



A-LEVEL BUSINESS

7132/1: Paper 1
Report on the Examination

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General Comments

This paper was more challenging than the 2018 paper. The multiple-choice questions proved to be slightly more difficult and it appeared that students took longer on this section, reducing the time available for the later questions. However, in Section B the two 4-mark questions were easier and seemed to enable students to gain time in comparison to the 2018 paper.

There was some evidence to suggest that students had less time to complete their answers to the essay questions, but in general where essays were not attempted it appeared to be due to students not feeling able to provide a response rather than running out of time. A few students who did not attempt the final essay did not appear to recognise that there was a second essay to complete. It is critical that students read the rubric and are familiar with the format of the paper.

Section A

Question 1

This was intended to be a fairly straightforward first question, testing short-term and long-term finance. However, it did use a double statement approach which students can find more challenging. Most students were able to answer correctly.

Question 2

This question on penetration policy proved to be more testing, with just over 50% of students providing the correct response.

Question 3

This question tested the distinction between two pairs of business concepts, capital intensive and labour intensive production, and economies of scale and diseconomies of scale. The latter topics caused students more difficulty, although this might have arisen from a misunderstanding of the term 'unit costs'.

Question 4

This question on price elasticity of demand and income elasticity of demand was the most challenging multiple choice question on the paper. Broadly similar numbers of students selected each of the four options. The correct answer was the one chosen by fewest students. The question exposed a lack of precision in many students' understanding of elasticity of demand.

Question 5

Just over 50% of students answered this question correctly. The incorrect responses suggested that students had a better understanding of labour productivity than labour retention rates.

Question 6

This test of Handy's cultures was answered well, with most students providing the correct answer. The answers indicated that students were clearer in their understanding of power culture than role or task cultures.

Question 7

Most students showed a good understanding of strategic drift in responding to this ‘definition’ style of question.

Question 8

This double statement test of students’ understanding of Ansoff’s matrix proved to be quite difficult, with fewer than half of all the students showing understanding of both market penetration and diversification.

Question 9

This tested the external environment, focusing on economic change. Although the correct answer was the most popular choice, the answers revealed that there were a significant number of students who could not identify whether government subsidies were an example of fiscal policy or monetary policy.

Question 10

This question on Bowman’s strategic clock was quite challenging, with three of the four answers proving to be popular. However, the correct response was significantly more popular than the other choices.

Question 11

On the whole, students’ understanding of inventory control was good although some uncertainty on the concept of lead time was revealed by the popularity of the distractors.

Question 12 and Question 13

Both questions were based on a network diagram. Other than Question 4, these two questions proved to be the most challenging multiple-choice questions in this paper. They required careful scrutiny of the network. Question 13 in particular proved to be a challenging test because many students did not recognise that there were four different paths through the network. However, it was pleasing to see that nearly all students recognised that the 6-day delay in a non-critical activity would not increase the critical path by 6 days.

Question 14

Students showed a very clear understanding of Taylor’s motivation theory in the context of methods of financial payment. This proved to be the most well answered question in this section.

Question 15

Students showed a very good understanding of barriers to entry in this question, which was the second most accessible question in Section A.

Section B

The graph and two calculation questions proved to be slightly easier than the two calculation questions in the previous year, with students averaging over half marks. However, for these two questions, approximately twenty per cent of students earned zero marks. The 9-mark questions in this Section gave students time to focus on developing their arguments.

Question 16

Only a third of students were able to answer this question correctly. The total revenue element of the question was answered well on the whole. However, a surprising number of students did not recognise that there was no change in fixed costs. Many students drew a line that was parallel to the original line, showing a change in fixed costs rather than variable costs.

Question 17

The formula for gearing was known widely amongst the student cohort. However, students were not always able to recognise the right numbers to use in the formula. Many students recognised that the change would lead to a £100,000 increase in non-current liabilities but then failed to recognise that capital employed would also increase by £100,000. Students who used the data to calculate the original capital employed tended to be most successful in achieving full marks on this question.

Question 18

There were a wide range of responses to this question, with some students losing time by calculating net gain when this had already been given. The question implicitly focused on why the option with the highest net gain should not be chosen and so conducting this specific calculation was not answering the question. Most students recognised the significance of the different probabilities of success for the two options and many used the large differences in initial cost to underpin their arguments. Some effective answers compared the net gain to the initial cost although there were misunderstandings shown, as students saw net gain as the actual profit. More effective answers used the pay-offs and initial costs to show that the decision tree indicated no risk of financial loss for Option B, regardless of success or failure, but a highly probable significant loss for Option A.

Question 19

Most students understood the demands of the question and were able to link increased debt to lower dividends in the short-term, with the potential for higher dividends if the project was successful in the long-term. More effective answers showed a chain of reasoning, linking an increase in debt to a short-term need to pay interest and also repay the debt, putting pressure on cash flow and thus reducing dividends. Many students made good use of terms such as 'gearing' and 'non-current liabilities' in their answers. A number of students tended to drift into arguments relating to share prices and some argued that the change would lead to fewer shareholders. Some excellent answers reasoned that a business might maintain dividend levels to gain future support from shareholders.

Question 20

On the whole, students showed sound understanding of leadership styles. It was also evident that understanding of different theories of leadership was strong, with students using newer models

such as Tannenbaum & Schmidt with confidence. However, a high number of answers made little or no reference to decentralisation. More effective answers used arguments that clearly related to decentralisations but some responses confused decentralisation with other concepts, such as delegation and delayering. A number of students argued that autocratic leadership was ideal because the leader would ensure that decentralisation was done quickly.

Sections C & D

In Section C, Questions 21 and 22 proved to be very similar in terms of their popularity. In Section D, Question 23 was chosen by twice as many students as Question 24. In terms of performance, Question 22 proved to be the most accessible essay, with Question 24 proving to be the most challenging.

Question 21

Student performance on this question proved to be a very close match with Question 23 although it was more of a challenge than Question 22, with fewer level 4 and level 5 responses.

There were some very effective responses that focused on the question and argued, often using real-life examples, that the growth of online sales has impacted on 'place' as an element of the marketing mix. Successful responses then created counter arguments about the transparency of pricing online and the use of social media for promotion. However, it was not uncommon to see answers that provided analysis that used the online context very effectively but then provided evaluation about the relative importance of the 7 Ps in a very generic sense, with no use of context. Students who were able to relate their theoretical understanding to real-life situations tended to do well on this question. Less effective responses tended to see place just as bricks and mortar.

Question 22

On the whole, this essay produced the most successful set of answers. More effective responses were based on Porter's generic strategies, which gave a framework for the discussion. As with Question 21, it was pleasing to see the relevant and effective use of real-life businesses to support and enhance arguments. However, there was often a description of low-cost as a strategy, with no accompanying explanations of how this advantage was achieved in the first place or could be retained in the future. More effective responses discussed economies of scale, buyer power, outsourcing and free trade as reasons for achieving and maintaining low cost, with references to the external environment to further evaluate these ideas. With differentiation there was a greater tendency to explain how it was achieved, with a focus on R&D and branding, although the use of patents featured much less than expected. Some responses confused differentiation and diversification.

Question 23

Students who chose this essay generally did well and significantly more students reached the highest levels than for the alternative question (Question 24).

Broader measures of performance were understood by most, with students tending to use Elkington's theory to good effect. However, the most able students were often those who showed insight into Kaplan & Norton. Some students showed an excellent understanding of financial ratios and were able to use specific ratios to illustrate their importance. Disappointingly, there was a

tendency for responses to make generic statements about profitability and financial management without referring to specific ratios. Many students evaluated well by assessing why broader measures have grown more popular. It was also pleasing to witness the recognition that financial measures are an element in both Elkington's and Kaplan & Norton's models.

Students also linked their arguments through Carroll's CSR. More able students recognised that financial ratios focused on past performance, whilst Kaplan & Norton examined processes. Interestingly, the broader measures of performance were understood better than the more traditional financial ratios.

Question 24

Typically, students who answered this question showed understanding of mass customisation but often did not link it to operational performance. There were some excellent observations on real-life examples of mass customisation and its impact on those businesses, but the impact was not selective. More effective responses showed a clear understanding of measures of operational performance, most notably unit costs, speed of response, levels of wastage and quality. However, many students chose non-operational measures such as profit and brand loyalty which did not address the question. The lack of understanding of operational measures was indicated by answers that focused on profit (rather than value added) and brand loyalty (rather than quality). Where responses did tend to focus on impact on a single functional area, it was sometimes finance or HR, rather than operations.

Mark Ranges and Award of Grades

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