of Level 2.
- Q.5 Those candidates who reached the top of Level 3 offered well considered responses which were properly applied to the situation a glass recycling business would find itself in when opening up another location at the opposite end of the country from its current location. Cost, labour, transport and potential customers were all given due consideration and their relative importance evaluated. It was good to note that these candidates used the data provided to enhance their responses and put their answer in context. It was surprising to see a significant number of candidates responding out of context and making reference to location factors which impact upon the high street and not an industrial location. Many also referred to this as a ‘relocation’ issue, which it clearly was not. Centres should urge their candidates to pause and read the data more carefully in order that they can respond in context, as well as take advantage of any information which they may utilise when compiling their response. Some candidates failed to complete this question, which was a pity as 20% of the total mark for the paper was on offer for this final ten mark question.

BUSINESS STUDIES
General Certificate of Education
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Advanced Subsidiary/Advanced
BS2

Principal Examiner: Mr D T Evans

Question specific comments

- Q.1.1 The majority of candidates did not respond to this task in context. Whilst the text clearly referred to 'the factory', 'the warehouse' and 'the business produced a variety of items...', candidates responded in a retail context, with the ubiquitous BOGOF being by far and away the most common response. Centres should urge their students to read any data provided much more carefully and to respond to tasks in the context in which they are set. Those candidates who did respond in the right context were able to attain full marks to this straight forward opening task.
- Q.1.2 Good knowledge of the issues around holding too much stock was demonstrated by the majority of the cohort. Pleasingly, the concept of 'opportunity cost' was utilised on many occasions and almost all candidates offered three reasons and developed them meaningfully.
- Q.2.1 Most candidates were able to offer some understanding of the concept of workforce planning, although a not insignificant number focused only on the recruitment aspect of the concept.
- Q.2.2 Those candidates who provided more than two well explained reasons as to why workforce planning is important to large organisations reached Level 3. The emphasis tended to be on planning for growth as opposed to rationalisation, although more sophisticated answers dealt with both aspects of workforce planning. There was a tendency for a good deal of repetition in Level 2 responses and candidates found it difficult to express themselves clearly on this topic.
- Q.2.3 Some impressive responses were offered – demonstrating good knowledge, analysis and evaluation of the Boston Matrix as a portfolio management tool. Those who failed to move out of Level 2 were often unable to offer any evaluation of the usefulness of the Matrix, although their understanding of how the four elements interacted was generally sound. Diagrams used to illustrate the Matrix were often poorly constructed and, disappointingly, incorrectly labelled by many Level 1 candidates.
- Q.3.1 Many candidates accurately calculated the four items and attained full marks. As ever, a significant proportion of candidates were unable to calculate a percentage increase and did not gain a mark for the new marketing expenditure. OFR (Own Figure Rule) was applied, meaning three out of four was a common score. The inability of so many candidates to deal with percentages is a perennial problem and will hamper their progress if moving on to study the subject at A2.

- Q.3.2 Lack of precision was the order of the day for far too many candidates and centres should urge candidates to accurately learn the components that are included in all the financial documents studied at AS level. The most common error was to assume that 'Cost of Sales' was the amount of money it costs to 'sell the product'. In the main, 'Net Profit' was better understood than 'Cost of Sales'.
- Q.3.3 This task was undertaken effectively by the majority of candidates, with many gaining all six marks on offer. It was good to see a wide range of stakeholders identified. Some candidates offered 'shareholders' as stakeholders, failing to appreciate that the business was solely owned by a single individual.
- Q.3.4 A wide range of responses was offered to this specific definition. Candidates did not attain both marks on offer because they all too often referred to the 'costs of production' rather than the 'cost of raw materials'.
- Q.3.5 The vast majority of the cohort attained both marks, even though they could not accurately define the concept of 'added value'.
- Q.3.6 Understanding of this marketing concept was generally good, with candidates able to give both a sound definition of above and below the line marketing, as well as using appropriate examples from the text. Those who did not attain all four marks either failed to provide an explanation of the term or used examples other than those provided in the text.
- Q.3.7 Some very well argued responses were presented by those candidates who reached Level 3, clearly evaluating the benefits and drawbacks of a team bonus scheme. Good use of the text was evident in many scripts and sensibly applied to the situation in hand. It was also pleasing to note the number of concluding paragraphs, which had something of value to add as opposed to being merely a repetition of what preceded. A minority of candidates produced a lot of irrelevant material, seeing this as an opportunity to analyse a range of other incentive schemes, mainly non-financial. Weaker candidates tended to offer only one side of the argument. Poor communication skills were often evident in the lower Level 2 responses.
- Q.3.8 The best responses demonstrated a mature understanding of the nature of a democratic leadership style in relation to both its persuasive and consultative nature. The benefits of such a leadership style were well developed and it was very pleasing to note effective use of the text, especially in relation to how the owner of the organisation utilised an idea proposed by a member of his staff. Some very sophisticated counter arguments, as to the effectiveness of a democratic leadership style in other circumstances, were developed and the awarding of full marks was very well deserved. Some candidates failed to move out of Level 2 as they merely described other leadership styles, failing to apply them to the argument. Here, more than anywhere, the shortcomings in communication skills of many candidates were evident. Whilst it is appreciated that this was the final question and that time constraints may have been an issue, candidates should have been aware that 'Quality of Written Communication' was assessed in this final task. Some candidates did appear to run out of time and therefore failed to complete this task.

BUSINESS STUDIES
General Certificate of Education
Summer 2014
Advanced Subsidiary/Advanced
BS3

Principal Examiner: Mr M Culliford

General Comments

This summer's paper was based on a case study of Dairy Crest plc. It was felt that this was an interesting business for a number of reasons. It has faced a number of challenges over the years and is constantly faced with changes in the markets in which it operates. As its traditional markets have declined it has moved into new, more profitable areas. It has grown considerably in size both through acquisition and organic growth.

On the whole candidates coped well with the exam with questions on changes in the dairy industry; on ways of dealing with risk; on the financial and non-financial performance of the business; on the impact of the company's vision and values on its stakeholders and on different growth strategies – organic growth versus acquisition.

Due to the fact that candidates from centres in England were no longer able to sit the examination in January the numbers sitting in June increased considerably.

Question specific comments

Question 1 asked candidates to identify and explain the various changes that have taken place in the dairy industry in recent years that have had an impact on Dairy Crest plc. To some extent this was a comprehension exercise as the information that candidates required was provided for them in the case study. However, the key word in the question was 'explain': it was not sufficient to simply describe the changes. The better answers referred to the markets for all dairy products rather than just the market for liquid milk.

Question 2 asked candidates to explain possible ways in which the management of Dairy Crest plc might respond to the risks which face the business. The risks were identified in the case study and so the emphasis of the question was on possible responses. Although contingency planning is part of the BS4 specification, since this paper was sat at the same time, it was natural that many candidates used their knowledge of contingency planning in responding to this question. Those that did not were not penalised but those that did were credited.

Question 3 asked candidates to analyse and evaluate the performance of Dairy Crest plc, using both financial and non-financial methods. Some candidates seem to have been caught out by the reference to non-financial methods and restricted their answers to the familiar 'financial methods'. All candidates were expected to use ratio analysis. In this instance there was insufficient information to calculate the gross profit margin, although this did not stop a number of candidates from attempting to do so! The five ratios that were required were: net profit margin; the current ratio; the acid test; the return on capital employed (ROCE) and the gearing ratio. Some candidates used RONA rather than the preferred ROCE. Whilst they were not penalised for this centres are advised to use shareholders' funds + long term liabilities as the figure for capital employed. There was also

some variation in the formula for gearing. The preferred calculation is long term liabilities divided by shareholders' funds + long-term liabilities. In this case 50% is the recognised boundary beyond which a business is highly geared. The small number of students who failed to use ratios at all were generally unable to achieve a mark higher than level one.

Question 4 asked candidates to evaluate Dairy Crest plc's vision and values from the point of view of its various stakeholders. The better answers to this question analysed the vision and values from the point of view of several stakeholders whilst the weaker answers, typically only referred to one or two. The stakeholders affected included customers, employees, managers, shareholders, the local community, the government, suppliers and competitors. The better answers also realised that not all of the vision and values would benefit all stakeholders equally, the weaker answers tended to analyse the benefits but ignore any ensuing difficulties that might possibly arise in trying to achieve the vision and values.

Question 5 asked candidates to assess the view that the best strategy for growth for Dairy Crest plc is through acquisitions (mergers and takeovers) rather than through organic growth. The majority of candidates clearly understood the difference between the two methods of growth. The better answers were characterised, on the one hand, by greater knowledge of the advantages and disadvantages of each method and on the other hand by a more balanced weighing up of these advantages and disadvantages. Some candidates claimed that acquisitions were cheaper than organic growth. Whilst this may be true for mergers it is far from the norm in the case of takeovers. Some of the advantages of growth, such as the benefits arising from increased economies of scale, can occur whichever method of growth is decided upon.

In general, and as is invariably the case, those candidates who had a sound knowledge base and who were able to plan their answers clearly, fared well in this exam. Candidates that tend to exaggerate the consequences of certain courses of action predicting imminent liquidation of businesses or, to quote a much used term, predicting that such an action would have a "massive" impact on the business, tended to be less convincing than those students producing a more balanced and realistic analysis.

BUSINESS STUDIES
General Certificate of Education
Summer 2014
Advanced Subsidiary/Advanced
BS4

Principal Examiner: Mr M. Culliford

The number of candidates sitting this paper increased again this year. Nearly all of the candidates attempted all of the questions and there were only a very few cases of rubric violations with candidates answering more than one of the essay questions in part B. The facility factor was over fifty for all but one question (question 5 - the reasons for which are given below), which indicates that the paper was fair and that the majority of candidates have a good understanding of the subject.

Section A

Part A

Question 1 was a fairly straightforward calculation of depreciation. Most candidates were able to calculate the annual depreciation of £7000 but many misread the question and failed to give the results for each of the five years.

Question 2 asked candidates to explain the benefits of a marketing budget with reference to Bubbletone plc, a company that manufactures shampoo etc. There were two main issues here: firstly, many candidates referred to budgets in general but not specifically to a marketing budget and secondly, only the better answers attempted to apply their knowledge of marketing budgets to this particular type of business.

In part (a) of question 3 candidates had to draw a decision tree. About two thirds of the candidates managed to do this successfully. Part (b) required students to explain two other factors that the business might need to consider before making its final decision. Many candidates fell into the trap of suggesting things that would already have been taken into account in calculating the probabilities of success or failure for each of the options. The better answers referred to other qualitative issues such as the effect on employees as well as issues such as the longer term prospects for the business.

Question 4 (a) and (b) required candidates to complete a network diagram and mark the critical path. Once again about two thirds of the candidates were able to do this successfully. Part (c) asked them to discuss the usefulness of critical path analysis for the company. Interestingly, many candidates who were unable to complete the diagram successfully were still able to answer this part of the question. The better answers were the ones that applied the theory most successfully to this business.

Question 5 asked candidates to consider methods of increasing employee participation in a paint manufacturing business. Unfortunately, many candidates thought that this was a question about motivation rather than about involving employees in decision-making. For that reason the weaker answers tended to talk about pay and conditions rather than about team-working, quality circles, suggestion boxes and worker directors etc.

Part B

Candidates were required to select one of three essays. These essays were designed principally to test the candidate's skills of analysis and evaluation. There was a pretty even split in terms of which question candidates chose to answer. Overall, question 7 was the most popular with something over one third of candidates answering it, question 8 was the next most popular with almost exactly one third answering it and question 6 the least popular with just under one third. In terms of difficulty, as indicated by the facility factor, question 7 was found to be the most difficult with a factor of 50.3, followed by question 6 with 51.4 and finally question 8 proving to be the most fruitful, from the candidates' point of view, with a factor of 56.6. In the event of a candidate choosing to answer more than one essay, the examiner would have marked them all and have awarded whichever mark was the highest (as per standard practice in this situation).

Question 6 was about the relevance of Trade Unions in the 21st century. This question seemed to be the most popular for those candidates resitting the paper (candidates in Wales sitting in January) and for candidates sitting the paper through the medium of Welsh. Many of the weaker answers were descriptive, simply describing the role of trade unions and sometimes also that of ACAS. Clearly these candidates knew what trade unions are but they did not really engage with the argument about whether or not they still have a useful role to play. The better answers discussed, on the one hand, the reasons for the decline in trade union membership but on the other the reasons why trade unions are still relevant to the lives of millions of workers.

Question 7 asked candidates to discuss the proposition that "the failure to adopt an appropriate leadership/management style can cause serious problems for a business" giving relevant examples. Some candidates attempted to answer the question without any reference to leadership styles such as democratic and autocratic and as a result did not achieve high marks. Others had learnt their theory but did not provide the relevant examples that were asked for in the question. The better answers examined the various leadership styles and showed how they were or were not appropriate to particular types of organisation.

Question 8 proved to be very topical as it asked candidates to "consider the view that it would be in the best interests of the majority of British businesses for the United Kingdom to leave the European Union". As stated above, this question was also the one that was answered the best. There was plenty of scope for candidates to give examples of different types of business: small/large, importers/exporters, foreign companies investing in the UK and UK companies investing abroad, services/manufacturers and so on. By analysing different types of business and drawing conclusions based on that analysis these better answers achieved high marks.



WJEC
245 Western Avenue
Cardiff CF5 2YX
Tel No 029 2026 5000
Fax 029 2057 5994
E-mail: exams@wjec.co.uk
website: www.wjec.co.uk