# Examiners' Report
# Principal Examiner Feedback
# Summer 2019

Pearson Edexcel Advanced Subsidiary in Business (8BS0)

Paper 2: Managing Business Activities

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**Introduction:**

This report provides feedback on 8BS02 'Managing Business Activities', the second paper which comprises the AS Level qualification in Business. This report should be used by centres to provide teachers and students with guidance as to how to approach the various question types going forward. It could be used to fine-tune the approach candidates' use in answering the questions. This year the Examiners' Report will not contain any exemplars of candidate performance but I will continue to highlight common areas of misunderstanding, mistakes and places where teachers and candidates can make some easy gains in terms of performance.

This year, the performance of the cohort was somewhat lower than in previous years with the mean mark falling to 34.9/80 in 2019. As a basis for comparison, the mean was 36.1/80 in 2018 and 41.9/80 in 2017. Thus, average performance has declined by a further 3.3% this year. This decrease in candidate performance was mirrored by a decline in the mean in 8BS01 'Marketing and People'.

Presumably the AS Level qualification is now being used by centres as a filtering mechanism to prevent weaker, less motivated students continue on to Year 13 or perhaps as a 'backstop' where Year 13s are entered for the AS Level instead of the full A Level to prevent a poor grade being achieved.

**Question 1(a):**

Candidates generally had some understanding of what 'job production' was. The mistakes that were made by candidates were to offer a definition which could also apply to batch production e.g. 'It is where machinery is used' or 'the products all go through one stage before they embark on another'. The mean mark on this question was 1.02/2.

As has been recommended in the past, a definitions sheet could allow candidates to secure 8 marks on 'what is meant by....' questions. These questions represent 10% of the available marks on the paper.

**Question 1(b):**

There were very few 1 mark responses to 'What is meant by margin of safety'. Candidates either understood the term and scored 2 marks or had no idea and scored zero marks. Candidates who demonstrated some understanding by stating 'it where output can fall until the firm no longer makes a profit' scored 1 mark.

Unsurprisingly, the mean mark was only 0.79/2.

**Question 1(c):**

Of the three calculate questions, this question was one of the best-answered. Most candidates could offer an accurate formula, workings and the correct answer. More than half of the candidates who sat this paper scored full marks on this question and the mean mark was 2.18/4.

Considering 10%, of the AS qualification has to test quantitative skills, it should be straightforward to predict how many marks of 'calculate' questions there will be on 8BS02 after 8BS01 has been sat.

Thus, as Principal Examiner I still find it surprising that candidates are not learning formulae and practising answering these kind of questions. With 12 marks of 'Calculate' questions on this year's paper – this question style represents 15% of the available marks.

### Question 1(d):

This question was well-answered and was the best scoring of the three 'Calculate' questions. Candidates were able to calculate the net profit margin, but many lost a mark by not giving their answer to two decimal places. The overall mean was 2.80/4 and over half of the cohort scored full marks.

### Question 1(e):

This question was badly answered with too many candidates having a very shaky understanding of what share capital actually is. Many candidates thought that it needed to be 'paid back' whilst others said that the business would not like to use share capital because it would 'lose profits'. Other candidates seemed to think that the main benefit of share capital was that shareholders could then provide 'help and advice' to the company. This may be true in an Ltd, but is much less likely to be the case in a plc. Responses to this question were generally marred by lack of accurate, technical understanding.

Overall, this question generated a mean mark of 3.17/8.

### Question 1(f):

This should have been a straightforward question, but a significant minority of students managed to over-complicate their answers despite writing the mnemonic 'SPICED' at the top of their response. The problem seemed to stem from the fact that when the £ depreciates candidates seemed to think that this was bad for exporters because each item sold was priced less in US$ so therefore Fevertree would receive less in £. There was a limited realisation that with a weaker exchange rate a lower price in US$ could generate the same in £ or that sales in the US would undoubtedly rise.

The best candidates managed to bring PED into their answers and considered the extent to which Fevertree's imported raw materials would increase the ATC of a bottle of tonic water relative to the increased sales in its export markets.

The mean mark for this question was 3.79/10 and the standard deviation was 2.46, showing the significant quality spread of responses.

### Question 2(a):

This was one of the weakest of the four 'What is meant by the term…' questions. Candidates found it difficult to articulate what 'working capital' is, with an average mark of 0.81/2. Again, this problem could have been solved if candidates had spent time learning formulae, since 2 marks were available for 'current assets – current liabilities'. A sizeable minority thought that the term was related to the recruitment and payment of employees.

**Question 2(b):**

Most candidates were able to score 1 mark on this question by giving some idea that stock at Brantano might be shoes held in a warehouse. The best candidates articulated at least two clear forms of stock out of a choice of 'raw materials, work in progress and finished goods'. The mean mark on this question was 1.25/2.

**Question 2(c):**

This question really exposed candidates' weaknesses in being able to articulate the difference between cash and profit. More often than not candidates either scored zero marks because they simply had no idea or scored one mark because they were able to offer either a definition of cash or profit. This is a difficult topic area that candidates simply do not have sufficient technical understanding of. It will be tested again in future examination series.

Unsurprisingly, the mean mark on this question was very low at 0.93/4.

**Question 2(d):**

This was the final 4 mark 'Calculate' question on the paper. Many candidates knew the formula for the 'current ratio', but were unable to calculate the current assets and current liabilities in order to deduce the correct answer. Thus, lack of true understanding resulted in the modal mark for this question being 1/4 and the mean mark was 1.33/4.

**Question 2(e):**

The main issue with this question was that some candidates turned it into a general 'holding stock' question and disregarded the question's focus on 'buffer stock'. Thus, a significant number of responses, just focused on the benefits and drawbacks of 'just in case' stock control.

The best answers focused on the fact that popular shoes sizes would run out quickly and that the market was dynamic and relying on buffer stock would mean that Brantano would increasingly become reliant on out of date trainers. One student considered the difference in depreciation between trainers and shoes arguing that trainers were sold in a much more dynamic market and as a result the impact on Brantano depended on the mix of buffer stock that it held.

Sadly, answers of this quality were few and far between. The mean mark was 3.59/8.

**Question 2(f):**

Many candidates turned this question into a comprehension exercise and re-phrased the case study without creating any developed strands of analysis. The majority of students produced answers which focused on the fact that economic uncertainty was a contributing factor in Brantano's failure but the more immediate problem was poor working capital. These answers scored in Level 2/ Level 3 depending on the quality of analysis and analysis demonstrated.

Candidates should remember that re-writing the case-study will only yield minimal marks, since the case study is designed to allow for contextualisation but is written

in a way so that long chains of analysis cannot be simply be copied and extracted from it.

The modal mark on this question was 3.99/10.

**Question 3:**

Despite the fact that this question is supposedly the hardest question on the paper it was reasonably well-answered. This is perhaps due to the fact that the Theme 1 element 'competitive pricing' was fairly straightforward and the two options were linked back to 'profit'. Nevertheless, the main barrier to performance tended to be the over use of the case-study as being the root source of a candidates' answer and the use of common-sense business understanding. Opportunities for bringing in PED and to relating it to the competitiveness of the supermarket industry were missed by many candidates and 'innovation' was more often than not articulated in a general sense rather than linked to a grocery retail environment.

Thus, most answers lacked the rigorous chains of logical development required to reach level 4. Most answers were awarded mid-Level 2 to mid-Level 3 marks.

The mean mark was 9.89/20.

**Paper Summary:**

Based on the exemplars that have been seen by the Principal Examiner, centres and candidates are offered the following advice:

- Learn the key terms in the specification. This could account for as much as 10% of the marks available on the paper.
- Learn the formulae in the specification and set out 'calculate' questions clearly. Across 8BS01 and 8BS02 10% of the marks available have to be quantitative-based.
- In 'explain how' questions recognise that 2 of the 4 marks available are for application.
- Recognise that 8 mark 'Assess two…' questions do not require a conclusion.
- Recognise that 20 mark 'choice' questions will test understanding over both of the themes, since these questions are synoptic in nature