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AS

# BUSINESS STUDIES

7131/1

Report on the Examination

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## Overview

Overall the paper proved to be effective as a discriminator with the most successful students being able to offer responses to all the questions. The least successful students tended to demonstrate a lack of precise subject knowledge and understanding of the specification content that was being assessed. The responses that failed to access the higher levels of the mark scheme tended to lack structure and generally made too many undeveloped points, sacrificing depth. In addition, such responses were often generic and made very limited use of the context or were largely descriptive.

There was little evidence to suggest that students were struggling to complete the paper in the time allowed. Most students appeared to have had sufficient time to complete their answers to the final question.

A significant number of students did use additional pages. However, in most cases when additional pages were used to answer the longer evaluative questions students tended to drift away from a focus on the question set and struggled to add any real value to their answers. Consequently, it was unusual that the use of additional pages enabled an answer to move to a higher level. The most successful students were generally able to develop effective answers to the 9 and 16 mark questions within the confines of the answer book provided. Students should be encouraged to plan their answers and write in a concise but focused manner; simply writing more does not in itself improve the quality of their response. In general, students should only look to use additional pages if they have large handwriting or need to replace an answer or a part of an answer. If students do use additional pages, it is vital that they make it clear which question they are answering.

The quality of handwriting continues to be a concern and candidates need to try and ensure their responses are legible.

Overall, the most effective responses tended to display a number of common characteristics that included:

- a demonstration of relevant knowledge with precise understanding
- evidence of unpicking the key demands of the question and of planning the response before writing
- thoughtful selection of the most appropriate arguments
- a logical and coherent structure and consistent focus on the question
- evidence of range (e.g. two good arguments enable access to level 3 for a 9 mark question) and depth (developing a chain of reasoning that is clearly in context) of argument
- a balanced argument leading to a judgement based on earlier arguments for the evaluative questions

## **Section A**

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. The most challenging questions proved to be numbers 5, 8 and 9. The responses to question 5 suggested a lack of precise understanding of Maslow's hierarchy of needs on the part of a significant number of students with response D proving to be the most common incorrect answer. Question 8 indicated that a significant number of students were unable to distinguish between money owed to a firm and money owed by a business to suppliers. While in question 9 response D, which is the minimum stock level of 10 units, proved to be the most common distractor.

## **Section B**

### **Question 11**

A significant number of students did not produce a fully correct solution to the question but many were able to provide partially correct answers that earned some marks, based on a version of the percentage return on the proposal divided by the initial outlay.

A common error was a failure to make adjustments for either or both of the extra labour costs and the reduction in energy costs. Some students made an adjustment to the £220 000 investment cost by adding the £28 000 of extra labour costs to reach a divisor of £248 000. Consequently, such responses were awarded marks through the application of the 'own figure rule', thus reinforcing the value of students showing their working. A number of students simply provided an answer (sometimes, the correct one) without any indication as to how they got there. A significant number of students did not attempt to calculate a percentage and, instead, tended to tackle the calculation by adding and subtracting the values provided.

### **Question 12**

Most students answered this question well with just under a half earning full marks by calculating the net gain of £6.1m and making an appropriate recommendation. A common error was a failure to make a judgement on whether or not the business should increase its TV advertising expenditure. In other cases, answers did not progress beyond calculating the expected value of the decision of £11.1m or beyond the first step of calculating either or both of the individual elements.

Some students were very limited in that they did not offer a calculation but provided a generic response in which they attempted to evaluate the potential strengths and weaknesses of decision trees as a decision making tool. .

### **Question 13**

Most students earned some marks by demonstrating an understanding of the terminology. Just over half of the responses achieved level 2 marks with students demonstrating knowledge and understanding of the issues and/or developing a reasonable line of argument. However, many responses then drifted into a discussion of alternative management/leadership styles either from the Blake Mouton grid or elsewhere.

Level 3 responses had a clear focus on productivity and effectively considered how the given approach to management/leadership might or might not be suitable in the context.

### **Question 14**

This proved to be a challenging question which elicited a range of marks with a significant number of students appearing to lack a precise understanding of debt factoring. Many of the answers argued that debt factoring was about the collection of bad debts. In some cases, students seemed to misunderstand the context of the question and focused on the potential benefits to a retailer of offering long-term credit in terms of improved customer relations and increased sales.

The more successful students were able to move beyond a generic discussion around cash flow issues and to effectively apply their knowledge to the context, discussing, for example, the importance of maintaining sufficient liquidity to enable the retailer to continue to operate in the short term along with the passing on of risk.

## Section C

### Question 15.1

Most students were able to identify a number of valid marketing decisions in the scenario but tended to struggle to make a clear link to the high market share, arguing instead in terms of outcomes such as increasing profits or enhancing customer satisfaction. This highlights the need for students to keep their analysis focused on the specific issues in the question. Other responses provided arguments that ended in the idea of increasing sales and/or increasing market share without convincingly explaining how this might come about. This emphasises the need to produce a logical series of steps in an argument. A small minority misinterpreted the question by discussing the notion of share ownership.

The majority of level 2 responses lacked a clear and consistent focus on Halfords' market share. Some responses identified and attempted to discuss as many as four decisions and thus sacrificed the depth of analysis required by focusing on too many points with insufficient development.

Level 3 responses were able to develop arguments that demonstrated, not just how a given marketing decision might result in a positive business outcome for Halfords, but also be detrimental to its competitors in terms of lost sales or customer loyalty thereby expanding the impact on market share.

### Question 15.2

Whereas the majority of students were able to provide reasonable responses to this question many struggled to move into the highest levels. Many responses were limited by making a series of points that remained largely undeveloped. Others were able to identify the benefits of the operations management decisions and/or the training programme but struggled to link their arguments to the context of increasing profitability. Others contained good arguments which were very one-sided (eg focusing on training only) and so lacked balance. Students need to ensure that, as they develop their analysis, it remains linked to the question.

Some students offered as many as three definitions before they began to develop an answer. Although definitions remain an appropriate way of opening a response and, in this case, a definition of 'profitability' proved to be an effective starting point, it seemed unnecessary to then go on to define 'operations management decisions' and 'staff training programme'. In some cases, such an approach led to around 30-40% of the answer demonstrating little more than knowledge.

A significant amount of the judgements that were made related to individual arguments on either operations management decisions or staff training and thus failed to fully answer the question by responding to the challenge of which factors were more likely to increase profitability. Some attempts at making an overall judgement were little more than a summary of what had gone before, rather than a convincing attempt to address the overall challenge of the question set (ie whether operations management decisions are more likely to increase profitability).

The most impressive responses were built on balanced and well developed arguments that led logically to a well-supported judgement with a clear focus on the context. The judgement built on earlier arguments but weighted them up to give a clear answer to the question set. A feature of such responses was the clear structure of the discussion and the thoughtful selection of arguments. It is important that students think about what they are going to write, in what order and what 'the answer': is before starting their response.

**Question 16.1**

This proved to be a challenging question with a significant number of students appearing to lack a precise understanding of the benefits of market segmentation. Most students demonstrated some knowledge by offering a definition of market segmentation which they then went onto link to Thomas Cook's approach. However, a significant number of responses then moved into generic arguments based on the potential benefits of successful marketing or tended to become largely descriptive by simply repeating the material in the case study. Others drifted into an examination of the perceived downside of using market segmentation or focused on the benefits to customers rather than the business, as asked for in the question. As with previous questions this again highlighted the need for students to ensure that as they develop their analysis their answers remain focused on the question.

A significant number of level 2 responses did identify potential benefits to Thomas Cook but often failed to explain how and why such benefits might be linked to market segmentation. Level 3 responses focused on the benefits, such as it being a cost effective targeted marketing effort and the tailoring of the offering to specific target audiences. These then clearly linked the outcomes to market segmentation with a chain of reasoning that made good use of the context.

**Question 16.2**

It was disappointing that a significant number of students spent a considerable amount of time discussing the consequences of store closures without ever making a link to the human resource flow. Other responses consisted of generic arguments around the human resource flow that were not convincingly linked to the likelihood of improving the performance of this business.

Others responses contained good arguments but were very one-sided by just (eg focusing on the downside only) and thus lacked balance.

Some responses indicated a lack of planning in that a number of students started by asserting that the changes would improve the performance of the business and then used the material in the case to suggest that the impact would be detrimental. In many cases, their closing statements often confirmed their original view meaning that their overall judgements were consistent with the students' earlier arguments. Students should ensure that their overall judgement is based on the arguments provided.

The best responses were well structured and demonstrated a clear and consistent focus on the question asked, were built on balanced arguments and reached a justified judgement linked to the arguments. Students who reached the highest level often responded to the challenge of 'to what extent' by contrasting the short term impact of the proposed changes with the long term. Alternatively they considered the qualitative (eg the possible impact of lower morale and 'overloaded' staff on customer service) as opposed to the quantitative (eg the impact of the cost issues linked to redundancy on 'high debts and disappointing profits').

### **Mark Ranges and Award of Grades**

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.