

A-level Business

7132/3

Report on the exam

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Summary

Overall performance compared to last year

This paper proved a little harder than last year's. While undoubtedly accessible, examples of well-developed arguments were rarer than last year. The ability to take a chain of argument from start to finish, remaining in context throughout, is critical to all six questions on the paper. This skill should form the 'bread and butter' of exam preparation for students if they are to be properly prepared to access top levels of response. Tied up with this is the ability to weave more than one aspect of a case study/appendix into one argument, showing an understanding of potential causality. This skill can be practised using past papers or appropriately selected other case study-based materials. To be most effective, these practice exercises should offer students the opportunity to draw contextual information from various areas of the specification.

A further general issue noticeable this year was a slight decline in the quality of evaluation. This was caused by failing to make a judgement specifically related to the question set. Questions 4, 5 and 6 especially exemplified this problem. Many students concluded question 4 by offering a decision of whether to change the approach to promotion. Question 5 saw judgements on whether to expand production facilities and question 6 saw judgements on 'the best' leadership style for a growth strategy. The over-arching principle behind this paper is to always ensure that the question asked is being answered precisely.

Topics where students performed well

Questions 1 and 2, on environmental operations objectives and organic growth. Question 4, which relied on the need to interpret graphical data and assess the impact of social media promotion on sales proved a strength.

Topics where students performed less well

Although question 3 was accessible, well-developed arguments proved harder for students to produce. As mentioned above, the ability to weave more than one aspect of the data/case study into an argument is a common way to move an argument from developed to well-developed. Question 5 posed several problems – sticking to the question and its focus on risk, as well as showing some knowledge inaccuracies when interpreting Appendix B data. Use of that data to calculate relevant financial ratios was rare. Question 6 proved challenging, especially in explicitly addressing the growth aspect of the question.

Assessment objectives

AO	Common student errors
<p>AO1</p> <p>Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues</p>	<p>Organic growth was the most misunderstood piece of business knowledge on the paper, with a notable minority believing that this meant environmentally-friendly growth. There were opportunities offered to calculate financial ratios (most notably on question 5) but less than half the students attempting the paper successfully did so.</p>
<p>AO2</p> <p>Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues</p>	<p>Application across questions 1 to 5 was generally effective. Predictably, the challenge of contextualising arguments on question 6 proved tougher. Students should be reminded that application means context, not necessarily a specific example. Many who did add context named businesses they had clearly studied in class, but even more successful were students who contrasted the relative importance of external factors by comparing fast moving industries (eg technology) with slower-moving external environments (eg furniture).</p>
<p>AO3</p> <p>Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences</p>	<p>Question 1 highlighted a problem for some students when building analytical arguments – namely failing to ensure all aspects of the question were included. Though many students built arguments centred on marketing, these arguments failed to explicitly address the ‘operational decisions’ aspect of the question in any detail. Similarly, responses to question 4 often omitted reference to ‘increasing sales’, whilst analysis on question five often omitted reference to the level of risk.</p>
<p>AO4</p> <p>Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.</p>	<p>To access higher levels of the mark scheme, judgement should show some form of balance, and many students were unable to access the ‘good’ or ‘excellent’ bands as their evaluation didn’t offer any sign of balance. Weaker responses often simply summarised when attempting to evaluate, rather than genuinely trying to weigh-up their arguments. Note that weighing up arguments in an evaluation would be far more likely to offer some form of balance to evaluation.</p>

Question 1

General feedback

This question worked well as an opening question – proving highly accessible to most students to make a start to the paper. The major challenge faced by students was ensuring that both aspects of the question (prioritising environmental objectives PLUS making operational decisions) were addressed within arguments. One well developed argument addressing these aspects was sufficient to gain a mark in the top level of the mark scheme. Some students clearly spent too long on this question, trying to fully develop three or even four reasons, thus storing up timing problems for later in the exam.

Student A

0 1 Analyse why Logger Boards Ltd prioritises meeting environmental objectives when making operational decisions. [12 marks]

founding mission

A reason why prioritising meeting environmental objectives when making operational decisions for Logger Boards Ltd ~~may~~ be down to the founding mission. Boonhi Doyle who owns 100% of the businesses shares set a mission 25 years ago when it started. This was 'Logger Boards Ltd exists to intensify the thrill of riding waves while helping nature recover in its battle with humanity'. This founding mission helps us understand why environmental objectives are prioritised. As since the business was created there has always been a focus on this so why would their priorities change if it has caused a successful business that has ongoing expansion, which has created a wide audience and become popular with lots of surfers.

KU

Not yet mentioned an operational

As well as this not much promotion for Logger Boards has been done apart from the Instagram page the ~~Bodhi~~ Bodhi has created, which has made him become 'an accidental' influencer with 200,000 followers. It is likely that many of Logger Boards customers come from watching Bodhi's platform in which he

not according to the data

expresses his surfing life style and personal environmental beliefs. So it would be very important when thinking about operational decisions that the environment would be a priority as, consumers are likely to think that if it is such an important factor in ~~Bodhi's~~ Bodhi's life then it would be important in the business that he owns. So if customers see that the product was made or looks like the environment wasn't thought about they could potentially be unsatisfied and no longer support Logger Boards or Bodhi.

Indeed

Ⓜ

Examiner commentary

A level 2 response. This response makes relevant points and develops these into contextualised arguments. However, it does not explicitly examine the role of any actual operational decisions within the analysis. It therefore shows good knowledge, but does not fully address the analytical demands of the question, ending up as a reasonable response (8 marks).

Examiner tip

Reaching level 3 would simply need a clear link in either argument exemplifying an operational decision that illustrates the reason being discussed. For example, if the first argument had inserted a link explaining how Bodhi's insistence on 'only using power from renewable sources' showed the business' commitment to its founding principles, this would have been considered well developed.

0 1

Analyse why Logger Boards Ltd prioritises meeting environmental objectives when making operational decisions.

[12 marks]

KU

Logger boards prioritises meeting environmental objectives when making decisions as it is their main USP. A unique selling point is the thing that gives a product a competitive advantage better than offering the lowest price or in logger Ltd's case offering an environmentally friendly board. Logger boards sell in a niche market that want environmentally friendly surf boards. This means they are willing to spend more knowing their board was produced ethically and the business has the same values as them. If they prioritised profit objectives over environment objectives it would mean they may be cut costs leading to them becoming less environmentally friendly. This means they no longer use renewable energy and recycle water. This takes away the USP that ~~represents it as~~ which was previously very strong within the niche market.

This means customers values no longer align with the business making them less attractive Extra space to customers. This means they lose sales as demand falls as well as losing their main promotional source as people no longer want to follow on social media. This would mean fewer sales in the market and lead to the business eventually having to either shut down or change. This is dependent on if they just stay within the rich environmentally friendly board market as if they expand out to the surfboard market low cost surfboard market may be able to replace sales with those from a bigger market.

DP

Examiner commentary

A level 3 response. This is a nice example of one argument fully developed getting into Level 3 – addressing most of the demands of the question. The answer explores a range of issues relevant to the prioritisation of environmental objectives and includes a couple of examples of operational decisions. (11 marks).

Examiner tip

To move to 12 marks, there was scope to explore the operational decisions in slightly more detail.

Question 2

General feedback

This question presented a greater challenge to students. A notable minority showed a lack of understanding of the term 'organic growth'. In addition, some drifted away from analysing methods of growth, instead drifting into a discussion of sources of finance – thus not answering the question set.

The greatest challenge that most students faced was in being able to explain 'why' organic growth would bring certain benefits to Bodhi. Most were able to state what the benefit was to Bodhi, then explained why this benefit was useful. However, these arguments showed a significant missing link. Most commonly, students picked out that organic growth is less risky than external growth. Few managed to effectively explain why this was the case, however far more were able to link the lack of risk to Bodhi's attitude to risk. Typically, these responses achieved a reasonable level mark, whilst good responses needed the 'why' explained.

Student A

0 2 Logger Boards Ltd's growth has been organic rather than external.
Analyse why Bodhi may have preferred organic growth to external growth. **[12 marks]**

Bodhi has always wanted to 'minimise the level of risk involved in any business decision', therefore if he had made high risk decisions such as expansion he may have lost his whole business if it didn't work out and the business failed, this means that Bodhi has allowed Logger Boards to organically grow.

KU not a developed argument yet

Alongside this Bodhi has remained 100% shareholder of the business and he is 'concerned that a larger business may be harder to control, especially given his passion for ensuring that Logger Boards mission remains central. Through Bodhis want to keep the mission central, allowing him to grow organically allows him to remain at one with the

Extra space level he wants to be with the environment without forcing change unnaturally. As Bodhi ensures high quality and 'the very best recycled materials'. Through organic growth it has allowed Logger Boards to remain themselves, whereas if Bodhi had bought a mass market producer, he would have lost touch with what he set out to do.

Never quite answers WHY

Examiner commentary

A level 2 response. After a first paragraph that offers little development, the answer then builds a developed argument about control. However, at no point does the response manage to actually pin down why organic growth reduces the risk of Bodhi losing control. (7 marks).

Examiner tip

What was missing was explanation of why a larger organisation, such as may have been formed if Bodhi had taken over a rival, could be harder for Bodhi to control. If Logger had taken over a rival business, the organisational structure of the larger business would have either more levels (potentially disrupting vertical communication) or wider spans of control (lowering potential levels of supervision). With this explained within the argument, the response would have moved to the top level of the mark scheme.

0 2

Logger Boards Ltd's growth has been organic rather than external.

Analyse why Bodhi may have preferred organic growth to external growth.

[12 marks]

KU

One reason why Bodhi may have preferred organic growth to external growth is because organic growth is the less risky alternative of the two options. Bodhi 'has always aimed to minimise the level of risk involved' in his business decisions which provides an explanation as to why he chose to grow organically, by increasing sales for example, rather than grow externally and ~~take on~~ take on one of the mass market surfboard manufacturers when the opportunity arose. Bodhi's risk averse ~~nature~~ nature has resulted in Logger Boards preferring organic growth to external growth, as it is the more 'safe' of the two growth methods.

because?

Not quite managed to explain why differing work cultures cause greater risk.

Additionally a large percent of takeover gain to work for numerous reasons such as differing work cultures, this may well be a large/important factor in Bodhi's decision.

Ⓡ

A other reason why Bodhi may have preferred organic growth is ~~also~~ that it enables him to maintain control of the

KU Extra space business by → maintaining a consistent rate of growth. Bodhi has shared concerns over his capability to control a larger business ~~structure~~ and fears that ~~the~~ Logar Boards could lose sight of its mission if this was to happen. There is greater potential of this goal being actualised if Bodhi had opted to go external growth in the form of a takeover. ~~the~~ Logar Boards would have grown rapidly and caused Bodhi's greater concerns in the long term. Therefore this provides explanation as to why Bodhi chose organic growth, it limits the firm from growing rapidly and potentially experiencing degrading whilst also allowing Bodhi to remain in control of ~~the~~ business and ensure the mission of the firm remains the same.

DP

now giving us the 'why' these things follow from each other

one well developed argument, better than the first which was just developed... L3 = 11

Examiner commentary

A level 3 response. Though the first argument fails to explain in detail 'why' organic growth would be less risky, the second argument does end up with reasons as to why organic growth allows the retention of greater control. This second argument is well developed and therefore the answer scores 11 marks.

Examiner tip

This answer could have been improved by explaining that organic growth may be less risky as it eliminates potential dangers of external growth such as a clash of cultures.

Question 3

General feedback

The vast majority of students found this question accessible, often the case when a question asks students to analyse data provided within the case study. Some had trouble maintaining a focus on operational efficiency. Other causes of weakness included students who re-wrote the data in the table, producing purely descriptive responses, instead of exploring the impact of the data on operational efficiency. The best arguments looked to weave more than one aspect of the data into an argument illustrating potential causality between some of the data in the table and the potential implications of that. Evaluation at higher levels required some notion of balance – weighing up the arguments presented – in this case recognising that while some of the data looks positive, other aspects are not, though these may change if demand and thus output continue to rise beyond just the first year of operation in the new facility.

Student A

0 3 To what extent does the data in **Appendix A** suggest that building the new production facility will improve Logger Boards Ltd's operational efficiency? **[16 marks]**

The new building is set to increase productivity (units per worker per year) from 500 to 600 which will help Bodhi increase his reduced efficiency from the current space. This increased productivity means Bodhi and Logger boards can meet their ever growing demand, and therefore see an increase in revenue which will be beneficial as they have the loan to pay off. However

the environment is one of Bodhis core objectives to protect, and the new building is projected to decrease the % of waste that is recycled which goes against the core foundation of the business.

Following this, capacity (upx) is expected to grow from

needs a little more for development of this counter-point

2500 to 7500, while output is only expected to change from 2500 to 3000, This means they are not utilising their capacity and are therefore not being operationally efficient.

Examiner commentary

A level 2 response. A developed point was made in context, which indicates reasonableness, the counter-argument only showed limited development. However, the answer lacks an overall conclusion - there are snippets of judgement as each point is introduced, but the lack of a clear judgement brings this to the bottom of level 2 for 5 marks.

Examiner tip

The clearest and most effective improvement would be the addition of a final judgement, weighing up the two sides of the argument presented. Even without any sense of balance or weighing up, this would improve to a higher level 2 mark. More sophisticated arguments on the data and its impact on operational efficiency would be needed to move above level 2.

Student B

0 3

To what extent does the data in **Appendix A** suggest that building the new production facility will improve Logger Boards Ltd's operational efficiency?

[16 marks]

KU

One reason it will improve its operational efficiency is because there is an increase in productivity. Appendix A shows that units per worker per year should increase by 100 units. ✓ Bodhi employs 5 workers, so its output increases from 1500 units to 3000 ✓ units. This clearly shows an increase in efficiency as there is still the same amount of workers, with cost per unit also remaining the same despite the increase in output.

DP

However, this increase allows more units to be sold. Demand is expected to increase also, so the new increase in units produced will allow Logger to keep up with demand, therefore, increasing sales/revenue. Therefore, allowing for greater returns. However, costs actually increase

KU

for Logger which could show a decrease in efficiency. Firstly, the new facility has an initial investment of \$500,000. ✓ Fixed costs also rise by \$125,000, essentially being doubled. Therefore, fixed costs have doubled, but production output has only increased by 20%. So the gross change in costs is greater than the change in output, which is inefficient.

R

on the other hand it can be argued it does not improve its operational efficiency. This is because, the loggers boards always aims to be environmentally friendly in order to follow its mission statement.

BAL

However, in order to open its new facility, the percentage of waste they recycle actually decreases. therefore, they are sacrificing

Extra space

(R)

part of their mission statement in order to increase production. However, that could only be because it's their first year in the new production facility. As time goes on and they gain more experience in the facility, the amount of waste recycled may increase again.

DP

Another reason it will increase its

BAL

operational efficiency is that their capacity sees a dramatic increase of over 5000 units per year. This allows them to create and store more boards. therefore, they can be ready for surges in demand for example, and can produce at a higher scale. therefore, this will increase the level of profit they can earn as they are able to produce and store more in order to match demand.

(R)

To conclude, I think the new production facility will help operational efficiency to a large extent. Appendix A clearly shows a change in productivity, ~~and~~ output and capacity. Therefore showing an increase in efficiency. Although, it depends on if they can decrease their costs. If they can find a cheaper way to operate it, to decrease fixed costs, then efficiency will increase further. The most important factor is decreasing unit costs. Unit costs have remained the same, but the extent that efficiency has increased will become larger if they can decrease unit costs.

Examiner commentary

A level 4 response. Two well developed arguments, but perhaps this answer missed some chances to link data. The conclusion has balance and pulls out the impact on unit cost as a key determinant of the answer. (14 marks).

Examiner tip

Take opportunities to link pieces of data into causal arguments – for example, noticing that fixed costs per unit would be higher, yet total cost per unit would be unchanged meaning variable cost per unit must fall as a result of the new facilities.

Question 4

General feedback

Another question requiring the analysis of numerate data provided within an appendix. For this question, students were required to use both the appendix data and other information – either from the body of the case study text or other appendices. Most students showed an ability to interpret the charts shown in the appendix, able to recognise the contrasts between customers and followers. Better arguments managed to pull together the information from both graphs and link in other information from the case. Some even managed to back up arguments about high priced surfboards by calculating the selling price per board combining information from Appendix A and Appendix B. Most of the evidence seemed to lead to a conclusion suggesting that arguments against were stronger than arguments for. When building their judgements students should try to ensure that they assess the quality of their own arguments before deciding on their judgement – a response with one weak argument and one much stronger argument should come to a conclusion that ties in with that stronger argument. This was not always the case on this question.

Student A

yes: social media followers
AP C = 61% age 15-30yrs
Age profile = ↑ Tm by
bringing awareness as a
new "social media account on Instagram"
conc: NO: "grown without need for promotional exp. 11"
AP C: 60% of customers income come from customers
Do not write outside the box
= gives access to wider market
To what extent is Bodhi likely to be able to increase sales using his current approach to promotion?
Use Appendix C and other information to justify your answer.
[16 marks]

one the one hand, Bodhi ~~may~~ be able to increase sales with the current promotion strategy. As according to appendix C, they have 61% of their social media followers in the 15 to 30 years old demographic. Therefore, by ~~using~~ having a social media platform, loggers & boards are able to access a new age profile that are more digital. Therefore, increasing the target market by bringing awareness of their brand on their "social media account ^{on} Instagram", according to the case study. Therefore, this provides Bodhi with a larger

awareness there might not be a demand.

Alternatively, the current promotional strategy may not increase sales for Bodhi, as according to appendix C, figure 1, the age profile of Logger Boards Ltd customers is mainly between 41 to 50 years old. Therefore,

as 47% of their customers are in this age profile, Bodhi should have a promotional strategy that is better suited to this target market.

As Instagram according to the case study, Logger Boards Ltd have a "social media account on Instagram", which is not suited to this age profile. In order to increase sales Logger Boards should have their social media account of social media platforms such as Facebook or Twitter. However, the significance of success of changing the social media platform depends upon the number of customers that are on Twitter and Facebook rather than Instagram. As rise in awareness, increases sales.



Arguments are descriptive and assertive re age profile of social media users

Overall, I believe that the current promotional strategy is effective to increase sales. As according to the case study, Logger Boards has experienced "growth without the need for promotional expenditure".

EVAL

EVAL

X Therefore, Also according to appendix C, 60% of Logger Boards income comes from their current customers. Therefore, the promotional strategy does not have a significant impact on increasing sales. Although, it depends on other factors such as the current economy during a recession incomes are low so spending falls. Therefore, this leads to a fall in sales. Most important factor is ~~low~~ sales promotion will increase sales. Such as McDonalds, monopoly.

Q?

drifting

Examiner commentary

A level 2 response. Two developed (not well) arguments that slip into pure description rather than analysis (re-stating the case study, rather than explain why a piece of data leads to a consequence), and in effect a one-sided conclusion. (7 marks)

Examiner tip

The arguments presented could be more fully developed, but it's worth focusing on the conclusion of this response. It starts well but then contains an inaccurate statement (60% of Logger Boards income comes from their current customers) – something that should be avoided by checking the sense of any statements made using the data. The conclusion then drifts from the question – which did not ask how Logger should increase sales. The conclusion would be improved by weighing up the two arguments presented earlier in the answer.

Student B

0 4

If the new production facility is built, Bodhi will aim to increase sales.

To what extent is Bodhi likely to be able to increase sales using his current approach to promotion?

Use **Appendix C** and other information to justify your answer.

[16 marks]

Bodhi's current approach to promotion has been to rely solely on the gains of Instagram followers. This is unlikely to increase sales for reasons highlighted in Appendix C. Appendix C, Figure 1 shows that the majority of Logger Boards customers are between the age of 41-50 and they make up around 47% of the customer base. The customers within this age group are not active on social media platforms shown by only less than 10% of Bodhi followers being from the age group 41 to 50. This shows that if Bodhi is looking to increase sales, he will have to change his approach to promotion in order to better suit his target market in order to ~~increase~~ increase sales. Additionally, the average income of Logger Boards customers is £50,000+ which is unlikely to be the 15-30 age group who are most prominent on social media nearby

DP

(R) the promotion of products will likely be unsuccessful.

However, Bodini may be able to increase sales whilst continuing using his promotional approach of focusing on social media. Logan Boards target market will be surgeons who are environmentally aware.

Extra space ~~the~~ This is likely to result in the 15-30 age group that make up ^{around} 62% of Bodini's social media followers. Environmental sustainability has been a shift in consumer demand seen in recent years and is fuelled by the 15-30 age group. Therefore, Bodini's promotional approach is perfect for reaching the firm's target audience and is likely to result in increased sales without the need for change.

(R) Furthermore, the children within the 15-30 age group are not active on social media and unlikely to be classed as ~~the~~ customers as they will not have enough disposable income leading to parents purchasing from LB concluding with likely the 41-50 age group

DP

has so many customers. This is a potential limitation in Appendix C.

Overall, I believe that Bodhi should adapt his promotional approach if he wants to increase sales.

Focusing solely on social media will not allow LB to attract their most successful age segment and

should look to implement a promotional campaign, radio/TV advert which would more likely reach the age group 41-50.

Bodhi should remain focussing on social media as this will create brand loyalty and it is clearly already successful in raising brand awareness. However,

Bodhi should only accept this promotional approach if he implements one that is suited and will attract consumers within the 41 to 50 age group as

otherwise it will be ineffective and a waste of resources. Additionally,

Appendix C does not show enough data around LB's customers and therefore limits my judgement.

Examiner commentary

A level 4 response. Two well developed arguments with a focused conclusion that shows balance. An excellent response (15 marks).

Examiner tip

There are times that the response slightly loses focus on the specific question – 'will sales increase', getting distracted by explaining what Bodhi should do to increase sales – not fully focused on the question.

Question 5

General feedback

This question provides a nice example of the benefits of sticking very closely to answering the specific question asked. Responses that maintained a tight focus on the level of risk involved in taking out the loan scored well. This was especially evident where judgements were clearly focused on the level of risk. A further feature common to excellent responses was the calculation, interpretation and use of relevant financial ratios (gearing and current) in building arguments addressing the question. Weaker responses lost their focus on the question, variously by trying to analyse whether a loan was a good source of finance (without exploring risk), whilst some drifted to analysing whether the business should go ahead with its expansion plans. Recognising the time challenges presented by this paper, questions will often be tightly worded, enabling students to fully respond to the precise question succinctly, thus avoiding time problems across the paper as a whole. Responses that drift will both fail to reach higher levels of the mark scheme requiring focus to be maintained and also potentially use up time that they will need to respond to later questions.

Student A

0 5 Logger Boards Ltd has been offered a bank loan at 5% interest per year for the £500 000 needed to finance the building of its new production facility.

Using **Appendix B** and other information, to what extent is using a bank loan too big a risk for the business?

Use quantitative and qualitative information to justify your view. [20 marks]

Using a bank loan may be ^{too} ~~a~~ large a risk for the business, as they already have a lot of non-current liabilities. One piece of quantitative information is gearing. ^{KU} Logger boards Ltd has a high percentage of gearing ~~meaning~~ ^{meaning} they are being run on too many liabilities. Moreover, taking out a loan of £500,000 will increase the businesses expenses. We can therefore use another piece of quantitative data being that ~~the~~ ^{the} non-current liabilities will be at ~~£1900,000~~ ^{£1900,000}. This information tells me that the business will face high amounts of debt which may be

are there a lot?
Gearing is moderate at best. No calc done

^{KU}

is that bad?

a long time to pay off. It is therefore important, that the production is efficient in order to pay ~~on~~ all the ^(Q?) debts off. Overall, I believe that it is too big of a risk for the business.

Flawed use of the early data. Not really justified the evaluative c

On the other hand,

KU

R

just

R

EVAL

it can be argued that it is not too big of a risk. A reason for this is a piece of qualitative data, 'Demand for Logger Boards Ltd surfboards is expected to keep growing'. From this we can infer that sales will rise if the production rises. We can therefore say that Bodhi will be able to pay off the loan. Furthermore, 60% of Logger boards Ltd have annual incomes of \$50,000, this means that if prices were to rise to support paying off the debt, ~~customers will~~ most customers will be financially okay with paying the extra price. Therefore, I believe that using a bank loan is not too big of a risk.

Two arguments here both are only just developed

Extra space

In conclusion, I believe that using a bank loan is too big of a risk. One reason for this is that the gearing data does not support the idea of banking out ~~to~~ another loan. Instead the business may consider renting a cheaper warehouses, this will save ~~debts~~ the business from any large debts. When they have produced enough

capital they can then lower there non-current ? liabilities and then take out a large loan. Therefore, I believe that Logger boards Ltd should not take out a loan as it too big a risk.

flawed

Q?

reduce the loans to then increase them?

Examiner commentary

A level 2 response. There were arguments on both sides although some are flawed, but all are only just developed. Some data was used but nothing really calculated beyond adding up the new non-current liabilities total. The conclusion was based on a flawed analysis and also drifts to answer a slightly different question. Overall, a limited response, undermined by issues of understanding and focus (7 marks).

Examiner tip

Accurate calculation and then interpretation of Logger's gearing would have offered a far stronger first argument. Understanding the gearing ratio should enable you to work out when its calculation would be useful (as was the case here), but it is important that you show that you understand what the concept and result mean. The second argument was jumbled – it is sensible to plan what order issues should be included, in order for the logic of your argument to be clearer. No matter how good the conclusion, if it is based on flawed analysis, it will not score well.

Student B

bank loans is an agreed sum of money given to a person or business from a bank that has to be repaid with a certain amount of interest on it.

- KU** Firstly taking a bank loan out for any business is a risk, as it is taking the risk that the project will be successful and repay the loan quickly as well as being a risk that interest rates increase. Interest rates are the reward for investing and the consequence for spending. The first reason that the risk of using a bank loan is too big is the interest rate is that it is a long term loan, this means that it is likely the business will have several years to repay the loan, this can be seen as ideal due to the fact that it allows the business to implement the new project and have a chance to make profits before worrying about repaying the loan immediately however the 5% interest rate could see the return increase 25,000 just in the first year, this means that the business could end up being in a large amount of debt after a few years if unable to repay the loan quickly. Another reason why taking a bank loan with 5% interest may be risky for logger boards is due to Bodhi's want for control of the business when taking out a bank loan aspects of control are lost, due to being held to this loan, this means that Bodhi may need to cut costs elsewhere to ensure he can get rid of the debt as soon as possible. A bank loan with an interest at 5% is risky for any business, but is in particular risk for Bodhi who has always aimed to minimise risk, with risk there must be planning and Bodhi would need to have a contingency plan in place if everything were to go wrong. Bank loans can be a great way for a business to grow if they do not have the sufficient funds, however for a business like Bodhi that focuses on a niche market, holds his objectives central to everything he does as well as always aims to minimise risk, taking out a bank loan may be way too big of a risk for the business.
- R**

limited dev

However, looking at logger boards balance sheet and by calculating the ratios it could be argued

- that this bank loan may not be too big of a risk for the business due to their financial position. **KU**
- Firstly looking into the current ratio, the current ratio shows how well a business is able to cover their current liabilities with their current assets. Before the new production facility the current ratio is 2.05:1, this means that with every £1 in liabilities the business has they have £2 to cover it, some could argue that the business is not anywhere near becoming liquid, this means that it is likely the business could meet the demands of the bank loan with the 5% interest without too badly damaging the business's likelihood of becoming liquid, therefore looking at the current ratio (liquidity ratio) the business is in enough of a financially secure position to take on the loan. **R**
- The second ratio that can be looked at is the gearing ratio, gearing shows how high of financial risk a business is at, the gearing for the business currently is shown at 28% anything below 25% is known as low gearing and anything above 50% is seen as high gearing. Despite the business being just above the 25% which is considered low it is only slightly higher, this means that the financial risk of the business is low meaning that the overall risk of taking on a bank loan with an interest at 5% is not too big of a risk for the business. Both these statistics based on the balance sheet show that the business current financial position is very comfortable meaning that despite the risk any business would face taking out a bank loan, it is likely that this business can deal with it and the risk is not too high for the business. **DP**

In conclusion I would argue that for any business taking out a bank loan of £500,000 and an interest rate of 5% per year is a risk. However is it took big of a risk for logger boards Ltd, i would aruge that it is not, they are financially secure meaning they can deal with an increase in costs, that would be likely due to paying back the loan, however, the increase in sales and labour productivity would likely cover this cost, the bank loan is a long term loan so if the company is unable to pay it back immediatley they can wait until they are in a more comfortable position, however they would need to be aware of the 5% increase each year. We know that Bodhi tends to avoid risk, however he also needs to expand his business as the current working conditions are not suitable however after looking at his balance sheet it suggests that his business can cater for this increase in costs aswell as just quickly looking at the profits for the year being 230,000, this means that with profits the business is making before expanding the business could quickly repay the loan.

EVAL

EVAL

Examiner commentary

A level 4 response. One argument is developed, the second is well developed. Evaluation is strong and showed effective balance (16 marks).

Examiner tip

To reach the top level of response, the first argument needed to be developed, most obviously with more use of data from Appendix B.

Question 6

General feedback

This question, as is common for question 6s on Paper 3, proved challenging to students in two main ways. Firstly, many students failed to offer context to their responses, meaning that theoretical analysis could be credited, but a developed argument requires an aspect of context applied to the analysis. Though this may be by naming a specific business case (Logger Boards would have been credited), context may equally well be shown by illustrating a scenario in which an argument may be especially relevant (leadership may be more important to growth if existing and new staff are inexperienced or unskilled). The second common problem is the difficulty that students find in addressing all the demands of the question. In this case, many students were unable to effectively explore the 'growth strategy' aspect of the question, instead analysing the relative importance of leadership in business success in general. Some students struggled to offer any valid counter-argument, required for evaluative questions to show some balance.

Student A

0 6 Many businesses have a strategy of growth. not a lot of innovation.

To what extent does the success of a growth strategy for any business depend mainly on its leadership? [24 marks]

I believe that the success of a growth strategy does not depend upon the leadership, I believe it depends upon the ~~to~~ choice of growth strategy itself. For example, business can choose different pricing strategies, however, they must choose one that is suitable for the business. Lidl may choose loss leader as they are targetting lower income customers. ~~Loss~~ A loss leader is when the business sets their price at a loss to attract more customers. This pricing strategy would not work for Waitrose as a cheap price may give the incentive they have bad quality which is not their aim. ~~Another~~ Another example is how businesses choose

wouldnt that be the leader's decision?

KU

not quite

not really convinced of relevance

their growth strategy. The Blake Mouton grid is a useful ~~too~~ model which identifies a businesses price and market share. Businesses with products in the question mark section may want to hold on to their product

as it has high potential for growth. This model helps identify what sort of product they have and what they should do with it. Therefore, I believe, that the growth strategy depends upon the leadership style to very little extent.

very confused so far

On the other hand, some may argue that the success of a growth strategy does depend on it's leadership to a high extent. Businesses that want to produce a lot of products in order to grow should use a autocratic leadership style.

KU

please explain why

This style sees employees as resources used for production, ~~the~~ managers tell employees what to do and they do ~~follow~~ as told. This style suits business in a low skilled production. It allows for production to be at it's highest possible level allowing

for businesses to sell as many products as possible, therefore leading to more revenue and higher profit margins.

Ⓜ

Only just about developed

Extra space

In conclusion, I believe that a growth strategy does not depend upon

the leadership style. ~~There~~ There are many other factors and often in Autocratic leadership the employees are less satisfied so will not work as hard. Employees don't want to be treated like robots. Therefore, in order to have a successful ~~leadership style~~ ~~a business~~ growth strategy a business should focus on choosing a suitable growth strategy.

EVAL

?

Examiner commentary

A level 2 response. There are several times that arguments do not make sense (Eg arguing that leadership is less important than the choice of strategy is odd, since the leader will ultimately decide what strategy to pursue). The only argument credited as developed was only just developed, while any evaluation based on flawed arguments will not be credited as having any justification (7 marks)

Examiner tip

Think carefully about what you choose to say and how you choose to say it. Just make sure that before embarking on building an argument it is relevant and logically ties in with the question.

Student B

06

Many businesses have a strategy of growth.

To what extent does the success of a growth strategy for any business depend mainly on its leadership?

[24 marks]

The success of a growth strategy is dependent mainly upon its leadership. This is seen throughout many businesses such as Tesla. Tesla have grown significantly in recent years and much of the success has been attributed to ~~the~~ Elon Musk for his innovative, entrepreneurship and risk taking style. Growth strategies can be organic or external both of which are not easy to successfully achieve and can be risky yet reap large rewards. Firms with a leader who is adverse and prudent to risk as seen in Balthi a Logger Boards case may not grasp opportunities when presented as result in less success in a growth strategy for the business as a result. Leaders that strive for growth and look to achieve it through any means are more likely to be successful in the growth strategies implemented due to the drive and ambition

(R)

provided. Furthermore, the experience of a leader will also impact the success of a growth strategy. The greater experience a manager has, the more considered they will possess and in turn take greater risks. Growth will very unlikely ever occur without risk taking and the attitude to risk taking will come from the leader. Therefore, rightly or wrongly, the success of growth strategies for businesses depend on its leadership.

(DP)

However, the success of growth is and can be determined by many factors, not just leadership. External factors such as new technology or new laws being passed will also contribute to a business's growth despite these being out of their control.

(KU)

For example, the new laws around diesel and petrol cars will have contributed to Tesla's successes, some would

(BAL)

(R)

argue more than Elon Musk. Additionally, things that were selling hand sanitizers and masks before the pandemic did not experience growth through and decisions made by its leaders but

external factors of Covid which increased demand for goods for their products which led to growth in the business. This ~~illustrates~~ emphasizes that growth is not mainly dependent on its leadership and that growth strategies can be effective without large inputs from their leaders.

Overall, I believe that ^{the success of} growth strategies ~~is~~ is not dependent on a firm's leadership for any business. For a large number of firms the role of leadership will be integral to the achievement of growth strategies however this can not be said for any/all business. Both is not adverse yet this has not limited Rogers' Board from achieving growth strategies. As mentioned Tesla have achieved their outlined growth strategies which is in part due to external factors. Therefore ~~to~~ the success of growth strategies is not mainly dependent on a firm's leadership but a combination of external factors such as Covid and internal factors widely

EVAL

leadership. I think in the long term growth will be more greatly influenced by a firm's leadership. However, a firm will always be subject to an ever changing external environment. Firms will need to respond ~~and~~ accordingly to in order to achieve successful growth strategies.

Examiner commentary

A level 4 response. Good response, arguments are well developed on both sides of the question. There are some loose ends that emerge within the conclusion as issues raised earlier are not addressed within the weighing up (18 marks)

Examiner tip

Great evaluation can be seen as tying together all of the issues raised earlier in the answer. Conclusions should be seen as unique to your response – has the evaluation fully flowed from the arguments put forward elsewhere in the answer. This helps to explain why it is not usually a good idea to try to introduce new arguments after writing an evaluative conclusion – these will need have been included in the weighing up.

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