

Location Entry Codes

As part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

Question Paper	Mark Scheme	Principal Examiner's Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

Who can I contact for further information on these changes?

Please direct any questions about this to CIE's Customer Services team at: international@cie.org.uk

BUSINESS STUDIES

Paper 7115/11

Short Answer/Structured Response

General comments

The paper discriminated well between candidates of differing abilities. The changed format of the structure of the paper made it more accessible to all candidates. The stronger guidance given regarding the response such as method and explanation meant that nearly all candidates gave the correct number of reasons and at least attempted some analysis of the point they identified. Part (e) of all questions proved the most challenging and proved an opportunity for the more able to suggest and justify. This part of the question allowed the evaluative skills of candidates to be shown to good effect. Weaker candidates struggled with the requirement to explain their responses. Often the answer given did not constitute an explanation of the previously identified point but was merely a second statement. Candidates need to be more considered in their responses and to link ideas together with greater care. Most candidates would benefit from being reminded that:

- questions need to be read carefully
- answers should be in context wherever possible
- calculations should generally include an indication of the method being used
- the command to explain requires a development of the point not a statement of a new point
- the command to justify requires an answer to be supported with developed logic resulting in a conclusion.

Comments on specific questions

Question 1

- (a) Well answered by almost all Answer 4000 units
- (b) This calculation proved very troublesome for many. The calculation involved dividing the total wage costs by the output or on a unit basis by dividing the employee wage by output per employee. The answer was \$0.15. This question differentiated almost too well with only the strongest able to carry out the calculation correctly
- (c) Generally well handled. Most candidates could identify features of flow production although others had difficulty in explaining the points they identified.
- (d) Well answered by most. The problem that some candidates had was linking their explanation to the factors identified especially in terms of showing why they were important.
- (e) Most candidates were able to write sensibly about the issues that needed to be considered. However some made invalid assumptions such as they would now aim to sell in totally new markets. Others failed to weigh up the issues but just went through the advantages and then the disadvantages. Often no real conclusion was reached yet the question demanded one.

Question 2

- (a) Well answered by many. The answer was 40%. Errors included looking at the data for the wrong year and omitting the % sign.
- (b) Some confusion in the minds of candidates as to the distinction between costs that are cost of sales and those that are expenses or indirect costs. Therefore answers like wages appeared.

- (c) Well answered with almost all being able to at least suggest a method of promotion. A common error was to suggest a price cut. Weaker candidates found it difficult to explain why their chosen method would indeed increase sales.
- (d) Again well answered. The most common errors were:
- failure to indicate the direction of the change so cost of sales was too vague.
 - to make reference to sales specifically ruled out in the stem of the question
 - reasons often incorrect such as taxes went up because the government decided to tax more.
- (e) This proved difficult for many. Some answers confused the information in a profit and loss account with that contained in a balance sheet (points like return on capital cropped up). Others simply said that could be found in a profit and loss account but experienced difficulties in relating it effectively to different stakeholders. The better candidates found the linkage much easier to make.

Question 3

- (a) A straight forward knowledge question well answered.
- (b) Most candidates had some idea of the concept of a target market but they sometimes found it difficult to articulate the concept.
- (c) Much confusion here as many candidates wrote that it was cheaper to buy from a wholesaler because the retailer could buy in bulk. However it is the wholesaler who breaks bulk and then usually sells smaller amounts to individual retailers. This error frequently occurred. If the candidate said that the wholesaler could pass their lower costs on to the retailer in the form of price discounts thus it was cheaper for the retailer to buy from this source then the answer became valid. This was however rarely explicitly stated. That apart the question was generally a well handled assessment of what might be achieved by the removal of wholesalers and retailers.
- (d) There were many very good answers provided here that showed a good understanding of the role of packaging in the whole marketing process.
- (e) Many rather modest answers given in response to this question. Some candidates just described the role of middlemen in the distribution process. Better candidates looked critically at their role and assessed their importance in generating sales.

Question 4

- (a) Well answered by virtually all candidates.
- (b) Generally very well answered. Some candidates included incorrect information such as 'tells an employee how to do a job'.
- (c) Answers here often lacked the correct focus. The question asked specifically for an indication as to how contracts help workers. Answers often simply repeated the information that had been stated in part (b) namely what is contained in a contract. Too little thought was given as to how this benefited an employee.
- (d) A good standard of response was given to this question. More frequent errors were:
- to consider why people left, not the problems created by their leaving
 - assumptions made by some candidates that this led to no output and hence the failure of the business. Nowhere in the question was there a suggestion that people could not be replaced merely that it was a problem.
- (e) A sound overall level of response. However answers tended to be a little oversimplified. 'People would not leave at all if health and safety was improved' appeared frequently in answers. Many candidates wrote at length about the impact on motivation without establishing too effectively why these two factors would be closely correlated.

Question 5

- (a) Very poorly answered. Many answers confused the term with the movement of cash in and out of a business. Others talked about a product life cycle.
- (b) Many good answers but much confusion in the minds of some. A very frequent error was to talk about a business going through a boom and a recession. The terms apply to an economy as a whole not to an individual business.
- (c) Again poorly answered. Many candidates confused interest rates with tax paid to the government. Thus quite a few answers said an increase in interest rates would increase the costs of a business because they would have to pay more tax. The Examiners were surprised to see such confusion as wide spread as it was.
- (d) Very well answered by many. There were plenty of good contextual answers given to this question ranging from ergonomic design of cars through to better fuel efficiency. Environmental issues and business responsibilities are clearly extensively and well taught.
- (e) A wide range of answers given to the question. A few candidates could say little more than competition should lower prices. Better candidates discussed the way in which competition reflected itself and considered whether or not this always was of benefit to consumers. This was generally well answered by most candidates albeit at different levels.

BUSINESS STUDIES

Paper 7115/12

Short Answer/Structured Response

General comments

The paper discriminated well between candidates of differing abilities. The changed format of the structure of the paper made it more accessible to all candidates. The stronger guidance given regarding the response such as method and explanation meant that nearly all candidates gave the correct number of reasons and at least attempted some analysis of the point they identified. Part (e) of all questions proved the most challenging and proved an opportunity for the more able to suggest and justify. This part of the question allowed the evaluative skills of candidates to be shown to good effect. Weaker candidates struggled with the requirement to explain their responses. Often the answer given did not constitute an explanation of the previously identified point but was merely a second statement. Candidates need to be more considered in their responses and to link ideas together with greater care. Most candidates would benefit from being reminded that:

- questions need to be read carefully
- answers should be in context wherever possible
- calculations should generally include an indication of the method being used
- the command to explain requires a development of the point not a statement of a new point
- the command to justify requires an answer to be supported with developed logic resulting in a conclusion.

Comments on specific questions

Question 1

- (a) This calculation proved surprisingly accessible to almost all candidates. Answer \$8500.
- (b) Many varied responses to this question were given. The focus of the answer needed to be on the usefulness of the calculation to the management of the business. The sales per employee are an indication of the effectiveness of the employees of a business and this needed to be the basis of an acceptable answer.
- (c) This proved quite a challenging question for some. Common errors were to suggest that a labour intensive business was slow and inefficient. These might be outcomes but are in themselves a feature of the process. Clearly a labour intensive business uses labour as its main resource input and wages are likely to be a major element in the cost structure of the business.
- (d) Generally well handled with most candidates able to suggest at least a few methods of increasing sales turnover. Some answers lacked the correct context and talked in terms of producing more products (the business was a health club). There is also a tendency for some candidates to assume that more employees means more sales. Clearly this does not follow.
- (e) Many quite competent answers were given to this question. However a significant number of answers went through a few benefits and costs of buying out a competitor and then the answer stopped with no conclusion. The question demanded a recommendation and failure to provide one was clearly an error. It did not of course matter which way the candidate concluded.

Question 2

- (a) Well answered by many. Answer was 40%. Errors included looking at the data for the wrong year and omitting the % sign.
- (b) Some confusion in the minds of candidates as to the distinction between costs that are cost of sales and those that are expenses or indirect costs. So answers like wages appeared.
- (c) Well answered with almost all being able to at least suggest a method of promotion. A common error is to suggest a price cut. Weaker candidates found it difficult to explain why their chosen method would indeed increase sales.
- (d) Again well answered. The most common errors were:
- failure to indicate the direction of the change so cost of sales was too vague.
 - to make reference to sales specifically ruled out in the stem of the question
 - reasons often incorrect such as taxes went up because the government decided to tax more.
- (e) This proved difficult for many. Some answers confused the information in a profit and loss account with that contained in a balance sheet (points like return on capital cropped up). Others simply said that could be found in a profit and loss account but experienced difficulties in relating it effectively to different stakeholders. The better candidates found the linkage much easier to make.

Question 3

- (a) Well answered by almost all.
- (b) Price elastic was often well explained. However some answers were vague saying that when price went down sales went up.
- (c) Again a mixture of responses. Errors contained reference to making sure that customers will buy products/suggesting that it guaranteed profits would be made. The better candidates focused more strongly on how market research allowed a business to make better and more informed decisions.
- (d) A wide range of answers given some very imaginative. Most understood that prices need to be linked to costs for a business to make a profit. Many referred to competitor prices and better candidates made reference to the nature of market conditions and the disposable income of their target market.
- (e) A question that produced answers that often solely looked at the pros and cons of Internet selling. There was too little consideration of context and often little by way of a conclusion. Candidates need to be reminded of the importance of reading the question carefully.

Question 4

- (a) Well answered by virtually all.
- (b) Generally very well answered. Some candidates included incorrect information such as 'tells an employee how to do a job'.
- (c) Answers here often lacked the correct focus. The question asked specifically for an indication as to how contracts help workers. Answers often simply repeated the information that had been stated in part (b) namely what is contained in a contract. Too little thought was given as to how this benefited an employee.
- (d) A good standard of response was given to this question. More frequent errors were:
- to consider why people left not the problems created by their leaving
 - assumptions made by some candidates that this led to no output and hence the failure of the business. Nowhere in the question was there a suggestion that people could not be replaced merely that it was a problem.

- (e) A sound overall level of response. However answers tended to be a little oversimplified. 'People would not leave at all if health and safety was improved' appeared frequently in answers. Many candidates wrote at length about the impact on motivation without establishing too effectively why these two factors would be closely correlated.

Question 5

- (a) Very poorly answered. Many answers confused the term with the movement of cash in and out of a business. Others talked about a product life cycle.
- (b) Many good answers but much confusion in the minds of some. A very frequent error was to talk about a business going through a boom and a recession. The terms apply to an economy as a whole not to an individual business.
- (c) Again poorly answered. Many candidates confused interest rates with tax paid to the government. Thus quite a few answers said an increase in interest rates would increase the costs of a business because they would have to pay more tax. The Examiners were surprised to see such confusion as wide spread as it was.
- (d) Very well answered by many. There were plenty of good contextual answers given to this question ranging from ergonomic design of cars through to better fuel efficiency. Environmental issues and business responsibilities are clearly extensively and well taught.
- (e) A wide range of answers given to the question. A few candidates could say little more than competition should lower prices. Better candidates discussed the way in which competition reflected itself and considered whether or not this always was of benefit to consumers. Generally well answered by most candidates albeit at different levels.

BUSINESS STUDIES

Paper 7115/02

Case Study

General comments

The overall outcome of the examination was broadly in line with the performance of candidates in previous years. Candidates responded well to the context used in the paper and no question appeared to present problems. Statistics now available on candidate performance showed they scored a similar percentage mark on each question to their total mark for the whole paper, demonstrating that each question was of similar difficulty and differentiated effectively between candidates. The only question where the statistics suggested that the majority candidates found it more challenging than the other questions was **Question 4**, confirming that finance and accounts continues to be an area which candidates find more difficult.

On the whole, candidates were well prepared in terms of knowledge and understanding required but application of this knowledge continued to let down many candidates on this paper. Although it is pleasing to see that there is still an increasing number of candidates who did apply their knowledge well to the context provided. Also, lack of attention to the command words used in the questions meant that some questions proved difficult to score full marks but there was opportunity for all candidates to score some marks. The revised arrangement of the exam paper with headings to assist in the structuring of the written responses in most of the spaces for answers seemed to have proved helpful to candidates.

The case study itself appeared to be within the understanding of candidates. Time did not appear to be a problem for candidates and there were very few blank spaces on papers as nearly all candidates at least attempted an answer to all questions.

The general standard of English was good and it did not prove a barrier to the performance of most candidates even though it is the second language for most of them. As is normal, candidates were not penalised for weaknesses in spelling, punctuation and grammar, providing that Examiners could understand what candidates intended.

Overall the quality of the answers from the majority of candidates was good. Although candidates continued to lose marks through lack of application, analysis and evaluation, nevertheless the depth of understanding was apparent in many cases. There were few examples of low scoring candidates and many examples of high scoring candidates where they had not only applied their answers well but also made judgments which were fully justified.

Here are a number of points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- Candidates need to pay careful attention to the wording of the question and the command words used. If the question says 'Consider three methods that could be used to increase the profitability of Python Bicycles. Recommend which method you think would be the most effective. Justify your recommendation.' then the answer must explain how their suggested method will lead to increased profitability and not just state what the business can do for example, 'increase prices'. Also the question called for a recommendation and many candidates just repeated the suggested method from their earlier answer rather than select which method they thought was the best method to use and justify why that method was better than the other two methods. If the question says 'Explain to the Marketing Manager of Python Bicycles how to carry out primary market research then the candidate must explain how to do this and not just describe the advantages and disadvantages of primary research or how useful the research findings might be to the business. Encouraging candidates to write in full sentences and give a paragraph for each point being discussed will often mean they write more detailed explanation than if just bullet points are used and consequently the candidates will be more likely to increase their marks.

- Paper 2 is a case study and the majority of the questions will be in the context of the business in the case study. For example, 'Do you agree with the Marketing Manager that Python Bicycles will need to change each of the elements of the marketing mix if children's bicycles are to be sold?' Marks are awarded for applying these concepts of the marketing mix to the business in the case and failure to do so meant these application marks were not achieved. This could have had a significant effect on the candidate's final grade. It is almost essential in preparing candidates for this paper for them to be exposed to case studies on a regular basis in class. Theoretical knowledge of business terms and concepts alone is unlikely to lead to the highest grades being gained on this paper. Spending time in class doing case studies would develop the candidates' ability to apply their knowledge in many different situations and would enhance the quality of their answers in the exam.
- Where a question carries 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if judgment is called for in the question. Candidates need to realise that marks will often be awarded for all these assessment criteria when they are constructing their answer to the question. They should try to demonstrate all these assessment criteria in their answers if they are to achieve full marks, depending on the command words used in the question as evaluation is not always asked for. For example, 'Do you think that higher wages would be the most effective way of increasing the motivation of the employees at Python Bicycles? Justify your answer', some marks will be for demonstrating knowledge of the ways of motivating staff. However if these points are just stated then only a few marks will be awarded. The candidate should go on to explain how these methods will be effective in motivating employees. Finally a judgment needs to be made as to whether higher wages would be most effective in this context and if not, why not, and what other method might be more effective in this context, to gain all the evaluation marks and hence achieve full marks.

Comments on specific questions

Question 1

- (a) Many candidates did not answer this question well, confusing batch with flow production methods. Often they claimed it was 'fast' or 'cheap' without giving a comparison i.e. if they had written batch production was faster/cheaper than job production then marks could have been awarded. Candidates should have written about the unique characteristics of batch production not characteristics which could just as easily apply to flow or job production methods. Application marks were lost because candidates used the example of, say, a biscuit factory rather than using the bicycle case study. When considering the advantages of batch production basic answers considered flexibility, increased job satisfaction but seldom developed the point. Answers to the disadvantage focused on the storage costs and issues related to flow or job production. A large number of candidates scored no marks, usually because the answer was vague, whilst 4 was the mean mark for this question.
- (b) Very few candidates mentioned increasing the efficiency of the resources being used and a few chose instead to sell shares in the company which they believed would bring revenue into the company and directly increase profit. Some obviously able candidates gave good answers but omitted to make any explicit reference to profitability. Sometimes, candidates recognised expenses could be reduced but suggested making promotional offers e.g. 'buy one get one free', which would effectively cause a price reduction thereby decreasing gross profit. Moreover any promotion would cause an increase to their marketing budget thereby increasing overhead expenses. This contradiction was missed. Profitability and sales were frequently confused. Candidates were able to identify various ways of boosting sales but some incurred high costs which would consequently reduce rather than increase profitability. The majority of answers described marketing strategies rather than cost-cutting measures.

Also often answers were not well linked to the benefits for Python Bicycles, too often the focus was on the employees rather than profitability (quality and efficiency were popular) but more were correct by implication rather than explicit. Often the best way was not addressed. Generally very few candidates developed any further points in the recommendation and did not gain Level 3. Most marks awarded were in the 5 - 8 mark range.

Question 2

- (a) Well answered by the majority of candidates and most were able to link the working conditions with efficiency and high labour turnover. 5-6 marks were awarded to the majority of candidates. However, this question was misread by several candidates who thought it asked 'why are the workers poorly motivated?' Some had highlighted or underlined key phrases in the question and this helped them to give an appropriate response. Also many answers were not about the benefits for Python Bicycles but about damage for employees. Good answers were linked to quality and efficiency.
- (b) The vast majority of candidates knew about financial and non-financial incentives, with examples, and better candidates could explain why they might be effective. However, there were quite a lot of lists and descriptive answers, ending with 'this would make them work hard'. Application marks were not always achieved on this question; even very good candidates sometimes missed out on these marks as the answer could have referred to any employees and was not specifically focused on bicycle production workers. Motivation theorists such as Taylor, Maslow or McGregor, were occasionally included but the answers often lacked explanation of how these theories could be used to motivate bicycle production workers. A number of good critical points about money not being a motivator were offered but often in a too general sense. A minority of candidates discussed the benefits to the business of well motivated staff but this was not what the question asked for and therefore gained no credit. The best answers used a combination of the above and motivation theory to answer the question. The majority of candidates scored between 4-8 marks with very few scoring full marks. Application was fairly well addressed but many candidates did not provide a conclusion which answered the question – where they did then often high marks were gained.

Question 3

- (a) Candidates knew what market research was but, as in previous years, they did not adequately describe the process of primary research but described the advantages and disadvantages of primary research methods or why the information would be useful to the business. This is a pity because it could have been an easy way to earn marks and it resulted in many not scoring any marks at all. Between 2 and 5 marks were scored by the majority of candidates but few scored 7-8 marks as even if the candidate approached the question correctly the answer was rarely applied to the case. Application marks could have easily been achieved if candidates had given an example of a question to ask on the questionnaire e.g. 'Which colour bike would you prefer?' or 'What Disney characters do your children like?' Alternatively the candidate could have considered that the sample being asked should include parents and/or children.
- (b) This question was probably the best answered on the paper. Not only was there good knowledge and understanding of the marketing mix but also good application to the Python Bicycle Company with many relevant suggestions. 8 was the most common score with the range usually lying between 6 and 10 marks. There were quite a number of full marks achieved. Although few joined up the elements, such as Python Bicycles being taken over by a firm with its own toy shops. Most did see need to change pricing strategy etc., in light of the new product/market.

Question 4

- (a) Candidates found this a difficult question and many scored between 0 and 4 marks with few full marks gained, again, mainly because candidates did not apply their answer to the case. Sometimes cash flow was confused with profit and loss but a pleasing number of answers described the usefulness of a forecast to anticipate financial difficulties and to take precautionary action.
- (b) Many candidates also struggled with this question as they did not carry out the calculations needed to be able to identify and understand the particular issues around Python Bicycles' financial position. Often these candidates merely repeated sections from the case study balance sheet without any explanation or interpretation of the figures. Most candidates identified low net profit, no cash in the bank and low sales as being of concern. A good number of answers correctly calculated current ratio and acid test ratio. Many candidates achieved Level 2 marks for liquidity issues and even descriptive accounts were generally good. A few were totally out of their depth and had no idea of what shareholders capital and retained profit represents, and got their thousand

and millions mixed up. Very few candidates scored full marks and most scored between 0 and 7 marks.

Question 5

- (a) The majority of candidates scored between 3 and 6 marks and very few scored 7-8 marks. Not many candidates scored high marks on this question because they could only identify the objectives of government policy rather than explain them. There were some excellent answers given but at other times candidates got themselves into a muddle trying to link together the factors leading to a country's economic growth or the factors leading to a favourable balance of payments. There were many straightforward good responses to currency appreciation, economic growth, jobs, improved standard of living and economic development.
- (b) The best answers here related to the overseas market for bicycles in very specific terms. There were a lot of general answers at Level 1 about market size and cost but then being able to explain how this might influence the business's decision about whether to export their products eluded many. Better candidates linked 2 plus factors such as competing in a market against established domestic producers plus building up a reputation. Some general ideas about competition and transport were not developed enough to score highly. Again, very few candidates scored 11 -12 marks but the majority of candidates scored between 3 and 8 marks.