

# BUSINESS STUDIES

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Paper 9707/02

Data Response

## General comments

General performance on this paper was pleasing, showing continuous improvement relative to previous sessions. Of particular note is the extent to which the majority of candidates are now able to effectively use the context shown in the data. A significant number of candidates misinterpreted **Question 1(b)** which emphasises the importance of analysing a question before answering it. There was generally no evidence of time being a constraint, although candidates who spent too much time on earlier questions found a shortage of time towards the end of the paper. Examiners continue to be impressed by the general use of the English language and the use of business studies terminology. One disappointment was the lack of local 'engagement' with the issue of ethics relating to multinationals – candidates should not be discouraged from viewing 'the world' from a local perspective – indeed the syllabus encourages consideration of local issues.

## Comments on specific questions

### Question 1

- (a)(i) Most candidates had some understanding of what is meant by flow production, and better candidates provided suitable examples, such as car manufacturing. Some candidates gave examples which are more likely to be produced using batch production, such as bread. A few candidates thought that flow production involved producing liquids. While oil refineries, for example, are likely to use flow production, the involvement of liquids is not necessary.
- (ii) Most candidates were able to define variable costs, but there were still examples of circular definitions e.g. "variable costs are costs that vary". These should be avoided as marks cannot be rewarded for simply rephrasing the term. A significant number of candidates thought that they were costs that varied with time rather than the correct interpretation that they vary with the level of production.

#### Teaching tip

Candidates should be encouraged to think carefully about useful examples. So, for example, raw materials is a better example of a variable cost than, say wages, which might be fixed (salaries), variable (piece rates) or semi-variable (salary plus bonus).

- (b) This question had the widest range of marks on the paper. There were many good answers from those candidates who clearly understood about organisational structure, and were able to apply these ideas to a multinational moving to a developing country with lower labour skills. These answers related ideas of authority to managing an unskilled workforce, and issues involving the extent to which the head office would want to relinquish authority, with the benefits of local knowledge. A disappointing number of candidates thought that this was a question about location, which appeared later, in part (d).

Teaching tip

Make sure candidates analyse questions thoroughly in terms of **Action** (in this case “explain”), **Subject** (in this case “organisation structure”) and **Context** (in this case “relocating to country B”). It would then be clear that this is a question about organisation structure. Also make sure that candidates read the whole question before attempting an individual part.

- (c) This question was done, generally, quite well. Good answers showed analytical skills by drawing a distinction between the benefits of behaving ethically (good working conditions, concern for the environment, not exploiting customers and employees, producing safe drugs and so on) and the additional costs that would entail for the business. The best answers recognised the key features of the context of a pharmaceutical company given in the case. A significant number of candidates confused legal obligations (in which the business has no choice) with ethical considerations (in which the company has a choice. So, for example, the fact the company has to obey employment legislation is not an ethical issue, however, it may choose to treat its workers better than the minimum requirements, which may be as a result of ethical considerations. Few candidates demonstrated evaluation skills on this question which could have been achieved through weighing up the arguments for and against SP adopting an ethical stance, or by developing the ethical issues that were key in this particular circumstance. A few candidates confused “ethics” (which is on the syllabus) with “ethnic” (which is not on the syllabus). This was a good question for candidates to bring a local dimension to their answer, as differing ethical values apply around the world. Indeed some did mention the need to observe local religious and cultural values, including the prominence of herbal medicines in some communities.
- (d) (i) Most candidates calculated the break even level as 1 m units. A few candidates confused ‘units’ with ‘dollars’ and a few did not know how to calculate break even.

Teaching tip

Calculation questions are usually asked for a purpose beyond simply answering the question. Get your candidates to think how they might use the result. Also get them to think carefully about the unit of measurement

- (ii) There was a lot of information in the data that candidates could use to answer this question, and the question was generally well answered. Some weaker candidates simply repeated the information given without any kind of development of the argument. This could have best been achieved by considering likely consequences of the various factors. For example, many candidates observed that the break even for country B was lower than that for Country A without saying whether this was an argument for or against country B. Better candidates attempted, with varying degrees of success, to contrast the arguments for relocation with those against. The best candidates arrived at a justified decision as to whether they thought relocation should take place or not. Most candidates who did make a recommendation recommended country B, but there were also some persuasive arguments for country A. The Examiners did not have a particular recommendation in mind.

## Question 2

- (a) (i) Most candidates were able to describe wholesalers in terms of their position in the supply chain. Better candidates briefly developed their role in terms of breaking bulk and improving the efficiency of distribution. These days the distinction between wholesalers and supermarkets are getting much narrower, but the use of supermarkets as an example is not wise as most supermarkets are retailers rather than wholesalers.
- (ii) The term export market is quite difficult to explain except by saying that it is the market that involves trade with other countries. Better answers briefly developed the idea that export markets are different from home markets as they involve complicating factors such as exchange rates, trade barriers and quotas.
- (b) There was a wide range of marks achieved for this question. The best answers observed that import costs (fertilizers etc) would fall, while the farm's produce would become less competitive in the export markets, so sales, and probably, profits are likely to fall. Some candidates took 'country' to refer to the consumers' rather than the producer's country, and where this was clear, marks were awarded for describing the opposite effect. A surprising number of candidates had difficulty showing understanding of the role of exchange rates for a business involved in the export market. For example, some candidates thought that profits would go up as they would be paid in a higher value currency. Some candidates confused exchange rates with interest rates, while others went into complex relationships between exchange rates and inflation, unemployment and so on.

### Teaching tip

This is a Business Studies course, rather than Economics. Examiners are not looking for understanding of the complexities of economic ideas, but are looking for the **practical** impact of concepts such as exchange rates, interest rates etc. on actual businesses.

- (c) (i) Generally this was answered well. Many candidates calculated payback correctly at 2 years and 8 months. Candidates who calculated it incorrectly seldom showed their working, which is essential for calculation questions. A significant number of candidates rightly observed that payback occurred during the third year and then put the answer down as 3 year 8 months (which is actually in the fourth year). A lot of candidates calculated the ARR correctly as 30%. A significant number of candidates arrived at 60% by omitting to deduct the initial cost of the project from the cash inflow to calculate the average annual return. Some candidates were unable to calculate ARR.
- (ii) Candidates were allowed to carry any incorrect answers from (i) into this part under the 'own figure rule'. The candidates with the best answers recognised that there were conflicting pieces of evidence relating to the two investments. They analysed this evidence by developing consequences and then made an overall judgement, usually based on the relative risks of the two projects, as to which was the better investment. Weaker candidates tended to list the evidence from the data without further development. A significant number of candidates did not refer to the results of their earlier calculations, or demonstrated that they did not fully understand what the results meant.

### Teaching tip

Remind candidates that there are seldom 'right' and 'wrong' answers to such decision questions, and that what is important is how candidates are able to justify any decision. Words like 'advise', 'recommend', 'evaluate', 'do you think that...' are all indicative that the Examiner wants a decision to be made.

- (d) Most candidates are aware of the benefits of joining a trade union, but fewer candidates recognised the two important pieces of context that applied in this situation – the worry over losing jobs, and the pressures for increased efficiency if Tom and Mary went ahead with the supermarket contract. A few candidates thought that TFU was an alternative employer rather than a trade union. Some answers looked at the kind of services that trades unions offer without relating these back to benefits to the employees.

**General**

Teaching tip

Look at past Principal Examiners' reports for guidance on developing evaluation skill.