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Introduction

This was the twelfth paper for IAL Business. The performance since the last series has been comparable with the vast majority of candidates able to complete the paper in the time allocated. There has been an improvement in the levels of evaluation and use of context which is very pleasing. Application is still an area which candidates can improve on and they must ensure that they are not simply using the name of the business as application or copying out large chunks of the evidence – it must be used within the answer and not 'standalone' as examiners often see.

SECTION A

Supported multiple choice (SMC) questions are designed to assess a candidate's ability to demonstrate knowledge and understanding, application, analysis and/or evaluation.

- Candidates can only access 3 marks for part (b) if they have part (a) correct.
- Candidates are able to gain 1 knowledge mark for a definition which is defined in the Mark Scheme for each question.
- Candidates are able to gain up to 2 marks for a full explanation of the distracters.
- Candidates MUST explain why their answer for part (a) is correct to be able to access all 3 marks for part (b).
- Candidates must explain WHY the distracters are incorrect rather than just repeating them or defining them.
- No marks will be awarded to those answers in part (b) for those candidates who simply lift or paraphrase any of the statements A-D.

Question 1

Many candidates have clearly understood this question with many able to get the correct answer for part (a). Examiners were looking for a definition of profits (TR-TC). Many candidates simply repeated the stem or their answer for part (a) rather than explain why this was the correct answer. Examiners rewarded candidates for trying to link back to why an increase in competition may result in a fall in demand and therefore a fall in profits for Cathay Pacific. For the distracters, examiners were looking for why these were incorrect rather than definitions such as a strong economic climate may result in higher incomes and therefore an increase in demand for flights.

1 In August 2016, Hong Kong-based airline *Cathay Pacific* reported an 82% decrease in its half-year profits.

(a) Which **one** of the following is the **most likely** reason for this decrease in profits?

(1)

A An effective advertising campaign ✓

B A strong economic climate

C Cheaper aviation fuel ✓

D An increase in competition

Answer D

(b) Explain why this answer is correct.

(3)

Profit is calculated ~~e~~ by taking away total cost from total revenue.

The answer is "D" because when there is an increase in competition there are more choices for costumers so they may not prefere Cathay Pacific so sales and profits may decrease.

The answer is not "C" because when fuel is cheaper, cost ~~will~~ may be lower for Cathay Pacific so less is taken away from the revenue, so more profit can be gained.

ResultsPlus
Examiner Comments

This scored all 3 marks for part (b) - there is a definition of profits, an explanation why an increase in 'choice' may result in lower sales and a fully developed explanation of distracter C.

ResultsPlus
Examiner Tip

Try and define the term key for the knowledge mark and you are allowed to explain 2 distracters to gain additional marks.

Question 2

Many candidates have been able to score full marks for part (a) so could access all 3 marks for part (b). Candidates could be awarded 1 mark for a correct definition or formula for capacity utilisation. The formula had to be correct to score the mark. Candidates who only showed the workings without a definition or formula could only score a maximum of 2 marks for part (b). For the application marks, candidates just needed to show the calculation. Candidates did not have to explain the result - just show the calculation and the definition/formula.

2 *Apollo Tyres'* factory can produce 200 tonnes of tyres per day. In August 2016, it produced 120 tonnes of tyres per day.

(a) Calculate the capacity utilisation for *Apollo Tyres* in August.

(1)

A 40%

B 60%

C 67%

D 167%

Answer $\boxed{B}$

(b) Explain why this answer is correct. (Show your working.)

(3)

Capacity utilisation = $\frac{\text{Current output}}{\text{Maximum possible output}} \times 100$

C. U. = $\frac{120}{200} \times 100 = 60\%$

ResultsPlus
Examiner Comments

This response scored all 3 marks for part (b). There is a correct formula (note that examiners only accepted output and not capacity) and then the workings are given to show how 60% was the correct answer.

ResultsPlus
Examiner Tip

Always write the formula or definition otherwise you will not be able to score all 3 marks for part (b). You do not need to explain the result, but just show how you arrived at your answer for part (a).

Question 3

This has proved to be a popular question with many candidates getting part (a) correct. Many candidates were able to correctly define span of control for 1 mark. For additional marks, candidates had to show how having a narrow span of control could benefit BP in terms of managers having less employees to supervise. For the distracters, examiners were looking for why they were incorrect and not just for definitions. Many candidates just gave definitions for the distracters which is not enough and examiners needed to know why these were incorrect.

3 *BP* is a global oil and gas company with 79,800 employees. Its organisational structure has a narrow span of control.

(a) What would be **one** benefit for *BP* of having a narrow span of control?

(1)

A Allows for closer supervision of employees

B Managers will have less time to supervise each employee

C Gives employees the chance for more independence

D Fewer layers in the hierarchy may be required

Answer A

(b) Explain why this answer is correct.

(3)

Span of Control is the number of subordinates a manager has below him directly. When BP has narrow span of control, the manager will have less sub-ordinates, so it would be easier for him to Superise and communication would be better. B is wrong because when a manager has Less employees he will have more time to supervise each one of them, so they would be more motivated. C is wrong because giving employees chance for more independence is a nonfinancial reward which is Job empowerment. D is wrong because when a business has narrow span of control it will have long chain of command. So more layers of hierachy.

(Total for Question 3 = 4 marks)

ResultsPlus
Examiner Comments

This response scored 3 marks for part (b). There is an accurate definition of span of control and then there is further development of why this would allow for closer supervision of employees and a possible benefit - gaining all 3 marks for the correct answer. This response also has 2 distracters fully explained and there is more than enough here for full marks for part (b).

ResultsPlus
Examiner Tip

If in doubt, explain another distracter as this may give you an additional mark.

Question 4

Some candidates have been able to score full marks for part (a) but many candidates incorrectly gave a range of distracters as the correct answer. Examiners were looking for a definition of design mix and this had to contain references to aesthetics, function and economic manufacturer to gain the mark. Examiners awarded 1 mark for references to that the door opening meant that the door was not fit for purpose and many candidates simply repeated their answer for part (a) rather than giving reasons why this was correct. Examiners did allow 1 mark for either Kaizen or efficiency as not being part of the design mix.

4 In August 2016, *Ford* recalled 830,000 vehicles due to a fault that could cause doors to open unexpectedly.

(a) Which element of the design mix does this relate to?

(1)

A Kaizen

B Aesthetics

C Function

D Efficiency

Answer C

(b) Explain why this answer is correct.

(3)

Design mix is the proportion of aesthitics, function and economic manufacture combined in the overall design of a product or service. ~~The~~ Ford recalled those amount of vehicles because the doors are not giving the correct function. Therefore vehicle doors need to be purpose to their function by closing and not opening unexpectedly. B is wrong because the look of the door might not be important as it has to be more functional in order to provide more safety for passengers. D is wrong because efficiency will be concened with how quickly a product can be produced but Ford won't be ~~concern~~ their main concern. A is wrong because Kaizen is not part of the design mix.

ResultsPlus
Examiner Comments

This response scored 3 marks and was a great response in that it had an accurate definition of the design mix, gave fully developed reasons why the answer was function, as well as explanations of the other distracters.

ResultsPlus
Examiner Tip

Try and use the context in the question to help you formulate your response. Often this will help you gain distracters marks.

Question 5

Many candidates got part (a) of this question wrong. The definition mark was for defining adverse variance rather than budget or variance and many candidates misread the question and gave definitions of a favourable variance or thought that the business had sold more than they had budgeted for. Similar to Question 1, some candidates simply repeated their answer from part (a) and examiners wanted to know reducing inventory levels would help reduce the adverse variance. Again, candidates had to fully explain the distracters and say why they were incorrect.

5 *Pyranha Kayaks* compared its budgeted sales figures with its actual sales figures and discovered an adverse variance.

(a) *Pyranha Kayaks* should

(1)

A reduce its advertising budget

B reduce its inventory levels

C increase its prices

D increase its production

Answer $\boxed{B}$

(b) Explain why this answer is correct.

(3)

An adverse variance occurs when the actual sales number is lower than the number expected. Since the company didn't sell all ~~these~~ products they expected to, this is a sign that they have too much inventory so this should be reduced, which would potentially lower production costs. If production was increased, the company would have too much inventory and still not enough sales, meaning cost of production would be higher and revenue still too low to cover it. An increase in price or a reduction of advertising budget are factors that would do the opposite of attracting customers, therefore affecting sales figures negatively.

ResultsPlus
Examiner Comments

This scored 3 marks and the response gives an accurate definition of adverse variance. The candidate clearly understands why the business needs to reduce inventory levels and why distracter D is incorrect and would make the situation worse.

ResultsPlus
Examiner Tip

Do not define all the key words - look for the main concept being tested and this will indicate what the key term will be which needs to be defined.

Question 6

Many candidates got part (a) of this question wrong, so they were only able to access 2 marks for part (b). Many candidates confused Theory X and Theory Y and very few could link the correct answer to a reduction on labour turnover. Some candidates were able to gain definition marks for an understanding of Theory Y, but again, many candidates just repeated their answer from part (a) rather than fully explain why this would result in lower labour turnover.

6 Richard Branson, CEO of *Virgin*, prefers a Theory Y style of management in order to reduce labour turnover.

(a) A Theory Y style manager, such as Richard Branson, assumes that employees

(1)

A need close supervision

B tend to dislike work

C can be trusted in their job

D are only motivated by money

Answer C

(b) Explain why this answer is correct.

(3)

McGregor's theory distinguishes between two styles of management: X and Y. An X style manager distrusts employees and therefore tends to be on top of them, supervising, since this kind of manager believes employees don't like working but just want money. Theory Y managers, however, believe more in their workers' motivation and ~~trusts~~ trust them enough to give them more independence. This can help reduce labour turnover since when employees aren't being pressured or treated just as workforce and instead are trusted and motivated, they are more likely to actually like their position and therefore staying in the company.

ResultsPlus
Examiner Comments

This response scored all 3 marks for the correct answer and did not use any distracters to again additional marks. The answer is tied back to the question and the response clearly explains the correct answer.

ResultsPlus
Examiner Tip

If you are confident about the correct answer, then fully explain it as you can gain all 3 marks if it is detailed enough but if in doubt, always explain at least 1 distracter.

Question 7

This was marked using a points-based mark scheme with knowledge = 2 marks, application = 2 marks and analysis = 2 marks. Examiners awarded 2 knowledge marks for an accurate definition of niche market. The knowledge marks could also be awarded for giving any plausible benefit. Application means using the evidence provided in the case study. Many candidates simply copied out large chunks of the evidence and it has to be used in order to gain the marks. For analysis, examiners were looking for consequences – linking to things such as increased profits or less competition resulting in higher sales. On the whole, this was well answered and there were some good analytical points made.

7 Explain **two** benefits for *M&S* of operating in a niche market for food.
(Evidence A, line 10.)

benefit of niche market
Evidence
Why

A benefit for Marks and Spencer of operating in a niche market for food is that they would be able to charge premuim prices. This could be seen since Marks and Spencer is able to develop high quality food products as stated in Evidence A. ~~The advan~~ This is beneficial to Marks and Spencer because through ~~their hig~~ through providing high quality, they are able to charge premuim prices, especially since they operate in a niche market with limited competition and this would increase their profits since consumers would be more willing to pay. Another benefit for Marks and Spencer of in operating in a niche market is that they are able to differentiate their products more easily and develop a unique selling point. This could be seen since Marks and Spencer state that innovation is a core value of their food business and work with suppliers to develop innovative products that are only available in M & S according to Evidence A. Therefore, Marks and Spencer would be able to develop a strong brand image through their unique selling point which ~~generates~~ attracts a large number of consumers ~~that~~ develop brand loyalty

ResultsPlus
Examiner Comments

This scored all 6 marks and there is good use of the evidence embedded in each of the benefits rather than 'standalone' and not linked to either the knowledge or analysis marks.

ResultsPlus
Examiner Tip

Make sure you give 2 separate benefits and use different application for each benefit rather than the same application point.

Question 8 (a)

Examiners allowed 2 knowledge marks for either a definition of quality assurance systems or for giving two separate benefits to Marks and Spencer (M&S). Many candidates gave both a definition and a reason. Application was not was well embedded on this question and many candidates copied out the paragraph on quality systems from Evidence A rather than use it in their response. For analysis, examiners were looking for a consequence of having quality assurance systems – linking to things such as increased sales/profits/brand image/no waste/satisfied customers/repeat purchases/customer loyalty. On the whole, this has been done well by most candidates.

8 (a) Explain **two** benefits for *M&S* of having quality assurance systems.

(6)

Quality assurance is process-based, and ensures that the process the materials go through during production, is perfect. As many benefits as it would carry, for M&S there may be two:

The first benefit to a quality assurance system, is the fact it would save their production costs. Considering M&S has 1,382 stores worldwide, the quality in all of them must remain consistent. So, it has developed such a system with their suppliers, to ensure that high quality and innovative food products result as by following quality standards. If the suppliers get it right the first time, rework will not be needed. If they do not, the entire line may have to be recalled globally.

The second advantage is the fact that a quality assurance system also means earned trust. As stated, M&S is known for its high quality food products that are also innovative, throughout the world. If, wherever the consumer goes and tries it, and the quality is not the same, this can lead to customer dissatisfaction and eventual loss. So, a quality assurance system to M&S is beneficial in this way.

ResultsPlus
Examiner Comments

This response scored 6 marks and was very detailed indeed. There is great use of application and it is not simply copied from the case study. Great analytical comments as well. Well done!

ResultsPlus
Examiner Tip

Make sure you fully develop your analytical comments so that they are not simply repeating the knowledge - there must be a consequence (usually positive) as to why a business does something.

Question 8 (b)

This question asked for 2 benefits of M&S changing its product portfolio and was marked knowledge =1, application =1 and analysis =1 per reason. The 2 knowledge marks could also be awarded for either a definition of product portfolio or for giving 2 reasons. Application was better on this question with many able to use the information from the evidence about how often M&S changed its food and clothing ranges. For analysis, examiners were looking for references about how this benefits - such as impact on sales/revenues/profits or market share.

(b) Explain **two** possible reasons why M&S changes its product portfolio each year.

(6)

A possible reason can be coping with customer needs. When it comes to clothing, fashion and tastes changes every year (especially with women) thus, in order to keep up with the changing demand; M&S has to change their product portfolio so they can offer what customers ~~need~~ ~~to~~ demand so customers will choose them as a store for clothing and repeatly purchase their products.

Another reason can be ~~spreading~~ reducing risks. Changing portofolio means that if a product fails it will not exist next year and continue failing (e.g. a bad women ~~clo~~ dress.) This increases M&S survival and expansion chances and customer satisfaction.

ResultsPlus
Examiner Comments

This scored all 6 marks and is an example of a response which does not use any definition, but gives the reasons why M&S changes its product portfolio every year. Again, good use of application for each reason.

ResultsPlus
Examiner Tip

Application is NOT the name of the business. Think about what the business sells and this can be used as application.

Question 9 (a)

This was marked with the following AOs: knowledge =1 mark, application = 1 mark and analysis = 2 marks. As in previous papers, the 1 knowledge mark is only awarded for the benefit and not for a definition of marketing objective. Examiners accepted a range of benefits such as giving a focus to the business, motivating employees and giving a target to reach. Application could be related to the fact M&S 'we're going back to basics' or any relevant application to the clothing M&S sells. The 2 analysis marks were awarded for the consequence of having an objective in terms of improvement in sales or developing new ranges of clothing which would suit its core customers better.

9 (a) Explain one possible benefit for *M&S* of setting a marketing objective for its clothing department.

(4)

Marketing objective are a quantifiable goal set by a business in order to achieve it through it's marketing. M&S are ~~devo~~ setting an aim of returning to basics and lost sight of its customers and M&S will try to get its fashion ranges right. Having a marketing objective will motivate employees as they have purpose and direction leading to higher sales. Moreover M&S will be able to compare the actual outcomes with it's objective in order to assess if their plan was an effective strategy in light or results.

ResultsPlus
Examiner Comments

This scored 4 marks and was just one way of achieving the marks. Examiners accepted any valid benefits to M&S of having a marketing objective.

ResultsPlus
Examiner Tip

Do not define the key term for Q9(a) - the knowledge mark will always be for the reason, benefit or disadvantage being asked for.

Question 9 (b)

For the levels of response questions (9(b), 10 and 11), there had to be context to access Level 4 otherwise top Level 3 was awarded. If there was Analysis but no context, then top Level 2 was awarded. Using the name of the company – M&S or any context from the stem was not classed as application or context. Evidence C had plenty of data which could be used for this question in terms of the profit figures over time. For this question, examiners were looking for analysis in the form of importance of profit in terms of what it could be used for. Level 3 had to be in context and marks were awarded according to the quality of the response. Analysis with no context was restricted to Level 2 – 4 marks only. Evaluation had to be in context to enter Level 4 and many candidates referred to the fact that Evidence A stated that M&S had other objectives apart from profit which may also be important to its success in the market. Evaluation with context on one side only was awarded 7 marks and evaluation with context on both sides was awarded 8 marks. Evaluation with no context could only achieve Level 3 – 6 marks.

(b) Assess the importance of profit to *M&S*.

(8)

Profit is the total revenue minus total cost. M&S faced a fall in clothing sales in July 2016. The financial summary of 2016 compared to 2015 shows that group revenue, UK food revenue and M&S revenue sales had increased compared to 2015 while the other sources such as group profit before Tax and UK clothing and home revenue has decreased. The profit that M&S make might be important as it could've be used to expand M&S to allow to operate in different countries and sell a large number of products which increases sales revenue. Moreover, the profit earned by M&S could be used to pay dividends the shareholders of the M&S and give them as a reward for the risk of investment that they had taken creating a chance to invest in future too. However, profit isn't the only important aspect for M&S as they might look for achieving other objectives such as increasing market share, being branded ~~stand achi~~ and acting ethically. Furthermore, profit might be less important for M&S now as they are facing fall in sales so they should focus on the short-term and that is by having enough cash to meet it's day-to-day expenses or pay their suppliers.

ResultsPlus
Examiner Comments

This scored 8 marks and has evaluation with context on **BOTH** sides.

ResultsPlus
Examiner Tip

Application is crucial for the evaluation questions. You will restrict your mark if you don't contextualise your answer. This question is only 8 marks so the evaluation does not have to as detailed as Q10 and Q11. One point per side will do!

Question 10

Many candidates were able to use the evidence to explain how M&S could reduce the prices of its clothing and homeware to increase revenue. There was some good use of evidence and a one-sided response could access Level 3.As in all levels of response questions, if context was missing, then this restricted the level the candidate could reach. There had to be context to enter Level 4 and marks were awarded in this level according to the quality of the evaluation. Evaluation could be references to the PED of the clothing and homeware products as to how effective this strategy would be. Many candidates correctly evaluated the impact on branding and quality if prices were reduced and that this may in fact reduce revenue, rather than increase it for M&S. Overall, this question was popular with candidates with many getting into Level 3.

10 Assess whether reducing its prices of clothing and home products is likely to increase revenue for *M&S*.

(12)

Reducing it's prices wouldn't likely increase revenues as their clothing and home producs are having decreased revenues for a different reason then price. This could be seen as M and S has already reduced the price on more than 1000 clothing and home lines and yet it still made a dramatic decrease compared to other years. This means that price didn't matter but social trends would have changed as tastes for designs change very often. As a result lowering prices would enhance revenues as people just lost intrest in the clothing which M and S has especially since they lost sight on thier core customers so the customers they were aiming at already weren't that intrested, thus a change in design would most likely increase revenues because lowering prices would only lower revenues and might even start creating a loss if you lower it too much. However, if prices did fall even more than M and S could possibly start attracting a different market all together as there goods would be seen as inferior goods so poorer people would purchase thier products and if there is a recession in the economy that M and S would sell more and increase revenues.

Clothing and home products also only account for

42% of the turnover, whilst the food is 58%. so if M and S really does want to increase it's revenues they would focus on thier food as it is already producing more revenue meaning the possibility of improving revenues there is much more likely than in house and clothing. However, 80% of the product range of the clothing and homeware always get changed every year so lowering the prices every year would benefit's the business if they lower them towards the end of the year as they would need to clean out thier old stock and replace them. In conclusion, reducing prices wouldn't increase revenues alone but if they also improve a variety of other things such as the fashion and type then, yes revenues would increase.

(Total for Question 10 = 12 marks)

ResultsPlus
Examiner Comments

This is superb example of a response which scored full marks - 12 marks. There is plenty of application throughout the response and a conclusion really sums up the situation M&S finds itself in.

ResultsPlus
Examiner Tip

You can score full marks without having to write reams and reams. This response is balanced and has good use of context and manages to answer the question in the space provided. Examiners will always look for quality not quantity.

Question 11

This was also a levels of response question and was the highest mark question on the paper. Again, there had to be context to enter Level 4. Many candidates were able to provide analysis in context and were able to show how flexible working practices benefitted M&S so accessed Level 3. Examiners saw a wide range of flexible working covered from Evidence D and the key was for candidates to show how these positively affected M&S in terms of staff retention, motivation and customer service. For the counter argument, examiners were looking for the costs involved or the disadvantages to M&S of having part time or job sharing roles in the business. In order to access high Level 4 marks – more depth and discussion in context is needed by candidates. More able candidates did actually state how the extent to which M&S profits and sales would be affected by having a range of flexible working practices. Candidates did not have to cover all the different flexible working practices to access Level 4 and it was more the quality of the evaluation rather than the number covered.

11 Evidence D outlines flexible working practices used by *M&S*. cost

Evaluate the benefits of these practices for *M&S*.

(14)

M&S believe in flexible working practices for their employees. This means there is leniancy between the management and the staff. ~~Flexing~~ Flexible working hours allow employees to work in a manner they choose and gives them more freedom.
One of the benefits of M&S having flexible practices is the ~~to~~ employees will always be motivated to work. This ~~all~~ helps the productivity and the functioning of the business because there are more chances of the employees having more content because of the relaxing ~~scenario~~ environment. ~~as~~ As it states in Evidence D, there is a flexible range of options for the employee, from part time work, job sharing or term time working. However, there is the possibility that employees might start to relax and the ~~mo~~ initial motivation might turn into laziness as they have a bit too much freedom.
Another benefit could be that ~~s~~ health and safety standards such as the consultancy culture, reduces the risk of labour turnover. As stated in Evidence D, the business use the services of an independant 24 hour confidential helpline ~~made~~ for employees to look towards incase of

any personel issues. This ~~a~~ makes employees less inclined to resign or leave the business because the standards ~~a~~ of health meet their interests. However this is a cost to M&S to always have to address to their employees. Especially on a large scale retailer such as M&S.

In conclusion flexible practices ~~allow~~ are divided as flexible hours of work can save the business a lot of money compared to if the employees were paid in salaries and contracts. The other side of flexible working practices however cover the expenses of the employees such as paid leave or hiring a helpline service. Depending on the business, some benefits may outweigh the drawbacks as for M&S the benefit over the drawbacks would be the motivated staff and quality assurance used by M&S to address the needs of the market.

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Examiner Comments

This response scored 12 marks and showed a depth of understanding and good use of application on both sides of the argument. There was a good conclusion which tried to consider the overall benefits versus the costs of offering things such as the helpline service.

ResultsPlus
Examiner Tip

Try to give a final conclusion which does not simply repeat earlier points made.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the supported multiple choice questions carefully in terms of most likely and least likely. Many candidates did not spend enough time doing this and did not fully develop their reasons as to why distracters are incorrect.
- Contextualise responses both in Section A and Section B. This is particularly important for Section B where Level 4 can only be accessed if the response is in context.
- Pay attention to the command words - assess and evaluate are largely ignored and this will restrict marks to Level 3.
- Use business concepts rather than generic ‘common sense’ answers.
- Read and use the evidence provided - it is there for a reason.
- Show your working for any calculation questions and include the % signs and + or – signs where necessary.

Grade Boundaries

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