

GCSE

Business Studies

413002 – Growing as a Business
Report on the Examination

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General Comments

Centres are reminded that questions may be set on any parts of the subject content of the specification for this unit. Some of the content may appear on question papers more frequently than others, but all of it is subject to examination at some stage. There was evidence this year that some students were unfamiliar with certain terms used in the paper, such as outsourcing, span of control and cost plus pricing, despite all three terms featuring within the specification content.

As in previous series, many students did not access higher level evaluation marks (the E2 Level) for the nine-mark questions because they failed to provide sufficient support for their judgements. Even students who displayed sound analytical skills failed to achieve more than two marks out of the five evaluation marks because the support for their judgements lacked substance. Students can access E2 marks by justifying their recommendation by weighing up the competing arguments (and not by simply offering unsupported statements along the lines of: 'the benefits outweigh the costs'). Alternatively, students might turn to the evidence of the scenario to support the judgements they have made. These two methods are merely examples of how E2 marks might be achieved; they should not be seen as exhaustive.

Students should also be reminded of the benefits of reading carefully the scenario and the subsequent questions. It would appear that many skim read these or rely on the image provided to give an insight into the business. For example, a number of students thought *Power Press Ltd* in Question 1 was a gym, not a manufacturer of gym equipment. Teachers are advised that the scenarios are kept as short as possible yet consistent with offering students sufficient information in order to allow them to provide a contextual framework to their answers. Everything included in the scenario has the potential to be used when answering the questions, and, as such, can offer some guidance to students on how the question might be tackled. Students should be advised to spend time reading the scenarios, rather than to use the time to produce over-lengthy answers that tend not to attract additional marks as they then often just reproduce skills already demonstrated earlier in their response.

Question One

- (a) This question was generally well answered with most students scoring at least one of the two available marks. Those who scored one mark tended to restrict their response to either public or, more usually, private limited companies. It was pleasing to note that there were less excessively long answers to these low mark questions, when a perfectly adequate response can be given in a single sentence.
- (b) This question was well answered with students offering some anticipated reasons (opportunities to meet co-workers, reinforcing health and safety issues and providing a tour of the workplace) as well as more imaginative (yet valid) reasons, such as fitting for uniforms and a talk on the ethos of the organisation. Some students failed to score full marks because they explained the benefits to the business, rather than the new employee, as asked. The most common mistake, however, was to give general training to improve skills which is unlikely to be a component of induction training.
- (c) Some students appeared to be unsure with the term outsourcing, despite it being explained in the scenario. Those who reached the highest level of response used the scenario to outline the direct benefits to *Power Press Ltd*, often achieving this by offering a chain of reasoning. For instance: the outsourcing would improve the quality of the product, which would reduce the number of gyms returned for remedial work, which in turn would avoid the expense of repairing the equipment, saving *Power Press Ltd* transport and labour costs in addition to saving the expense of compensation claims if customers were injured using the gym. Lower scoring answers tended to miss out stages in the sequence.
- (d) Surprisingly some students confused the terms batch and flow production. Many relied on rehearsed arguments for and against each production method, but failed to score well because the scenario was not used to contextualise their answers. Statements used were often bland and unexplained, eg quality control is more difficult with flow production. Those who scored well on this question picked up that there were issues with the employees that might make flow production impractical. Others considered the difficulty in personalising the multi-gyms using flow production. As previously mentioned, many students scored better on the analytical grid than they did on evaluation, as clear support for any judgement was not forthcoming.

Question Two

- (a) Those who had met the term span of control as part of their classroom experience usually went on to score the maximum two marks. There was some confusion from others with hierarchical tiers of management and chains of command. Many students used the example in the scenario to support their descriptions of the term.
- (b) This question tended to be well answered. Most students were able to identify two suitable advertising media for the company. Being able to say why these media were suitable for *Kenway Builders plc* presented more of a challenge to a number of students.
- (c) Those who failed to score well usually ignored the context of the organisation. There was some misunderstanding demonstrated, for instance, some believed that it would save customers from the south of England having to travel to Leeds to buy their houses. Many recognised that the question was about decentralisation and made a point of using the term in their answers, sometimes overlooking that the questions asked for benefits to the business, rather than customers or employees. This is a case, once again, of not reading the question carefully enough and losing marks as a result.
- (d) As mentioned above, a number of students appeared not to understand the term cost-plus pricing. A common approach taken by students was to consider the benefits or otherwise of an alternative pricing strategy. Those who followed this route tended to score well, particularly if they were then able to contrast the effectiveness of their choice of pricing with cost-plus. Unfortunately, not all the students were well versed in the strategies listed in the specification. Basic errors were made, such as stating that price penetration starts with a high price. The suitability of other strategies was questionable in their application to the housing market; for example, businesses like *Kenway Builders plc* would find it hard to use loss leaders when selling houses. As with other evaluation questions, many students sidestepped the opportunity to evaluate their choice of strategy.

Question Three

- (a) There were many answers that effectively repeated the first question (1a) and described the benefits of limited liability, rather than becoming a plc. Good responses picked up on a feature of going public, usually the advantage of being able to raise funds by selling shares.
- (b)(i) & (b)(ii) Whilst the formula for calculating Gross Profit Margin was given along with an example, many students struggled with the calculation. There appeared to be two reasons for this. Firstly, several students seemed to lack the mathematical confidence to tackle financial ratios, even when support is provided. Others did not realise that when calculating gross profit, expenses are not subtracted from sales revenue.

A common mistake in Question 3 (b)(ii) was to suggest that the change in the Gross Profit Margin was a result of expenses rising or high capital expenditure eg on aircraft, once again demonstrating a degree of uncertainty about how gross profit is calculated. Those who knew that gross profits consisted of revenue minus cost of sales usually found it easy to explain a reason for the fall in the Gross Profit Margin and gain the two marks.

- (c) It was surprising that many students chose to explain the concern of shareholders to the new objective from an emotional standpoint. It was not unusual to read that shareholders would be upset because they felt they had been 'left out' of the objective. Those who considered the impact of the change in objective might have on the short term profits of the business - and hence shareholders' dividends and share value - scored the two marks.
- (d) Many students used this question on business funding to demonstrate their understanding of both loans and new share issues but without exploiting the context of the scenario, in particular the large amount of finance required. Many seemed to believe that a loan of £80 million could be obtained virtually without question and that the funds from a new share issue would be obtained almost instantaneously. Better answers picked up on issues that could be found in the scenario, such as the funds required represent 160 times the value of the 2012 net profit – something that would operate against the business if applying for a loan. However, others correctly identified that interest rates were low favouring a loan and that banks would have the aircraft as collateral.

Mark Ranges and Award of Grades

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