



GCE EXAMINERS' REPORTS

BUSINESS STUDIES
(including AS Legacy Units)

SUMMER 2016

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General Certificate of Education
Summer 2016
Advanced Subsidiary/Advanced
UNIT 1: THE BUSINESS FRAMEWORK

General comments

Throughout the paper there was a lack of precision in relation to definitions and technical business terms. Greater attention needs to be given to basic learning of key terminology by many candidates so that they achieve higher assessment levels.

Question specific comments

1. (a) The vast majority of candidates were able to explain needs and wants and provide suitable examples.
2. (a) This relatively straightforward task was undertaken effectively by many candidates. Common faults among those who did not attain full marks were - not labelling the new demand curve and failing to mark the new price level.
(b) Many candidates identified relevant factors required but failed to link them with the effect on demand. There was some duplication over 'disposable income' when the causes of this were re-iterated as another factor.
3. The vast majority of candidates were able to define opportunity cost. The higher level marks were obtained by those who used the scenario given to illustrate the concept effectively.
4. (a) A clear explanation of 'market oriented business' was given by many, with the higher marks going to the more extended comments.
(b) Good understanding of qualitative market research was the norm here. Focus groups were clearly explained, although questionnaires and interviews as examples required more detailed application to the question.
(c) Candidates successfully applied niche market to Long Tall Sally, but there is a need for them to define terms more accurately to achieve full marks.
(d) Knowledge of this area was good, with succinct and well planned responses achieved. Most candidates reached Level 2, applying their knowledge to Long Tall Sally.
(e) It was disappointing and surprising to see a significant number of candidates responding out of context and making reference to location factors which impact on wider industry and not on retail location factors.

5. (a) Many candidates were able to identify correctly two sources of finance used to start-up business.
- (b) It was encouraging to see some impressive responses to this task. Those candidates reaching Level 3 were able to put together a range of well analysed reasons showing a clear understanding of the role of franchises. The majority of candidates managed to reach Level 2 and applied their knowledge to the scenario given.

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UNIT 2: BUSINESS FUNCTIONS

General comments

A good number of scripts were submitted in this BS2 legacy paper, demonstrating the full range of skills - knowledge, application, analysis and evaluation. Most candidates showed good communication skills and sound examination technique, with a good command of the subject matter and applied their knowledge effectively to the individual businesses in the data. A good balance and effective development was offered in relation to evaluative questions, which was pleasing to see.

However, lack of precision in relation to definitions and numeracy persists and greater attention needs to be given to basic learning of key terminology/definitions and numeracy techniques by many candidates. Candidates can also help themselves by reading the questions more carefully in order that they do not waste time by offering responses which are not to the point. In addition, many candidates would be well advised, to put quality before quantity and focus on fewer points which are well developed within the context of the case study. In addition to this candidates should be encouraged to think carefully about their responses (particularly in the bigger mark questions) and then respond in a more succinct and focussed manner.

There are still a number of candidates 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.

Question-specific comments

1. (a) The majority of candidates were able to correctly calculate total fixed costs, total variable costs and ultimately profit. However, there were a large proportion of candidates who were not able to do this. The specification clearly requires candidates to calculate these important financial values. Showing calculations is important because the own figure rule was used and credit was given to candidates for calculating a different profit figure as long as they showed the correct reasoning of subtracting their cost figure from the correct revenue figure. What is also obvious is that some candidates did not have a calculator and incorrectly calculated the figures. This question clearly indicates the need to teach candidates the correct process of calculating costs and revenue and ensuring they appreciate the concept of different costs.

- (b) Plotting a breakeven chart is an important element of the breakeven concept and it is still surprising the number of candidates who fail to do this accurately. Clear instructions were given to plot fixed costs, total costs, total revenue and the breakeven point. In addition to this the candidates were required to record the breakeven amount in the box provided. Common mistakes include inaccurate plotting against scales, poor use of ruler and pencil (pen does not rub out!) and incomplete labelling of plotted lines. A number of candidates confirmed the breakeven point by calculating the breakeven point and this helped to confirm the accuracy of their graph.
- (c) This is a common question asked in relation to breakeven. Surprisingly however a minority of candidates showed a limited understanding of the advantages and disadvantages of a breakeven exercise. A large proportion of candidates were able to provide balance to their answer but there were too many examples of vague and often poor explanation of relevant points. Unfortunately, a number of candidates do not read questions properly and end up, as in this case, only giving one side of the debate.
- (d) On the whole this question was done well and most candidates were able to identify and explain a good range of benefits of having a strong brand. The higher marks go to candidates who develop the points well and explain how the strong brand benefits the business. For example, a strong brand will help to bring about increased consumer loyalty which in turn encourages repeat sales and makes consumers less price sensitive. There was, surprisingly, a number of candidates who insisted on outlining and explaining the problems/drawbacks of a brand. This was not required in the question and clearly wastes time and gains no further marks.
- (e) To achieve Level 2 marks (3/4) candidates had to explain ways in which Blizzard Snowboards could increase the strength of their brand. The better answers related legitimate methods such as promotion, sponsorship, endorsement etc. to the snowboard/ski industry. For example, the use of high profile snowboarders or events like the Winter Olympics to promote their products.
- (f) This was an evaluative question and on the whole the majority of candidates answered this question well. The better answers were well balanced and related their explanations back to the case study. Most candidates highlighted the need to keep costs down to remain competitive but a large proportion of candidates did not pick up on the issue of loyal workers which could give Mike Halliday the ability to get away with it. Very few candidates highlighted that wages may already be very competitive compared to other businesses and this could again give Mike room for manoeuvre. A large proportion of candidates identified the issue of motivation. However, this was, for many candidates, a signal to break away from the main theme of the question so that they explained each of the motivational theorists and spent too much time and effort on explaining different non-financial methods of motivation.

2. (a) It is obvious that some centres cover this theme well and prepare their candidates for questions relating to industrial marketing but it is also obvious that some do not. A large number of candidates failed to pick up any marks. The question also uses the word "suggest" but in some instances answers were too vague to allow examiners to award marks. For example, "employ sales people" - most people employ sales people but these sales people are more likely to operate on a one to one basis and are highly specialised.
- (b) This question on workforce planning was very much answered in the same way as the previous question. Candidates either knew it or they did not. Therefore most marks were either 0 or 3. Again, too many candidates missed out on marks by providing one word statements - "training" - as opposed to, for example, "identify who may need training to improve skills".
- (c) The majority of candidates understood capacity utilisation and were able to provide an accurate formula. However marks were lost because too many candidates do not learn definitions of key basic business terms and the first part of the question required this. There are also a minority of candidates who confused "capacity" with "productivity".
- (d) This question was generally answered well and a large number of candidates were able to get into top Level 2 and Level 3. This question was evaluative and it is pleasing that centres are preparing candidates to provide a balanced response to such questions. The top answers related the evaluation to Redmans Limited. There were, however, a large minority of candidates who struggled with identifying and explaining the benefits of full capacity and surprisingly the issue of reduced average cost was not explained well.
- (e) This question was generally answered well and a large number of candidates got into Level 3. The better answers again explained the problems of increasing sales in international markets by referring to the case study and developing their points in the context of the case study. Candidates must realise that good quality explanation of fewer points is better than just stating a large number of valid points which are not explained.
- 3 Most candidates were able to explain the benefits and drawbacks of robotics in business. The better answers develop the evaluation to incorporate the debate surrounding different types of business, large/small, manufacturing/service related, mass produced/niche/specialised products. Some candidates talked about technology in general and focussed on CAD and CAM. This was not rewarded - the question was specifically about robotics. This question also included QWC element of the paper and there were a number of scripts (in the minority) that were poorly written and lacked appropriate punctuation.

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UNIT 3: BUSINESS DECISION-MAKING

General comments

For most centres and candidates this will have been the final sitting of this paper. The long case study has been a feature of this and previous specifications and has been well received.

This year's case study was a little different as the business, Associated British Foods, is a conglomerate whose interests range from Ryvita to Primark. It was pleasing to see that the vast majority of candidates attempted all of the questions and that, in general, the standard of their responses was good (although in a few cases not always entirely legible).

Question-specific comments

1. This asked candidates to explain the advantages and disadvantages to the company of operating as a diversified group of businesses. This question was well received with most candidates making good use of information in the case study. This coupled with the candidates own knowledge of business practice afforded high quality and confident responses from many candidates. Better answers referred to advantages such as the spreading of risk, the sharing of resources and disadvantages such as problems in one division of the business potentially having an adverse effect on other divisions.
2. Apparently some candidates were surprised to find the finance question as question 2 rather than the normal question 3. The reason for this was that the first two questions were about Associated British Foods as a whole, whereas the last three questions focussed on Primark. By now most candidates are familiar with the six financial ratios outlined in the specification: gross and net profit margins, ROCE, current ratio, acid test and gearing. In this instance, there was no information available for the gross profit margin, but the other five were calculated correctly by the majority of candidates. In many cases there were a few minor errors, particularly regarding 'rounding', and forgetting to express the liquidity ratios as ratios. Although, as stated, most candidates could complete the calculations, not all of them were clear as to the significance of their results. Some candidates believed that a net profit margin of just over 8% was low, although there was nothing to compare this with and, in reality, may be quite good for this type of conglomerate business, especially considering the particularly poor results in its sugar business. Most felt that ROCE of just over 10% was satisfactory, especially when compared to current bank interest rates. The liquidity ratios were well below the ideals of 1.5 : 2 : 1 and 1 : 1, but, as many candidates pointed out, much of ABF's revenue came from cash sales and so there was probably not a great deal to worry about. The company was low-gearred and, as many candidates pointed out, this might mean that the company was being over-prudent and that opportunities for expansion were being missed.

3. A few candidates failed to recognise the shift of emphasis from ABF to Primark in particular and applied Porter's five forces to the company as a whole. It was decided not to penalise these candidates too harshly for their mistake and rather to concentrate on their knowledge of Porter and the quality of their application. A few candidates seemed to have forgotten all about the five forces and others remembered parts of the theory but the better answers showed considerable mastery of the theory. It was generally agreed that Primark was in a strong position relative to its suppliers due to its ability to take advantage of purchasing economies of scale. It was also felt that it faced little threat from new entrants, despite the fact that it was relatively easy to open a shop selling clothes, it would be very hard for a new entrant to compete with Primark on price and the range of choice that it offers. There was some debate about substitutes – with some candidates arguing that there are no substitutes for clothing, which is undeniable. Others suggested that a substitute for purchasing clothing from a high street store is purchasing clothing online and that this potentially represented a serious threat to Primark, with its high overheads, compared to a business such as Boohoo only sells online. As regards its customers the better answers argued that individual customers have little power to influence Primark but that customers in general can always shop elsewhere and so there was considerable pressure on Primark to continue to offer reasonably good quality clothes at cheap prices. When it came to competitive rivalry, it could again be argued that despite a lot of other companies selling clothes Primark was in a strong position because of the scale on which it operates and its ability to sell its products at such low prices. (branded versus unbranded clothing may be mentioned as a substitute).
4. This asked candidates to evaluate the impact on Primark's stakeholders of having its products made in developing countries. A number of candidates were strongly influenced in their answers by the section in the case study on the Rana Plaza disaster and consequently argued that the effect on almost all stakeholders, with the possible exception of the shareholders, was negative. Other answers were more balanced and recognised that there were also positive benefits to employees, suppliers, governments and local communities in developing countries. The more comprehensive answers also looked at the impact on consumers, workers and communities in the UK and other countries.
5. This required candidates to assess Primark's decision to increase the number of its overseas stores. The better answers to this question considered a wide range of advantages and disadvantages. The former included the potential for increased revenue and profits; possible spin-offs including new ranges of clothing that could be sold in its other stores and the recruitment of new employees whose skills and experience might benefit the business. The latter included potential problems arising from, among other things, rejection by consumers due to: lack of market research; differences in taste and possibly custom and failure to understand the local culture; strong competition from existing local businesses; problems with language; problems with exchange rates and possible problems regarding legal issues.

In general, the better answers were well-structured and well-balanced. There was clear evidence of planning, good use of paragraphs with each paragraph containing one point that was fully developed. There were introductions to questions, outlining briefly what was going to be said and a conclusion, briefly summing up the main arguments. The better answers were invariably neatly presented and clearly legible.

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UNIT 4: BUSINESS STRATEGY AND PRACTICE

General comments

For the majority of centres and candidates this will have been the last sitting of this paper. The main function of section A has been to test candidates' understanding of quantitative methods such as decision trees, network diagrams and investment appraisal. This summer's paper looked at sales forecasting, cost-benefit analysis and data analysis. Section B tested candidates essay writing skills as well as their ability to apply their knowledge synoptically.

Question-specific comments

1. This asked candidates to explain the impact on Unilever plc of introducing an asset-led marketing campaign based on Marmite. Although many candidates were able to define asset-led marketing many had no clear idea of its application. As a result, a large number of candidates discussed advertising.
2. Candidates were given sales revenue data for ten years. In part (a) they were asked to plot a three year moving average on a graph. It was gratifying to see that most candidates were able to do this successfully. They were not penalised for failing to connect the points. Part (b) asked how the company might use the graph to predict future sales. The better answers referred to a line of best fit. Those who simply mentioned such things as extrapolation or trends without referring to the line of best fit were awarded one mark. Part (c) asked candidates to explain how forecasting was likely to be useful to the business. The better answers suggested that it would help the business to adjust its capacity appropriately and to make sure that it had the right resources and employment levels to meet that level of sales, as well as making provisos about the reliability of this type of forecasting.
3. This question was based on a cost-benefit analysis of a new motorway relief road around Newport in South Wales. The question asked candidates to explain the advantages and disadvantages of using cost-benefit analysis when making decisions on projects such as this. Unfortunately, there were quite a few candidates who thought the question was asking them to evaluate the plan for the road rather than the suitability of the method. Better answers discussed, both public and private issues along with problems of cost-benefit analysis in a process, such as the difficulty of deciding upon a monetary value for some aspects of the plan such as costing the value of wildlife.

4. Candidates were given some data regarding the opinions of farmers as to whether the prices paid for organic products was high enough to sustain production. In part (a) they were asked about the usefulness of the data for a farmer thinking of moving into the production of organic food and in part (b) the usefulness to a supermarket thinking of expanding its range of organic produce. The purpose of the question was to test the candidates' ability to analyse and interpret unfamiliar data. Many candidates answered the question in general terms without really using the data whereas the better answers looked in detail at the information, which admittedly was open to a fair amount of interpretation since it was based on opinions.
5. This asked candidates to evaluate the usefulness of contingency planning to airline companies such as Virgin Atlantic, EasyJet or British Airways. Whilst most candidates, although not all, had a reasonable idea as to the nature of contingency planning, many answers were rather general and were not sufficiently well-applied to the airline industry. Some candidates concentrated on preventative measures which could be applied in order to reduce the risks faced by these companies whilst others focused on small scale operational issues which are unlikely to carry a contingency plan. However, these are not really contingency plans which come into force after an event has taken place.

SECTION B

This section consisted of three essay questions. Candidates were required to choose one of these, although a small minority of candidates made a rubric error and attempted all three! It was intended that all three essays should be of equal difficulty and that ideally candidates' choices would be equally distributed between them. As it turned out one question, question 8, was far more popular than the other two. Roughly two thirds of candidates attempted this question, just under a third attempted question 6 and only 8% of candidates attempted question 7. These essays are intended to be synoptic and to give candidates the opportunity to demonstrate the depth and breadth of their understanding of the subject. Despite the fact that not all questions were as popular as each other the essays largely achieved their purpose of discovering the individual candidate's overall understanding of the subject.

6. This asked candidates to discuss the proposition that "businesses that adopt an ethical approach to their operations are likely to achieve greater success than those that do not." Interestingly, many candidates took the opportunity in this question to refer to the case study in Paper 3 and in particular the case of the Rana Plaza disaster in which Primark had been implicated. Whilst it is gratifying to know that candidates are using previous papers in a constructive way it would also be good to see them bringing forward examples of their own. Having said that, there were many good responses to this question with candidates giving examples of businesses whose USP is being ethical, e.g., the Bodyshop and the Co-op and on the other hand giving examples of relatively unethical businesses that have been remarkably successful, including companies that sell arms, tobacco and alcohol.
7. This question asked candidates to discuss the view that "most money spent on advertising is wasted, whereas money spent on capital investment is always likely to be more beneficial to a business. This question elicited few very good answers. Many attempts tended to be one-sided concentrating mostly on advertising and the question as to whether advertising expenditure is wasted without really understanding or explaining the importance of capital investment. Examples were rarely seen as part of candidates' responses leading to a restriction in achieving high level marks.

8. This question required candidates to assess the view that, for many businesses considering operating in the global marketplace, the challenges that they face may well be greater than the rewards. On the whole the answers to this question were of a high standard. Candidates had clearly been well-drilled in the whole issue of globalisation and the better answers were well-balanced and illustrated with good examples both of businesses that had succeeded and those that had failed.



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