



AS **Business**

7131/1

Report on the Examination

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Overview

In general, the paper discriminated effectively with the most successful students generally 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 and failed to make any meaningful use of the context provided by the questions and the case study material.

Most students seemed to demonstrate good time management skills and there was little evidence to suggest that students were struggling to complete the paper in the time allowed and within the confines of the answer booklet provided.

The use of additional pages continues to be significantly less prevalent than in the past, and it is worth noting that the most successful students were generally able to develop effective answers to the 9 and 16 mark questions within the bounds of the answer book provided.

Overall, the most effective responses tended to display a range and depth of knowledge and understanding of AS business concepts and showed the ability to apply this understanding effectively to unfamiliar scenarios. In addition, these 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 clearly 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 1 and 8 proved to be the most straightforward, closely followed by questions 9 and 4.

Questions 7 and 10 proved to be the most challenging. In the case of question 10, the correct response of C was selected by just under a third of the students, with response A proving to be the most common distractor (attracting just under two fifths of the students). Responses B and D also attracted a considerable number of students. It would appear as though the majority of students failed to fully understand the implications of the phrase ‘there are no other changes.’ In the case of question 7, the correct response of D was selected by about a quarter of the students, with response C proving to be the most common distractor (attracting just over a half of the students). It seems as though the majority of students did not appreciate that July’s net cash flow of £22 000 included the outflow of £14 000.

Questions 3 and 6 also proved to be challenging for a significant number of students. Question 6 saw students torn between the correct response of D and response B (suggesting a lack of precise knowledge and understanding around the concept of market mapping). For question 3, the most common distractor proved to be response A with response C also attracting significant support. It would appear as though elasticity continues to be a tricky concept for a lot of students.

The majority of students opted for the correct responses to questions 2 and 5, with the most common distractor proving to be response A for question 5, although there was no clear distractor for question 2 (with both responses A and D attracting some support).

As ever, students need to read both the question and the different options presented by the multiple-choice questions carefully.

Section B

Question 11

This question required students to carry out a calculation and it proved to be accessible for the vast majority of students, based on a familiar concept with a gatekeeper in the form of capacity utilisation. For those with a sound knowledge and understanding of this concept, there was a straightforward route to three marks, with just over four fifths of students achieving full marks. Those who were awarded one mark tended to offer responses that either correctly calculated the total number of seats sold over the weekend (1830) or provided clear demonstrations of valid knowledge. Two marks were generally achieved by the application of the 'own figure rule,' and this serves to reinforce the value of students showing their working. It was encouraging to see that only a very few students simply provided an answer (sometimes, the correct one) without any indication as to how they got there.

Question 12

This question required students to explain one way in which an increase in competition might lead to a rise in fixed costs for a business, and the key to success here was to clearly link the impact of increased competition to a rise in fixed costs. The vast majority of students seemed to have some idea as to the likely effects of increased competition and many were able to develop an argument as to what impact this might have on the costs of a business in general. The strongest responses were able to demonstrate an implicit or explicit understanding of fixed costs and to develop a clear and logical link between the increase in competition and a rise in fixed costs.

The most effective responses were impressively concise. They demonstrated understanding implicitly and without the need to offer a definition of fixed costs, and made a valid link supported by a brief explanation. Around two fifths of the responses were awarded a mark in level 3. The responses that remained in Level 1 tended to do little more than demonstrate some understanding of the effects of increased competition. Just under one third of the responses to this question were awarded a mark in level 2, and such responses generally fell short of making a clear and / or convincing link to the fixed costs.

Question 13

This required students to carry out a calculation and it proved to be an accessible question for many students, based on a familiar concept with a gatekeeper in the form of operating profit margin. For those with a sound knowledge and understanding, there was, once again, a straightforward route to four marks, with just under a third of students achieving full marks. The vast majority of students were able, at least, to calculate the revenue of £45 000 and the total variable costs of £18 000, although just under a fifth did little more than this and were, accordingly, awarded two marks. Three marks were generally achieved by students who took the calculation a stage further by calculating the operating profit of £7000. Alternatively, some students achieved three marks by the application of the ‘own figure rule,’ and one such approach saw a number of students calculating £27 000 as the operating profit (ignoring the expenses of £20 000) and then going on to arrive at a margin of 60% (once again, such application of the ‘own figure rule’ serves to reinforce the value of students showing their working).

This question differentiated effectively and was generally well answered with a fairly even spread of outcomes across the mark range. The responses that were awarded one mark tended to be those that calculated either revenue or total variable costs, but not both. Around one tenth of responses struggled to achieve any marks for this question, with the weakest responses demonstrated a fundamental lack of knowledge and / or understanding of the concept of operating profit margin.

Question 14

This question required students to explain the impact of increasing consumer incomes on sales revenue of a product when income elasticity is +4. As with question 12, the key to success here was to clearly link the impact on the revenue of the business to an income elasticity of +4. A number of responses struggled to achieve any marks for this question, with the weakest responses demonstrated a fundamental lack of knowledge and / or understanding of the key concept. Once again, it would appear as though elasticity continues to be a tricky gatekeeper for some students, and a number who struggled with this question appeared to confuse income elasticity with price elasticity of demand. More encouragingly, just over half of the responses achieved a mark in level 2 by offering a reasonable explanation around the notion that demand for the product would be likely to rise as would the revenue of the business, although such responses tended to fall short of recognising that the impact would be significant or substantial. The strongest responses clearly recognised the full significance of the figure of +4, and developed an argument to suggest that not only would the impact be a positive one, it would see sales revenue rise by a significantly greater proportion than the increase in incomes. The best responses were built around the notion of a luxury good and/or the suggestion that the increase in demand would be four times greater than the increase in incomes.

Question 15

This question differentiated effectively with a balanced spread of marks resulting, with just under one third of the students achieving a mark in the highest level. The demands of the question required students to deal with three elements in building an effective response. From a knowledge base of technology, students were required to analyse the potential impact of this in terms of improving operational efficiency, in the context of a manufacturing business.

The vast majority of students seemed to have an understanding of technology and its potential impact in generic terms, although some offered unnecessarily lengthy definitions or offered a list of examples, and such responses tended to remain in level 1.

The most effective responses demonstrated knowledge and understanding implicitly, and moved quickly into developing a plausible line of reasoning as to how the use of technology might have a positive impact on operational efficiency rooted in the context of a manufacturing business. Such responses were not overly lengthy but just demonstrated a disciplined and clear focus on the demands of the question. Weaker responses either failed to make a convincing link to operational efficiency or were rooted in a more general consideration of the possible impact of technology (and thus ignored the context). Some drifted into a consideration of the potential drawbacks of using technology. This question provided a very clear demonstration of the benefits of a careful reading of the question and of unpicking the key demands, and of building a response accordingly.

Section C

Question 16.1

This proved to be a challenging question for a number of students which elicited a range of marks with a significant number of students appearing to struggle to address the concept of debt factoring convincingly, or at all, and a number of students did not attempt this question. The stimulus material presented a number of hooks offering access to level 3 by building good arguments (eg accessing cash to enable the purchase of materials at a significantly discounted level, securing a source of cash that would not require the payment of regular amounts of interest to service debt which could impact on future cashflow or the loss of a significant amount of revenue (15%) at a time of record sales figures to secure the debt factoring agreement).

Inevitably, those students who lacked the necessary and precise knowledge and understanding of debt factoring struggled to move into or beyond level 1. Some students seemed to think that the business would have to give up 85% of the value of sales invoices in order to secure the debt factoring agreement, while others appeared to suggest that the debt factoring agreement would oblige Paul's business to pay interest to the debt factor. Just under a quarter of students were either awarded zero or did not attempt this question. Limited responses did little more than identify some issues and any explanation tended to be very limited and largely descriptive. Such responses tended to identify the fact that payments were received three months after providing the puzzles to retailers as a problem, but either failed to offer any potential solutions or suggested that simply accepting Holly's offer would automatically solve the problems around cashflow.

Reasonable responses tended to demonstrate some relevant knowledge and understanding but lacked well developed analysis and/or effective application to the context. Some students only offered a single line of argument focusing on just one factor, thus failing to address the 'plural' nature of this question.

The most effective responses tended to demonstrate knowledge and understanding implicitly and built two good arguments, generally focusing on trade-offs such as that between the loss of 15% of sales revenue and the potential long term impact of borrowing from the bank at a time when interest rates would be 6% and rising very rapidly, or that between the loss of 15% of sales revenue and the potential benefits of accessing the bulk buying economies of scale offered by the 'excellent one-off half price deal on materials for orders by the end of the month'. Indeed, there were some excellent responses along these lines.

Question 16.2

The vast majority of students were able to provide reasonable responses to this question with about a quarter of the responses moving into the higher levels. The weakest responses tended to be highly descriptive in nature and were generally lacking in precision and substance.

Again, the stimulus material presented a number of hooks offering opportunities to show both range and balance, and the best responses used them in a thoughtfully selective manner. However, some responses attempted to include every bit of context and did little more than recycle the case, while others focused very narrowly on the benefits and drawbacks of sole traders and private limited companies (and sometimes demonstrated confusion between private and public limited companies). Such responses were, as a consequence, very limited in either depth or range and balance.

Stronger responses tended to go very much along the lines of ‘on the hand’ and ‘on the other,’ with an attempt at a final decision that did not always seem to connect logically to the preceding arguments. Such approaches tended to achieve both range and balance but were not always fully focused on the essential challenge of the question in terms of whether this business (Paul’s Puzzle Business) would be better advised to remain as a sole trader or accept Holly’s offer for expansion.

As in the past, it is worth thinking about the potential limitations of the deployment of pre-determined structures and mechanical approaches to answer evaluative questions such as this. These often appeared to act as something of a constraint that ultimately prevented a response from fully answering the question set. 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 two options, and then have very little to offer in terms of meaningful judgement. In such cases, it was sometimes far from clear what the student actually thought. The higher tariff, evaluative questions such as this are framed to demand a judgement / decision and the student must focus on this essential challenge in the question and not leave the reader wondering as to what view the student is taking.

The most impressive responses generally took the view that it would be best to reject Holly’s offer and were built on balanced and well-developed arguments that led logically to a well-supported overall decision with a clear focus on the demands of the question. Such responses tended to be built around a balanced and thoughtfully weighted consideration of key issues such as control, personal satisfaction, speed of decision making and the extent to which Paul’s stated aims were already being fulfilled, as well as Holly’s lack of experience and the credibility of her promise to increase profits by 300%. It was striking how many of the weaker responses seemed simply to accept this increase as an inevitable outcome of accepting Holly’s offer.

A striking feature of the most impressive 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 17.1

This proved to be an accessible question with the vast majority of students being able to provide reasonable responses and a significant number moving into the highest level.

Once again, the stimulus material offered sufficient evidence on which to build valid and developed arguments, and most students were able to make something of the possible impact of making the deputy managers redundant on the remaining staff in terms of the likelihood of them receiving even less support, and/or in terms of the likely reduction in staff costs.

The weaker responses tended to be rather generic in tone, and, in the case of the weakest responses (of which, there were relatively few), students did little more than identify some issues and any explanation tended to be very limited and largely descriptive. Some students appeared not to understand the nature of redundancy, others suggested that the deputy managers needed to be replaced by other, more effective, deputy managers, and other responses drifted to a consideration as to how any cost savings might be spent (on training was, perhaps inevitably, a popular suggestion).

The strongest responses developed clear and convincing links to the likely impacts of this decision on the performance of the business, focusing on the quality of customer service and the disparity between staffing costs and those of Refurb-iture's main competitor. Such arguments often included valid references to the second and third of the objectives set by the shareholders of the company. Indeed, there were some striking examples of the excellent use of the context of the scenario provided, as well as the appropriate use of valid concepts such as delayering and span of control.

Question 17.2

This question seemed to be accessible, and the best responses certainly met the challenge of telling us what the student thought in terms of what would be the best decision for Refurb-iture Ltd and recognised that the balance of the argument lay around the extent to which each of the two options for expansion would be most likely to meet the three objectives set for Veronica by shareholders.

The vast majority of students did identify some the relevant issues involved in this decision, although relatively few built effectively on this to offer a sound and well supported overall judgement as to the best course of action. However, a significant number simply presented the pros and cons without really coming to any clear conclusion. Again, quite a number of responses tended to go down the 'on the hand' and 'on the other' road, with no convincing attempt at making a clear and well supported final decision. Such responses indicated a lack of planning and thinking. For example, a number of students started by asserting that the business should choose office furniture for its expansion and 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.

Students should ensure that their overall judgement is logical and is based on the balance of the arguments provided, and they need to apportion their thinking and actual writing time appropriately. Evaluative questions such as this one tends to require a well justified decision / judgement, 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.

Other responses contained more developed and applied explanations but were rather one-sided and thus lacked balance, and a significant number of such responses did not offer any real counter arguments either because they did not consider the alternative option, or they did so in a way that was largely descriptive. This inevitably led to judgements that were partial at best.

The case study presented a number of hooks offering opportunities to show both range and balance, and the best responses used them in a thoughtfully selective manner. Again, a significant number of the weaker responses attempted to include every bit of context and did little more than recycle the case. Many of the weaker responses simply described the information provided by the table, ignored the fact that the garden furniture option aligned with the brand values and existing target audience of the business, and simply asserted that the office furniture option was to be preferred on the grounds that the market is greater in value, or that the variable cost per unit is lower, or that discounts might be offered by suppliers for bulk purchase.

Stronger responses tended to provide context to the data from Veronica's research by, for example, considering the overall market values in the light of the number of competitors with similar products, or by using the information related to variable cost and average price per unit to calculate contribution per unit.

The most impressive responses generally took the view that it would be best for the business to choose garden furniture for its expansion, and such responses led logically to a well-supported overall decision, and were built around a balanced and thoughtfully weighted consideration of key issues such as the importance of maintaining the exclusive and unique brand image based on luxury and eco-friendly materials, the ease of market entry and the number of potential competitors, and the likelihood of achieving rapid sales growth and of increasing profitability in the long term.

Once again, it was clearly evident that the most successful students had unpicked the demands of the question, paused for thought and undertaken some planning before ever committing a word to paper. Such students identified the key factors around this decision and used them to shape and frame their argument. They took a clear view, and there was evidence of thinking and planning, and of having a sense of direction from the outset, and this seems to continue to be a key to excellent answers in that they are written with a clear intent.

Mark Ranges and Award of Grades

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