AQA

AS

Business

7131/1   Business 1
Report on the Examination

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Overview

In general, the paper discriminated effectively with the most successful students being able to offer impressive responses across the range of questions. The least successful students tended to demonstrate a lack of precise knowledge and understanding of the specification content that was being assessed.

Most students seemed to demonstrate good time management skills and the use of additional pages seems to have been less prevalent than in the past. However (as was the case last year), when additional pages were used to answer the 9 and 16 mark questions, students tended to drift away from a focus on the question set and struggled to add any real value to their answers. The key to a successful response lies in the planning rather than the volume of an answer, Planning answers allows students to spend a little time considering the demands of the question and how they can best respond to these. This can help keep responses focused. The overall impression remains that the most successful students were generally able to develop effective answers to the analytical and evaluative questions within the confines of the answer booklet provided.

One striking feature of the responses was the extent to which students use definitions as a starting point for a response. This remains a widespread practice and although helpful at times students need to consider if the relevant knowledge and understanding could be shown within the body of their answer and whether this would save time. Definitions can be an effective means of demonstrating precise knowledge and understanding (for example of Herzberg's hygiene and motivator factors), However this understanding can also be shown in the body of the response itself. Simply defining terms at the start of every question can take up valuable time and is not necessarily best practice especially if students are defining terms such as "employees' or "business".

Overall, the most effective responses tended to display a range and depth of knowledge and understanding of AS business concepts and the ability to apply this effectively to unfamiliar scenarios. In addition, such responses demonstrated the ability to write well developed and balanced arguments, to provide judgements and solutions built effectively on analysis with clear and consistent focus on the question as a whole, and to use appropriate numerical techniques as and when necessary. Critically, the most effective responses demonstrated evidence of unlocking the key demands of the question and of thinking and planning. Not surprisingly the best responses answered the question set.

At the other end of the spectrum, the less impressive responses generally demonstrated basic overall knowledge that was uneven at times with a limited ability to apply this and a tendency to be descriptive or to lose focus on the question. In addition, such responses displayed a limited attempt to develop arguments, and the evaluation, where present, tended to have limited focus on the question and was not linked to analysis.

Section A

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 5 & 10 proved to be the most challenging. The responses to question 5 suggested a lack of precise understanding of short term finance on the part of a significant number of students with response B proving to be the most common distractor, and responses C and D both attracting a considerable number of students.

Question 10 indicated that a considerable number of students did not look beyond the superficially attractive option of response A. Students need to read the different options of the multiple choice questions carefully.

Questions 4, 7 and 8 also proved to be challenging for a significant number of students with the most common distractors proving to be response B for question 4, response C for question 7 and response C for question 8 (presumably as a result of applying the gross profit margin to the dividends paid figure).

Section B

Question 11

The majority of responses to this question were awarded 3 or 4 marks, with a significant number of students achieving full marks. The responses that fell short by one mark seemed to fall into one of three categories. Some responses correctly calculated the operating profit variance but failed to identify it as an adverse variance (thus highlighting the importance of identifying all of the demands of the question), while others carried out a calculation based on gross profit resulting in an answer of 1.1 adverse. In some cases, a calculation based on operating profit was carried out (0.8 – 0.4) which resulted in an answer of 0.4 adverse, suggesting a lack of precise knowledge.

As ever, marks were awarded through the application of the 'own figure rule', thus reinforcing the value of students showing their working and it was encouraging to see a reduction in the number of students who simply provided an answer (sometimes, the correct one) without any indication as to how they got there.

Question 12

Most students earned some marks by demonstrating an understanding of the relevant concepts. Just over half of the responses achieved level 2 marks with students demonstrating knowledge and understanding of the significance of points A and B often in the context of the model.

The weakest responses did little more than describe the diagram or focused simply on point A and why it might be beneficial for a business to offer freedom to subordinates. Some responses drifted into a discussion that focused on alternative theories / models that relate to management / leadership style, and a small number of students turned the question on its head and focused on a change from point B to point A.

The level 3 responses addressed the issue of 'why' and had a clear focus on the reason(s) why managers might change their style from A to B on the continuum, generally developing explanations relating to the need to exert more control in a situation where employees might be new or relatively unskilled or where the business is facing a crisis / emergency.

Question 13

The majority of responses achieved level 2 marks by demonstrating often impressive knowledge and understanding of primary market research and its value to a business. The weaker responses that failed to move beyond level 1 tended to be descriptive and do little more than show some general understanding of market research and / or its value to a business. Many such responses made mention of start-up businesses but did not focus the explanation accordingly.

The level 3 responses had a clear focus on the value of primary market research to a start-up business, and developed explanations that were firmly rooted in the context of the question (relating to issues such as the need to support a loan application with specific research or the lack of existing or 'back' data).

Question 14

This proved to be a challenging question which elicited a range of marks with a significant number of students appearing to struggle to address the concept of operational decisions convincingly. The vast majority of responses offered some explanation of seasonal patterns of demand (typically through the medium of examples such as Christmas trees and ice cream sales) and these were often impressive, but a significant number went on to explore the link between this and business decisions in areas such as finance and marketing. Developing a link to operational decisions proved to be more elusive. A number of responses talked about 'just in time' but they tended to be descriptive and struggled to set it in the context of seasonal patterns of demand.

The level 3 responses had a clear focus on the impact of seasonal demand on operational decisions and developed explanations that related to issues such as the need to manage capacity utilisation or the impact on controlling the level of inventory.

Question 15.1

Most students were able to identify a number of valid financial weaknesses from table 1 and to offer some explanation as to the consequences of these weaknesses, although the weakest responses did little more than describe the contents of the table. Some responses identified and attempted to discuss as many as four areas of financial weakness and thus sacrificed depth of analysis for range. It is also worth noting that some responses drifted in offering solutions to the perceived financial weaknesses rather than considering why they might represent a challenge for this business.

The level 3 responses addressed the issue of 'why' and had a clear focus on the problems that the financial weaknesses represented for AC Ltd. There were some excellent responses with students carrying out appropriate calculations (e.g. break even output or the extent of the loss made by the business) and using the data effectively to build arguments showing how the weaknesses might affect AC Ltd. Often, such responses brought the argument back to Sam's failure to achieve his stated financial targets or his ambitions to grow the business or they developed links between the extent of the overdraft and cash flow problems arising from the receivables/ payables situation.

Question 15.2

The vast majority of students were able to provide reasonable responses to this question and a significant number moved into the highest levels.

The weakest responses tended to do little more than describe the data in figure 1 with no real attempt to carry out any valid calculations, while others were limited by making a series of points that remained largely undeveloped. It was disappointing to note that a very small number of students appeared to have little or no understanding of decision trees.

Others were able to carry out accurate or largely accurate calculations based on the decision tree which they used to support a partial judgement invariably in favour of investing in a new camp in Scotland. The most common error in such calculations was to overlook the fact that failure resulted

in a loss of £30 000, and such an approach yielded an Expected Value of £312 000 (rather than £288 000) and a net gain of £112 000 (rather than £88 000). In such cases, the 'own figure rule' was applied. Others contained good arguments but were very one-sided (e.g. focusing on only one of the options presented) and thus lacked balance.

The responses that moved into the higher levels tended to offer arguments in favour of investing in a new camp in Scotland based largely on the financial data in figure 1 and Sam's attitude to risk / ambition, and then achieved balance by offering counter arguments in favour of investing in weather proof facilities based on factors such as the provenance of the financial estimates / market research, geographical distance, the challenge of a new market segment, the need to address the issues around cancelled bookings and complaints, and the financial weaknesses of this new business.

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 challenge of the question set. The most impressive responses were built on balanced and well developed arguments that led logically to a well-supported overall judgement with a clear focus on the demands of the question. A striking feature of such responses was the clarity of the students' view, as well as the coherent structure of the discussion and the thoughtful selection of the arguments. This suggests that the better answers were planned and had a clear sense of the demands of the question and what they wanted to argue from the start.

Question 16.1

Most students were able to identify a number of aspects of Richer Sounds' approach to managing human resources and then go on to offer some explanation as to why the business is successful in motivating employees. In the case of the weakest responses, such explanation tended to be very limited and largely descriptive.

A number of students did not appear to fully understand Herzberg's theory and tended to confuse hygiene and motivation factors, while some focused on just one aspect of the theory. Some students developed generic arguments with no reference to Herzberg at all and a small number referred instead to other theorists such as Maslow or Taylor.

The desire by students to define terminology was clear in the responses to this question. Some students defined 'human resources' and 'motivation' ; in one or two cases, they even defined the term 'employees', before turning to Herzberg's hygiene and motivation factors. This could waste valuable time without getting to the heart of the question. For this question students needed a clear understanding of hygiene and motivator factors; this was often done with a definition at the start but other students demonstrated it within the answer itself.

The most effective responses correctly selected examples of hygiene and motivator factors in the context of Richer Sounds and developed logical chains of reasoning as to why this approach to managing human resources is successful in motivating the employees of this business

Question 16.2

Once again, many students were able to provide reasonable responses to this question and a significant number moved into the highest levels. Most responses opened with an attempt to define the 'external environment' (some also defined 'demand'), although again this is not essential- an understanding of the external environment could be shown within the arguments made.

The weakest responses tended to identify a range of factors (for the most part from the external environment) that might determine the level of demand for Richer Sounds' products, and offer some limited and, often, generic explanation. A number of students appeared to simply work their way through the case study picking out all of the factors that might have a bearing on the level of demand, and this approach often seemed to be underpinned by the use of PESTLE (or a variant thereof) as a structure. At best, this tended to generate one-sided answers which lacked real focus and generally sacrificed depth for range.

Other responses contained more developed and applied explanations but were very one-sided and thus lacked balance. Some good arguments were built on the state of the economy and were linked to income elasticity (although a number of responses demonstrated some confusion between income and price elasticity of demand), and on the potential impact of the competition. However, a significant number of such responses did not offer any real counter arguments either because they did not consider other factors or they did so in a way that was largely descriptive. This inevitably led to judgements that were partial at best.

Some responses indicated a lack of planning and thinking. For example, a number of students started by asserting that the level of demand was entirely determined by the external environment, then went on to construct arguments to suggest that this was not the case and then, in many cases, their closing statements returned to their original view without any reference to the counter argument in the middle. The result was that there was no weighing up of the issues and the overall judgement simply made an assertion about one factor that influenced demand, ignoring the others than had been analysed. Students should ensure that their overall judgement is logical and is based on the balance of the arguments provided.

The best responses were well structured and demonstrated a clear and consistent focus on the question asked, were built on balanced / competing arguments and reached a logical / justified overall judgement.   Students who reached the highest level responded to the challenge of 'to what extent' by contrasting the external environment with other factors, generally weighing up the importance of the economy and competition against customer service and the low price strategy.

The responses that fell short tended to build a case for and against the importance of the external environment and then conclude by offering a number of 'it depends' factors which had little if any development or link to the analysis. Evaluative questions require supported judgement and students need to think and plan what their judgements are. Simply explaining how the external environment affects Richer Sounds and how the internal environment affects Richer Sounds does not make a judgement on the extent to which the external environment affects the company. Students need to allocate their mental and actual writing time appropriately. Evaluative questions such as this one tend to require a consideration of the extent of something, not just an outline of the case for and against. Students need to think carefully about the demands of the question, to achieve the highest levels.

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.