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# **GCE EXAMINERS' REPORTS**

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**BUSINESS STUDIES  
AS/Advanced**

**SUMMER 2015**

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**BUSINESS STUDIES**  
**General Certificate of Education**  
**Summer 2015**  
**Advanced Subsidiary/Advanced**  
**BS1**

*Principal Examiner:* Mr David T. Evans

The questions effectively discriminated between candidates and a full range of marks were attained. It needs to be emphasised that a significant number of scripts were very difficult to mark on-line and that centres should emphasise to the candidates that a black ink or black ball-point pen **must** be used. In addition, the writing of some candidates was virtually illegible and centres need to encourage these candidates to present their responses in a format that can be more readily marked.

Whilst there were numerous very well presented scripts it is worth pointing out that the quality of written communication in many cases was poor. Candidates must write in the spaces provided and avoid adding little side notes or squeezing sentences into the bottom of the pages. The paper was also characterised by excessively long responses, with some candidates using the additional pages plus another answer booklet. Repetition was commonplace and candidates would be well advised to plan more effectively and make each sentence count if they wish to attain the top grades. The fact that 100% of candidates attempted the final question indicates that time was not a factor in this examination.

- Q.1 (a) Knowledge relating to public goods and merit goods was generally very good and the majority of examples offered were appropriate. The most common error was to confuse the two terms.
- (b) The majority of candidates were able to suggest possible impacts on local communities but not all went on to effectively consider the impact of their suggestions. There was a tendency for some candidates to exaggerate the possible impacts and write far more than was necessary.
- Q.2 (a) (i) The majority of candidates attained the three marks available by providing an accurate definition and a suitable example of either forward or backward vertical integration. Weaker responses did not include the key point that businesses needed to be at different stages in the production/supply chain. Some candidates confused vertical integration with horizontal integration.
- (ii) Generally, responses to this question were disappointing. Nonetheless, some excellent responses were offered, covering a range of benefits that might accrue to Iceland Foods Ltd; however, these were in the minority. Many candidates did mention the increased amount of control that Iceland Foods Ltd would have over the supply of products to their retail outlets but failed to develop their responses meaningfully. Too many candidates suggested that supplies would now be 'free', which is clearly not the case.

- (b) (i) The majority of candidates demonstrated a sound understanding of segmentation and were able to offer relevant examples of how a market might be segmented. Some candidates failed to point out that the sub-groups/categories identified needed to have similar characteristics and therefore did not gain full marks.
- (ii) The overall understanding of the advantages to Iceland Foods Ltd of market segmentation was satisfactory. The concepts of effective targeting and reduced waste of resources were central to many responses. Those who reached Level 3 provided clear analysis and pointed out how market segmentation can help spread the risk for companies like Iceland Foods Ltd by widening their product portfolio to satisfy a range of customers' wants.
- (c) (i) Responses to this task tended to lack precision. A significant proportion of candidates did not correctly explain the process of batch production – failing to appreciate that within each stage of the production process, work must be completed for the whole batch before the next stage is begun. This is something that centres may wish to focus upon when delivering this element of the specification in future.
- (ii) A wide range of responses were submitted for this evaluative task. The best answers were well structured and offered a well-balanced discussion of the relative merits of adopting flow production methods. Unfortunately, far too many responses lacked structure and were poorly communicated. Contradiction was commonplace and many candidates took this as an opportunity to compare the relative merits of job, batch and flow production methods, making their response largely irrelevant.

Q.3 Whilst candidates were generally able to offer sound reasons as to why employment in the secondary sector has diminished over the last twenty years, many were unable to effectively explain the increase in employment in the tertiary sector. Those who reached Level 3 referred to increased affluence and the greater demand for particular services, which has significantly boosted employment in the tertiary sector. Far too often, however, candidates speculated that the rise in tertiary employment was due to the availability of those who were formerly employed in the secondary sector. In addition, weaker responses tended to demonstrate a significant degree of subjectivity, with candidates expressing their own preference for employment in the tertiary sector as opposed to 'getting their hands dirty' in the secondary sector. The reasons for the continued rise in employment in the tertiary sector is something that centres may wish to emphasise to a greater extent in future.

Q.4 Generally, candidates approached this task with confidence and Level 3 responses were well-balanced, accurately applied and communicated in a clear and logical manner. Good use of paragraphs was evident, giving the responses structure and a logical sequence. Sensible conclusions were then drawn. The majority of candidates reached Level 2 but the quality of written communication was poor in many cases. Repetition was commonplace and candidates tended to trot out the advantages and disadvantages of being a sole trader, followed by the advantages and disadvantages of being in a partnership. Lower Level 2 responses failed to make use of the data provided and undertook little, or no, application. The degree of repetition also meant that responses were often far too long and failed to focus on the key issues based around the data in the text. Candidates would be well advised to plan more carefully and communicate more effectively on this type of task. Practising extended writing on a regular basis is something that candidates would be well advised to undertake.

**BUSINESS STUDIES**  
**General Certificate of Education**  
**Summer 2015**  
**Advanced Subsidiary/Advanced**  
**BS2**

*Principal Examiner:* Mr David T. Evans

The completion rate for this paper was not as high as for the BS1 paper. In part this may have been as a result of some candidates failing to access the last page of the paper by ignoring the 'turn over' instruction at the foot of page 7. This factor, combined with those candidates who ran out of time, resulted in a completion rate of 97.1% for the final question.

It is worth pointing out the importance of carefully learning definitions, as this was a weakness for many candidates. As with BS1, the standard of written communication was generally not high and many scripts were difficult to read as black ink or black ball-point pens were not used. Centres need to address this issue with those candidates who do not write clearly and emphasise the importance of effective, accurate communication at Advanced Level.

- 1:1 The majority of candidates demonstrated sound understanding of the two terms and provided suitable examples related to the business in question. Those who did not attain all four marks either failed to offer suitable examples or mixed up creditors and debtors.
- 1:2 Generally both marks were attained by candidates, although those who did make an error tended to do so when calculating Net Current Assets.
- 1:3 The explanation of the importance of working capital to a small business was not satisfactorily undertaken by the majority of candidates - resulting in a disappointingly low mean mark. Far too many candidates had little or no understanding of the concept with many proposing that working capital is used for the purchase of items of fixed capital. This is a key concept and the fact that so many responses were ill-informed and confused is a concern. Those who did attain full marks emphasised the importance of working capital in relation to the day-to-day running of a business and went on to explain how it is used in order to pay wages, purchase supplies and fund credit offered to customers. Centres need to emphasise the vital importance of maintaining liquidity for SMEs in their attempt to survive in competitive markets.
- 1:4 Lack of precision and a reluctance to carefully learn definitions resulted in yet another low mean mark. At AS level formulae need to be accurate: many made no reference to the importance of a time period in relation to the measurement of labour productivity. Those who had revised thoroughly deservedly gained the two marks on offer.

- 1:5 Whilst so many were unable to define labour productivity, the vast majority were able to suggest how it might be improved. A wide variety of methods were suggested, with piece rates and bonuses being to the fore. Poor technique was displayed by quite a number of candidates who wasted their valuable time by going on to link their response to motivational theorists. Some wrote as much as half a page for a two mark task.
- 1:6 Some excellent responses were submitted explaining how quality goods and services might be maintained. These were comprehensive and well applied to the case in point. They did not merely focus on the quality of the product on offer, but also realised how important customer service is – something which they were asked to include. Those who did not fully take on board what was required failed to reach Level 3. Nonetheless, the knowledge demonstrated in relation to quality initiatives was encouraging, although some candidates spent far too much time on detailed explanations of these initiatives.
- 1:7 Those who attained Level 3 produced a balance discussion which analysed the importance of the production department, as well as the relative importance of the other departments illustrated in the text. Top answers offered a conclusion; suggesting that all departments are necessary if the business is to be successful. However, far too many candidates failed to make any reference to the illustration provided in the source material and went on to extol the virtues of departments that the business did not have - such as Human Resources and Marketing. Candidates should be aware that all source material is to be utilised and that diagrams, charts, tables, pictures etc. are included for a reason and that marks can be gained by making use of such data and applying it to their responses. Centres may wish to use this example to illustrate poor examination technique in relation to making full use of any source material provided.
- 2:1 The majority of candidates found this task relatively straightforward, although some failed to clearly explain precisely what an extension strategy is in relation to a product lifecycle. Good use of the data provided was evident when providing an example of such a strategy. Weaker candidates ignored the examples given and provided other irrelevant examples, or provided no development at all.
- 2:2 This task resulted in a high mean mark and a pleasing number of candidates reached Level 3. Responses were generally well-structured and the reasons for the changing levels in cash flow from the introduction to the decline in the product life cycle illustrated were well explained. Weaker responses merely described the rise and fall of the level of cash flow but failed to offer any explanation as to why such changes took place. Some candidates chose to ignore the diagram (Figure 2) and chose to refer to another, unrelated product life cycle.
- 2:3 In contrast to the previous task (2:2) responses to this task often lacked structure, tending to be both confused and repetitive. Relatively few managed to reach Level 3. Those that did pointed out that the products in question were part of a very competitive market – something which so many weaker responses seemed to ignore. In addition, only the very top responses pointed out that if the cost of an advertising campaign is more than covered by any revenue earned from increased sales, then it is likely to be worthwhile – however many millions of pounds it cost initially.

- 2:4 A full range of responses were evident on this task. Level 3 responses focussed on the benefits that accrue to businesses as a result of undertaking an effective training regime. The benefits of a wide variety of training was explained by these candidates. Many Level 2 responses over emphasised how training motivated employees and talked about the benefits to employees, as opposed to the benefits to business itself. Not an insignificant number of candidates focussed on the merits of on-the-job training and teamwork – completely misunderstanding the concept of ‘employee led training’. Some candidates wrote about the drawbacks of an effective training programme, having failed to read the question carefully.
- 3:0 The best responses were well communicated and carefully planned – an important aspect to an extended piece of writing worthy of 12 marks. Balanced arguments were evident, using a wide variety of reasons both for and against the survival of town centre high streets, sometimes using interesting examples from their own localities. However, it was disappointing that so many candidates viewed this as an opportunity to argue the benefits and drawbacks of on-line shopping – resulting in very narrow and repetitive responses. All too often the impact of out-of-town shopping facilities was totally ignored – something that was clearly highlighted in the text. Sweeping, subjective statements were commonplace and the quality of written communication was often of a very low standard. Responses in general were far too lengthy and candidates would have been better served by spending a few minutes planning and re-reading the text to see if it might offer them some assistance. This final point cannot be over emphasised as poor examination technique was evident throughout the paper, with marks being sacrificed as a direct result of not applying information that was readily available.

# BUSINESS STUDIES

## General Certificate of Education

Summer 2015

### Advanced Subsidiary/Advanced

BS3

*Principal Examiner:* Mr Martin Culliford

This year's examination was based on a study of GlaxoSmithKlyne plc (GSK) a diversified multinational pharmaceutical company whose products range from vaccines for deadly viruses to consumer goods such as Ribena and Horlicks.

Most candidates attempted all of the questions and the standard of responses was at least as good as in previous years.

Question 1 asked candidates to explain how GSK plc attempts to benefit all of its stakeholders. Most candidates were able to identify some stakeholders but the better answers identified a wide range of stakeholders, including customers, employees, shareholders, suppliers, the local community and the government and were able to weigh up the level of benefit in each case using the information given in the case study. The weaker answers were either restricted to just a few stakeholders or dealt with more stakeholders but in a more superficial manner.

Question 2 required candidates to explain the advantages and disadvantages of research and development to GSK plc. The weaker answers tended to confuse R & D and market research: in many cases this quickly became a distraction with responses going on to discuss advertising campaigns and pricing strategies. The better answers showed clear understanding of R & D and applied their knowledge effectively to GSK.

Question 3 asked candidates to analyse and evaluate the financial performance of GSK. Whilst the format of the question will by now be familiar to candidates, many of them still have difficulty, both in selecting the correct data and then, having correctly calculated the relevant six ratios, in interpreting their results. In addition, a few candidates calculated some other ratios, which are outside of the scope of the specification, thereby affecting their timing and ability to fully complete all subsequent questions. Better answers made use of ratio benchmarks in order to assess the quality of the financial information generated. For the current ratio 1.5:1 to 2:1 is generally considered to be ideal and for the acid test 1:1. Some candidates were confused about the nature of the liquidity ratios and the difference between current and long term liabilities. Many candidates imagine that results below the ideal ratios indicate either that the company is about to run out of **capital** or that they need to borrow more money in order to pay off their current liabilities. The better answers realised that GSK was in a strong position vis-à-vis its creditors and that the lower than ideal ratios were unlikely to cause the business any serious problems. For gearing, when using long-term liabilities divided by long-term liabilities plus shareholders' funds (the recommended ratio) over 100% is considered to be highly geared.

In general, the better answers were able to discuss the reasoning behind changes between the two year's results and the effect of these changes on businesses performance.



Question 4. Candidates were asked to assess the importance to GSK of being seen as an ethical business. Weaker answers to this question tended to be rather general ones about the benefits and problems of behaving ethically whereas the better answers were more closely related to the scenario. Such answers discussed case study specific information such as selling products at a lower rate in developing countries and the effect this may have on brand image and customer loyalty.

Question 5 required candidates to discuss the difficulties and benefits for a business such as GSK of operating in a global marketplace. Weaker answers tended just to regurgitate standard responses on globalisation with little or no reference to the case study: examples include access to a larger market, language and cultural barriers. Some candidates misinterpreted the table on page 2, assuming that it referred to GSKs share of the market rather than, as stated, the world pharmaceutical market.

The better responses were applied in detail to GSK and covered such issues as the need for product modification in the case of Horlicks due to the inability to use cow's milk in India for religious reasons. As well as discussing the problems that GSK was likely to encounter, including the potential for diseconomies of scale, they also explained in some detail the many benefits that the company derives from operating in a global market place.

## **BUSINESS STUDIES**

**General Certificate of Education**

**Summer 2015**

**Advanced Subsidiary/Advanced**

**BS4**

*Principal Examiner:* Mr. Martin Culliford

Many candidates found this year's paper to be something of a curate's egg, i.e., good in some parts, but not so good in others. Most of them dealt well with the questions on the Ansoff matrix and investment appraisal and were able to find one of the three essays that they could answer satisfactorily but some of the other questions proved more of a challenge.

Not the least of these was question 1(a) which, on the face of it, involved a not very difficult GCSE maths problem dealing with percentages. From the two graphs it could be determined that online grocery sales of £5070m represented 5% of the total market and £2260m of online entertainment sales represented 36% of the total market. In each case the candidate was required to calculate the size of the total market to the nearest £bn. All that was required was to divide by the percentage, either 5% or 36% and multiply by 100 and then round off to the nearest £bn giving £101bn and £6bn. It was surprising to see how few candidates managed to do this successfully.

Question 1(b) asked candidates to explain the significance of the information given in the graphs for the future of retail businesses in the UK. Many candidates were able to identify and explain the significance of online sales in various markets as indicated in graph A. Furthermore, most candidates discussed the patterns of growth in online market share between 2013 and 2015 as indicated in graph B. Better candidates made use of the data to focus on specific industries where online sales might be expected to have a greater or lesser effect.

In question 2 candidates were given some information as to the number of countries in which a certain products of Reckitt Benckiser plc (RB) are sold and were then asked to explain how the Ansoff matrix might be useful to a company such as RB. It was pleasing to see that most students were familiar with the matrix, although candidates who performed less well simply described the four categories within it, whereas better answers outlined how Reckitt Benckiser could apply this to their products and markets in order to further sales.

Question 3. In this question the current method of communication, at a medium sized food-processing factory, was described and then candidates were asked to assess other appropriate methods that Natalie Jones, the Human Resources manager, might use in order to achieve more effective communication in the workplace. Answers tended to be split between those candidates that focused on hierarchical structures and those that concentrated on methods of communication. Those achieving higher marks assessed the usefulness of communication methods such as notice boards, email and meetings within a factory setting. Unfortunately, some candidates treated this as a question about participation rather than methods of communication.

Question 4(a). Candidates were given some numerical data about Dick Rogers & Sons Ltd; a company that manufacture toothbrushes, and were required to calculate the total contribution that would be derived from an offer that they had received form a newly formed company. This calculation question posed no problem to the majority of students who remembered the correct formula, although some of them struggled with the units, mixing up pence and pounds.

In part (b) candidates were asked to discuss whether Dick Rogers Ltd should accept or reject the order. In response to this question students made good use of the quantitative and qualitative information from the text. Most students were able to consider the benefits and problems of accepting the order. Weaker responses simply lifted information from the text and identified it as either a benefit or problem whereas better responses explained the implications of each issue.

Question 5 involved a scenario whereby two brothers who own a fruit farm have to decide which of two options is likely to be the best for the future of their business. Candidates were given both quantitative and qualitative data to analyse.

Part (a) was a calculation question about payback which posed few problems for most candidates: the majority answered this straightforward question correctly, although some correctly identified the number of months but then selected the wrong years.

In part (b) candidates were asked to calculate the net present value of each option. This question was answered correctly by a large proportion of candidates but, unfortunately, some did not complete the full answer as the initial cost of each investment was not deducted from the revenue and in doing so, limited their marks.

Part (c) required candidates to assess which of these options is likely to bring most benefits to the business, taking into account both qualitative and quantitative factors. Most candidates made good use of the information available within the case study, with many utilising their answers from 5a and 5b in order to supplement their quantitative discussion. In a similar manner to 4b, students performing less well simply repeated case study evidence rather than using it as part of a judgement. Those performing well examined quantitative and qualitative information for both options before reaching an informed decision as to which was the most suitable option.

## **SECTION B**

In this section candidates were required to choose one of three essays. Unfortunately, a small number of candidates penalised themselves by attempting more than one question. In these circumstances all of the answers would have been marked but only the best answer would have counted.

Question 6 asked candidates to discuss the following statement: “in a rapidly changing environment the most successful businesses are those that empower, rather than control, their workforce. This proved to be a popular question which was chosen by about 2 in every 5 candidates.

This question allowed student to discuss a range of issues relating to the operational norms of control and empowerment. Many of the better answers referred to leadership and motivation theory, although some candidates displayed a lack of detailed knowledge, referring, for example, to Herzberg’s theory X! Other topics frequently mentioned in the better answers were corporate culture and production methods. Good answers tended to use industry examples such as Google to discuss the creativity which can result from empowerment and contrasted this with companies such as Apple or Primark who use very routine and controlled production facilities in parts of Asia. The best answers displayed an understanding that empowerment is suitable for some situations whereas control is best suited to others.

Question 7 asked candidates to discuss the view that consumers in the UK would, on the whole, benefit from a larger public sector and a smaller private sector. This was the least popular of the essay questions, only attracting just over 1 in 7 candidates. Answers tended to be either very good or rather weak. The weaker answers often confused the public and private sectors. The better answers included a discussion of merit and public goods and included examples from privatised and nationalised industries in order to draw out the difference between the activities of the state controlled and privately run sections of a market. They concluded that some goods and services were probably better provided by the state, whereas others are better provided by the public sector.

Question 8 proved to be the most popular of the essays with just under half of the entry opting for it. Candidates were asked to consider the view, that when judging business success, financial results will always be the most important factor.

The weaker answers tended to offer a one-sided view largely concentrating on other factors which could be utilised as a measure of success, without assessing the value of financial results. Although this attracted some marks, the better answers included a discussion of financial measures, such as accounting ratios, which could indicate levels of success. This was then followed up by the counterpoint of non-financial methods such as market share, growth, brand image, etc. It was also pointed out that there are many not-for-profit organisations that use widely different measures of success. Some of the best responses made good use of contemporary business examples in order to illustrate their answers.



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