AS

Business

7131/1 Business 1

Report on the Examination

Specification 7131

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Overview

In general, the paper proved to be effective as a discriminator 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.

There was little evidence to suggest that students were struggling to complete the paper in the time allowed. Indeed, most students seemed to demonstrate good time management skills and the indications are that students had sufficient time to complete their answers to the final question on the paper.

The practice of using additional pages seems to have been both less widespread and more effective than in the past. In a significant number of cases, when additional pages were used, they tended to be responses to questions 16.1 and 17.1 in which the students attempted to offer a second valid argument having used all of the space in the answer booklet to develop their first line of argument. That said, it is worth noting that, once again, 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. In general, students should only look to use additional pages if they have large handwriting or they need to replace an answer or a part of an answer that has been crossed out in the main answer book. If students do use additional pages, it is vital that they make it clear which question they are answering (this was by no means always the case).

The use of one or more definitions as a starting point for a response continues to be a widespread practice and, although helpful at times, students need to consider whether the relevant knowledge and understanding could be shown within the body of their answer and whether this would save time. For example, the vast majority of the most effective responses to question 17.1 did not offer a definition of the marketing mix; their understanding was clear from their response. For question 16.2 a significant number of students devoted valuable time to defining production capacity and / or quantitative and qualitative information when this would have been demonstrated anyway through their answer. Students who elect to offer a number of definitions are allocating a significant amount of their time to doing little more than demonstrating some knowledge of the specification content. Certainly definitions can provide a useful anchor point for a response and be an effective means of demonstrating precise knowledge and understanding. However, there can be a tendency to employ this practice too dogmatically, and it is worth reflecting on the extent to which this should be a more nuanced and flexible decision.

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

- a demonstration of relevant knowledge with precise understanding and the ability to apply this to unfamiliar scenarios
- evidence of unpicking the key demands of the question and of thinking and planning responses before commencing writing
- use of appropriate numerical techniques as and when necessary
- thoughtful selection of the most appropriate arguments
- a balanced range of well-developed arguments (a chain of reasoning that is clearly in context) where required
- a logical and coherent structure and clear and consistent focus on the question

Above all, and put simply, the best responses consistently answered the question set.

The responses that failed to access the higher levels of the mark scheme tended to lack structure and sacrificed depth for range (generally by making a considerable number of points but failing to develop any of them in a convincing manner). In addition, such responses tended to be generic, and made very limited use of the context. Alternatively, attempts to use the scenario amounted to little more than recycling of the material provided in the case studies resulting in responses that were largely descriptive in nature. Attempts at evaluation, where present, tended to have limited focus on the question and were not linked to the 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 1, 4 and 6 proved to be the most straightforward, closely followed by questions 7 and 8.

Question 1
This was an accessible first question testing a popular concept in a straightforward manner. 80% knew that a ‘dog’ was a product with a low market share in a low growth market. The chosen distractors suggested that, in the context of the Boston Matrix, knowledge of ‘market share’ is more secure than ‘market growth’.

Question 2
This question required students to tackle a more novel approach to testing the concept of margin safety. This proved to be a challenge, with only 35% achieving the correct answer. Option B (43%) proved to be a strong distractor. This arose from a misinterpretation of the diagram which showed the break-even output falling by 20 units (and so the margin of safety rose by 20 units).

Question 3
This question tested income elasticity of demand through a diagram. Most students coped well but the popularity of option 4 suggests some confusion between income inelastic demand and negative income elasticity of demand.

Question 4
This question offered four unrelated statements, one of which was true. This proved to be the least challenging question on the paper, indicating that students have a good understanding of the concept of negative correlation.

Question 5
Although most (55%) students gave the correct answer, the most popular distractor suggested that some students confused centralisation with decentralisation.

Question 6
This calculation indicates that students have a good understanding of ‘labour costs per employee’ with 85% getting the correct answer.

Question 7
This question tested a popular concept (Maslow’s hierarchy) and was answered correctly by 72% of students. However, the popularity of the answer “security needs” suggests that the hierarchy is not fully understood by a minority of students.

Question 8
This test of variance analysis proved to be accessible for most students, although it did reveal uncertainty on the meaning of ‘adverse’ variance for revenue.

Question 9
Most students were able to carry out this calculation, which required an understanding of capacity utilisation and labour productivity.

Question 10
This question had the same structure as Q4, with four separate statements. This proved to be more challenging than Q4 because two particular distractors proved to be popular with a third of the students.

Section B

Question 11
This question seemed to be an effective discriminator with around one third of the students achieving full marks by recognising that demand is price inelastic. They further suggested that, as a consequence, an increase in price should increase revenue and supporting this with an explanation as to why this would be the case. The weaker responses were able to score marks by simply stating that demand is price inelastic and, in some cases, going on to suggest a price rise but with no convincing explanation to support this assertion. A significant amount of responses were awarded zero, and such responses either took the view that demand was elastic and went on to suggest that a price cut would be appropriate in the circumstances, or just offered a generic and often vague definition of price elasticity of demand. The key to this question is recognition of the significance of the figure of -0.2 and effective responses were built on this. In other words, the key is a specific understanding of price inelasticity rather than a general understanding price elasticity of demand.

Question 12
Most students answered this question well with significantly over a half earning full marks. The responses that fell short by one mark seemed to fall into one of the three categories that were covered by the application of the ‘own figure rule’ in the mark scheme. In most cases, such responses offered answers of either £20 000 or (£20 000) doubtless as a consequence of confusion around negative and positive values of the relevant figures, and, less common, was an answer of £100 000 with no indication that it should be a negative value. As ever, with calculation questions, the value of students showing their working should be emphasised, and it is encouraging to see a continued reduction in the number of students who simply provided an answer (sometimes, the correct one) without any indication as to how they got there. Only a very small number of students were unable to score any marks on this question.

Question 13
This question proved to be another effective discriminator with around one third of the students achieving full marks by identifying two relevant benefits (one to the retailer and one to employees) and offering a brief explanation of both. A common approach was to build an answer around the notion of ‘certainty’ with a supporting explanation around planning and budgeting for the retailer and security of an income based on salary rather than commission for the employees. Some impressive answers distinguished between commission as a variable cost to the retailer and salaries as a fixed cost and then linked this to ease of forecasting or budgeting for the retailer.

Responses reaching level 2 in the marking scheme tended either to consider just one perspective (retailer or employee) or just identified benefits with no supporting explanation. A small number of students struggled with this question as they appeared not to understand the concept of ‘commission’. Other students devoted an excessive amount of time to this question either by considering the drawbacks in addition to the benefits, or by offering lengthy and detailed explanations and, in some cases, going on to an additional page. The most effective responses were succinct and focused and tended to be confined to the space provided in the answer booklet (without using the extra space).

Question 14

This proved to be a very accessible question with just over half of the responses achieving full marks. Most students were able to relate to the context and the majority of the responses looked at factors such as demand, seasonality, perishability and storage capacity. The Level 2 responses tended either to consider just one factor (often focusing exclusively on demand) or identified factors with no supporting explanation. Some of the weaker responses failed to recognise the context and linked their explanation to a manufacturing business. Again, the most effective responses were focused, succinct and confined to the space provided in the answer booklet (generally without using the extra space).

Question 15

The vast majority of students were able to provide reasonable responses to this question and a significant number moved into the highest levels. The most effective responses made good use of the context focusing on issues such as Mae's lack of experience and business expertise as well as the likely risks associated with the business venture. The key to accessing the highest level was recognising the need to explain why venture capital might be more appropriate than a loan in these circumstances.

Level 2 responses tended to explain the benefits and / or disadvantages of the two sources of finance without making the necessary link(s). The weakest responses tended to do little more than demonstrate some knowledge of bank loans, suggesting that a number of students either lacked clarity of understanding or were unfamiliar with the concept of venture capital.

Question 16.1

This question proved to be another effective discriminator with very clear indications of the extent to which students were able to identify the demands of the question. Most students were able to identify the appropriate actions taken by Sue in relation to job design (praising staff and delegation), and offer some explanation as to their potential impact on human resource performance. In general, the weaker responses did little more, whereas Level 2 responses tended to go on to make the link(s) between these actions and appendix C, but were unable to make convincing reference to Hackman and Oldham's model.

The most effective responses were able to link Sue's approach to the human resource performance data in appendix C and root this firmly in the context of a clear understanding of two aspects of Hackman and Oldham's model. Indeed, there were a pleasing number of excellent answers, the majority of which focused on autonomy and feedback, with others making impressive use of task variety and task significance.

A number of those students who appeared to be unfamiliar with the model attempted to make links to a range of other models / theorists, of which Herzberg, Maslow and Tannenbaum / Schmidt seemed to be the most commonly used. A significant number of students did not attempt this question, perhaps put off by the presence of Hackman and Oldham's model as a knowledge gatekeeper.

Question 16.2

This proved to be a challenging question with a significant number of students appearing to be unable to make effective use of any of the significant amount of quantitative data in the case.

Whereas the majority of students were able to provide reasonable responses to this question, most struggled to move into the highest levels on the marking scheme.

The weakest responses tended to do little more than describe the numerical data in the case with no real attempt to manipulate the data or to carry out any valid calculations. Such responses were also limited by making a series of points that remained largely undeveloped. Reasonable responses tended to carry out some basic calculations such as the new totals for or the increases in total revenue, total variable costs and fixed costs. Some students included figures in their responses with no indication as to the basis on which they had been calculated, which, once again, serves to underline the importance of showing workings.

There were some impressive responses that were built on valid calculations leading to logical and supported judgments. In such cases, students were able to calculate the profit of £780 000 from the present position and the anticipated profit of £540 000 from the new contract, and go on to relate these figures to Mike's target. In general, such responses then offered balance and range by considering the qualitative information which led to a logical and justified overall decision. Once again, it was striking to note the succinct and time efficient nature of many of these responses.

The most impressive responses were built on a range of 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 candidate's view, as well as the coherent structure of the discussion. This suggests that the better quality answers were planned and had a clear sense of the demands of the question and what they wanted to argue from the start.

It is also worth noting that there were clear indications of the use of pre-determined structures and mechanical approaches to answer this question, and these often appeared to act as something of a constraint that ultimately prevented a response from fully answering the question. For example, there was a tendency for some students to start writing in terms of 'on the one hand' and 'on the other hand', and devote most of their time to arguing for and against the investment in the new production capacity, and then have very little to say in the overall judgement. In such cases, it was far from clear what the students actually thought. The higher tariff, evaluative questions such as this are framed to demand a judgement and students must focus on this essential challenge in the question and not leave the examiner wondering as to what view he or she is taking.

Question 17.1

The key to success in this question proved to be the way in which students interpreted the marketing mix. Those students who understood the marketing mix in terms of the extended version (the 7Ps) were generally able to develop more convincing responses than those who drew on the traditional 4Ps. The most effective responses used two of the additional three elements of people, physical environment and process and clearly explained how these would differ between the retail outlets and the online store and, in so doing, made good use of the context.

Level 2 responses tended to focus on just one element (a reminder, perhaps, of the need to read the question carefully) or failed to really explain how the chosen elements of the marketing mix differed between online and in store, and thus did not use the context effectively. A significant number of responses made reasonable use of price and promotion as elements of the marketing mix.

The weakest responses did little more than define the marketing mix and / or identify some of the elements. A small number did not refer to the marketing mix at all and offered highly generic answers. A small but significant number did not attempt this question.

Question 17.2

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 ‘stakeholders’, although this was not essential as an understanding of this concept could be shown within the arguments made.

The weakest responses tended to identify a range of stakeholders (both internal and external) and offer some limited and largely generic explanation. Students found it very difficult to achieve any kind of focus and sense of context when attempting to build arguments around the impact of increased employee representation on such stakeholders as the government, creditors and suppliers. 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 employee morale, suggesting that ‘happy’ employees leads to better customer service and ‘happy’ customers and, therefore, more sales. Such responses seemed to attach great weight to the impact of ‘free wi-fi and some improvements to the food’. At best, such approaches tended to generate limited responses which lacked real focus and, in most cases, sacrificed depth for range. A small number of students appeared to be unfamiliar with the notion of stakeholders or appeared to take the view that stakeholders and shareholders are synonymous, and such responses never really moved beyond a discussion of stakeholders in general.

The more effective responses concentrated the discussion on the impact of increased employee representation on the employees and the shareholders (although a number of students were unable to make really convincing use of the material relating to the company’s share price). Those responses that struggled to move into the highest level tended to be constrained by a lack of balance and the failure to offer a logical and well-supported overall judgement with a clear focus on the demands of the question.

The most impressive responses generally achieved some balance by weighing up the reality of the benefits for employees by focusing on the continued lack of trade union representation, and the apparent tokenism of the employee representation on the Board of Directors and of the ‘Be heard’ system. A number of students used stakeholder mapping to good effect and framed their response in terms of relative power and interest, recognising that not all stakeholders are equal, and that the shareholders may well be deriving considerably more benefit in real terms from the increase in employee representation than the employees themselves. These students tended to take the view that the increase in employee representation was essentially an exercise in generating positive PR in response to the negative publicity that the company was receiving.

Once again, the fact that the most impressive responses saw students taking a clear view was striking. There was clear evidence of thinking and planning, and of having a sense of direction from the outset, and this seems to a key to excellent answers in that they are written with a clear intent.

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.