A-LEVEL
BUSINESS

7132/1   Business 1
Report on the Examination

Specification 7132
June 2018

Version: 1.0

General Comments
The paper appeared to be accessible to most students who coped well with the demands of the three sections. It discriminated well and there was no evidence of time pressure. The examination showed the importance of a consistent performance across the questions. The paper provides a broad coverage of the specification and therefore a clear understanding of the entire specification is essential for success.

Section A
Overall, the questions provided a fair challenge to students. The average mark obtained on this section of the paper was just over 9 marks.

Question 1
This was intended to be a relatively accessible first question testing a well-known concept, but one that was new to the specification, in a straightforward manner. It was pleasing to witness the excellent understanding shown.

Question 2
SWOT analysis is a central concept and most students got the answer right.

Question 3
Only about half of students knew that both were private sector organisations. It is a common misconception amongst students that public limited companies are public sector (government) organisations. However, the overall answers indicate that over 40% of students believed that PLCs were public sector organisations.

Question 4
This question used a matrix in order to ask a question on Bowman's strategic clock – a new concept. Students responded well to the challenge with over 80% able to identify the segment of a market map into which a product with 'focused differentiation' would be placed. The incorrect answers indicated that the quality element of focused differentiation was understood better than the price element.

Question 5
This question required an understanding of the calculation of break-even output, preferably (but not necessarily) through a knowledge of the formula. The overwhelming majority of students were able to identify that a decrease in selling price would lead to an increase on the breakeven output. However, both option A (a decrease in fixed costs) and option D (a decrease in variable costs) proved to be were relatively common alternatives selected.

Question 6
This proved a relatively challenging question. Over 40% of students got the correct answer – a fall in costs and a fall in the exchange rate. 35% of students recognised that costs were likely to fall but believed exchange rates would rise. As expected, students were much more able to recognise the impact on costs than the impact on exchange rates.

Question 7
The current and gearing ratios are important and frequently-used business concepts. However, only 35% of students were able to recognise that the information given meant a low current ratio and low gearing. Most students were aware that the current ratio was low, but a significant proportion of students were unable to work out that if 90% of capital was provided by shareholders then this meant low gearing (low borrowing).

Question 8
This question proved to be accessible for most students. Over 80% of students gave the correct answer. There was no clear logic to the choice of incorrect answers although it did reveal possible confusion between the meaning of 'adverse' and 'favourable' variances as the most popular distractor had both elements incorrect.

Question 9
This was an accessible question on Porter's five forces, with a high proportion of students giving the correct response.

Question 10
This question required students to select the true statement from four statements on the different forms of integration. The vast majority of students recognised the true statement. The popularity of option C indicates that there may be some confusion amongst students between forward vertical integration and backward vertical integration.

Question 11
This question was on Hofstede's view of national cultures. The majority of students gave the correct answer (C) but almost one-quarter gave option D. It was evident that students had a better understanding of long-term orientation than uncertainty avoidance.

Question 12
This was a relatively accessible question on Kotter & Schlesinger's ideas on overcoming resistance to change. Nearly 60% of students gave the correct answer. The popularity of two of the incorrect responses suggests a relatively high level of uncertainty amongst students on this topic.

Question 13
This question focused on entering international markets. It asked students to select the best option, based on given circumstances. The question proved to be challenging, with only one-third of students answering it correctly. This low figure suggests many students did not have a clear understanding of this theory.

Question 14
This question gave two true-false statements on strategy. Over half of students gave the correct answer. Their responses indicated a high level of certainty on the meaning of 'emergent strategy' but less certainty on 'strategic drift'. In essays, students are very keen to introduce 'strategic drift' into their answers; it appears to be a topic which excites interest more than understanding.

Question 15
This question tested inventory control, through a calculation rather than a diagram. Careful reading of the question was required in order to make the correct calculation. Over half of students gave a correct answer. The most popular distractor (Option C) was given by nearly one third of students; an answer that showed an understanding of the calculation but a need to read the question carefully.

Section B
The use of three 9-mark questions alongside two calculations appeared to work well. The change from 6 to 5 questions in this section gave students more time to focus on developing their arguments on the higher-mark questions.

The two calculation questions proved to be comparable in difficulty to the equivalent questions in the previous year.

Question 16
This proved to be a challenging question. The data presented were all mainstream topics but the calculation required students to think, as it could be seen to be a backward process - using final data to discover the value of a factor that would normally be used to calculate the total. Most students were able to earn some marks by providing calculations that formed a part of the process required to reach the correct answer. This highlights the value of showing calculations. A common error was for students to lose sight of the scale of the answer. The correct answer was 50,000 units but answers such as 500 were quite common.

A skill needed by 'A' level Business students is the ability to recognise which data are needed to answer a question. In this question the labour productivity figure was not needed to reach the correct answer. However, many students adopted an approach that used labour costs and productivity to calculate the weekly units of output. In effect, these students used the right approach but inserted two additional stages, dividing by labour productivity (25) and then subsequently multiplying by labour productivity (25) at the end. This provided an alternative, but more time consuming, way to get full marks.

Question 17
This was a more straightforward question but many students confused market growth with market share, with many attempting to calculate the change in market share instead of the market growth. A significant number of students used the data to calculate the market size in 2017 but were then unable to complete the calculation required. Of concern was the relatively large proportion of students who calculated the change in market size correctly but then used the current size of the market as the denominator, rather than the original market size.

Question 18
Most students understood the data on labour productivity and used it effectively to answer the question. However, there was a tendency to describe the data excessively and this led to some students either wasting time or restricting the depth of their analysis. A third of the students reached level 3, usually through two separate arguments, and there was considerable variety in the approaches that students used to show a good understanding. A number of students confused labour turnover with labour productivity; a mistake that accounted for many of the students who did not reach level 2 on the marking scheme.

Question 19
This question differentiated students well as it tested knowledge and analytical skills. A number of students did not understand the term intrapreneurship; some confused it with internship and business angels. Some answers were based on kaizen more than entrepreneurship. There were many excellent answers, particularly amongst those students who drew on real-life examples such as Google to support their arguments. Many students did not fully link the concept to financial performance whilst other focused on its impact on motivation rather than more direct financial benefits. Some students drifted off-topic by looking at how intrapreneurship might lead to reduced profits.

Question 20
This proved to be the most accessible of the Section B questions, with almost 40% of students reaching level 3 on the marking scheme. Most students understood delayering and were able to offer relevant arguments. The consequences were frequently linked well to profit, with negative and positive consequences explored. Responses often showed a good understanding of this concept.

Section C
In Section C, the vast majority of students selected Q22 whereas in Section D, the majority of students chose Q24.

Question 21
Although this was the least popular essay, student performance on this question proved to be a fairly close match with the other essays. Most students showed understanding of stakeholder mapping and the better responses were able to link the usefulness of stakeholder mapping to managing change, using situations or scenarios to show when it was (or was not) helpful or sufficient. Some students drifted into evaluation of change management without having established the use of stakeholder mapping first.

Question 22
This was the most popular essay choice. Many students provided well-developed arguments which incorporated balanced and well-reasoned analysis of both product development and market development. There was some excellent evaluation and effective use of the context in these responses. Strong responses had a clear focus on the degree of risk in the different strategies; often this was discussed by considering different situations and evaluating whether one was more risky than another.

However, there were some students who introduced examples that were not explained in the context of the risk of these two strategies. Weaker answers tended to provide a lack of balance, sometimes with a focus only on one strategy and there were a number of responses that confused market development and market penetration.

Section D

Question 23
Students who chose this essay generally did well. There were some excellent answers that showed a high level of understanding of the implications of protectionism. This question, more than any other, showed students referring well to the current business climate with many arguments relating to the USA and not Brexit. As with all the essays evaluation is the key discriminator with good responses weighing up the potential problems and benefits to firms' profits and the situations in which the impact might be significant or not. Strong responses often considered situations when it was more or less likely that profit would fall. There was some excellent use of price elasticity of demand in this respect. Statistically this question discriminated between stronger and weaker students well.

Question 24
There was a high level of uncertainty in the responses to this question. Demographic factors were not understood by some students and many students included some factors that were not demographic. However, where it was understood there was some very good analysis and evaluation of the impact of demographic factors relative to economic ones. The analysis of economic factors was very good, mostly focusing on interest rates and levels of income. However, a significant minority identified economic factors as internal financial data.

Overall
In general, this paper appeared to be comparable to the 2017 paper. The multiple-choice questions proved to be slightly more difficult and as a result students might have taken longer on this section. However, in Section B the three 9-mark questions seemed to enable students to gain time in comparison to the 2017 paper which had one 4-mark, one 6-mark and two 9-mark questions. There was little evidence to suggest that students had insufficient time overall to complete their answers to the essays.

Use of statistics

Statistics used in this report may be taken from incomplete processing data. However, this data still gives a true account on how students have performed for each question.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the Results Statistics page of the AQA Website.