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SGCSE BUSINESS STUDIES**Paper 6897/01****General Comments:**

Misconception of key terminology mired the ability of candidates to score high marks particularly in Questions 1(a), 1(c),1(e),2(a),2(d),3(a),3(c) and 4(c).

Misinterpretation or failure to read the entire question hindered candidates from correctly answering certain questions. Thus, many candidates mistakenly thought that 1(b) looked for examples of **'stakeholders'** instead of **'stakeholders' interests**. Many candidates also wrongly assumed that 1(e) sought a discussion on the merits and demerits of a bank loan yet the question wanted the candidates to argue if the nature of Moya Industries as a private limited company, viability of its products, market conditions, and its performance would convince a bank to easily offer the company a loan.

A substantial number of candidates inaccurately thought that an economic boom meant social unrest or economic difficulty faced by businesses.

Candidates should be reminded that in part (c) of each question **two** marks are available for application to the business outlined in the question. Explanations that do not make use of the information provided in the question are unlikely to score highly. Thus, many candidates struggled to show suitable application where required.

Candidates are also reminded that in part (d) of each question **three** marks are available for demonstrating knowledge, application, and analysis for each of the two points required to answer the question. Many candidates struggled to score high marks in part (d).

A significant number of candidates showed an attempt to do the required evaluation in part (e). Full marks were rarely awarded because candidates either did not make a decision or the decision made was not linked to the knowledge and analysis presented. The concluding statement frequently repeated the information within the rest of the answer or provided a decision without justification.

Several considerations might help enable candidates to achieve higher marks by using their knowledge to develop answers in a better way.

Candidates should be encouraged to:

- Learn precise definitions and appropriate analysis
- Use a different piece of application for each new point identified.
- In part (e), candidates should be reminded of the importance of making reasoned judgments.

Comments on Specific Questions

Question 1

Case1: Moya Industries Pty (Ltd) is a producer of soaps and detergents (cleaning chemicals). Current market information shows an increase in the demand for soaps and detergents in Eswatini. The stakeholders of the company like to make their interests known. Some shareholders suggested that the business must maintain its flat organisational structure while another group prefers a taller organisational structure to make delegation easier. The directors want the company to acquire a bank loan to support its future expansion.

(a) Define the term 'stakeholder'.

Command word explanation: 'define'- give a precise meaning of a word or concept

Concluding comment: Many candidates were able to give clear and precise definitions of this term. A common error was to confuse the meaning of a 'stakeholder' and 'shareholder'. Marks were not awarded to candidates who mistook a stakeholder for a shareholder.

Example of good response/ content

- A person, group, or organisation that has a direct or indirect interest **[k]** in the existence of a particular business. **[k]**

Example of weak response/content

- Anyone who works for a particular business. **[k]**

(b) Identify two examples of stakeholders' interests at Moya Industries

Command word explanation: 'identify'- give, name, select, recognise or state relevant fact (s) or point.

Concluding comment: A large number of candidates were not able to gain full marks on this question. A common error was a failure to read the whole question in its entirety thus many candidates stated examples of 'stakeholders' instead of relevant 'stakeholders' interests'.

Example of good response/ content

A maximum of **two** knowledge points [**2k**] including:

- Dividends/profit for shareholders. [**k**]
- Expansion/growth for managers. [**k**]
- Survival or continuity for any stakeholder. [**k**]
- Reputation/goodwill for owners. [**k**]
- Good salaries for workers. [**k**]

Example of weak response/content

A maximum of **1** relevant knowledge point [**1k**] including:

- Shareholders look for dividends. [**k**]

(c) Explain two disadvantages of delegation to Moya Industries Pty (ltd).

Command word explanation: - 'explain' – give reasons why something is as it is like or how it works. Give reasons like '**because**' or '**so that**' to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: This question caused some misunderstanding. Weaker candidates confused the concept of '**delegation**' with '**decentralisation**'. Other candidates ignored the instruction of the question and went on to discuss '**advantages of delegation**' instead of the disadvantages of the concept. Full marks were not awarded to candidates who did not apply their responses to the case.

Example of good response/ content

A **maximum of 2 marks** are awarded for discussing **each point** showing **knowledge** and **application** accompanied by **analysis**:

- Subordinate may lack the required knowledge and skills to perform the delegated task **[k]** thus might make mistakes in the soap factory. **[app]**
- Subordinate may underperform **[k]** as credit for producing quality soaps might go to the delegator instead of the soap makers. **[app]**
- Subordinates may be given boring tasks **[k]** thus they would lose interest in producing soaps. **[app]**
- Lower morale **[k]** as boss would be accused of bias by other firm workers. **[app]**

Example of weak response/content

A **maximum of 1 mark** is given in each point for **knowledge**. No marks are given for **application** since the answer does not fully respond to the question set and the explanation ignores the case:

- Subordinates may be given boring tasks and they won't respond well. **[k]**

(d) Explain two advantages to Moya Industries Pty (ltd) of maintaining a flat organisational structure.

Command word explanation: - '**explain**' – give reasons why something is as it is like or how it works. Give reasons like '**because**' or '**so that**' to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: Several candidates ignored the adjective 'flat' and rushed to explain the advantages of an organogram in general terms. Only the strongest answers clearly articulated the possible advantages of a flat organisation to the company mentioned in the case.

Example of good response/ content

A **maximum of 3 marks** are awarded for discussing **each point** showing knowledge, application, and analysis:

- Quicker communication **[k]** as the shorter chain of command is established in the soap making business. **[app, an]**
- Faster approval of production decisions **[k]** as the chain of command is shortened. **[app, an]**

- Wider spans of control **[k]** thus direct control of the company's workers will be enhanced. **[app, an]**
- Improved coordination **[k]** thus the company supervisors would be empowered to control their subordinates more effectively. **[app, an]**
- Fewer management posts **[k]** thus low labour costs incurred by the firm. **[app, an]**

Example of weak response/content

A **maximum of 1 mark** is given for knowledge in each point. **No marks** are given for **application** and **analysis** since the answer does not fully respond to the question set and the explanation ignores the scenario given in the case:

- Fewer management posts will be available in the structure which can mean a small number of supervisors. **[k]**

- (e) **Do you think that Moya Industries would find it easy to acquire a bank loan to finance its expansion? Justify your answer.**

Command word explanation: 'Justify'- make a balanced argument about something by taking into account all sides of the argument and then offer a well-supported judgment, opinion, or recommendation. Or make clear the arguments that support a course of action.

Simple procedure:

- Give a positive view and then support it with relevant explanation (knowledge/application + analysis)
- Give a negative view and then support it with a relevant explanation (knowledge/application + analysis)
- State your decision and support it with a relevant explanation (evaluation)

Concluding comment: Several candidates mistakenly thought the question sought a discussion on the merits and demerits of a bank loan. Such answers could not be credited as they did not answer the question set. The strongest answers correctly based their arguments on the facts given in the case. For example, they focused on the nature of Moya Industries as a private limited company, viability of its products, market conditions, assets/collateral as well as prospects and further noted that the performance of the company would convince a bank to easily offer it a loan.

Example of good response/ content**Positive viewpoints could include:**

- The business is experiencing demand for soaps and detergents **[app]** thus bank could be convinced to offer the loan. **[an]**
- The board is showing commitment to success by changing the company to a flat structure and seeking expansion **[app]** thus the bank would respect that attitude. **[an]**
- The business is a private limited company **[k]** thus the bank would be ensured of its continuity. **[an]**
- The firm already has experience in the soap market **[app]** thus the bank could consider it as a low-risk business. **[an]**

Negative view-points could include:

- The company has limited capacity to raise more capital from the public **[k]** thus it would struggle to repay the loan. **[an]**
- Moya Industries Pty Ltd may have many big competitors like Omo and Sunlight **[app]** thus it might not make high profits as expected in the soap making industry. **[an]**
- The company's flat structure suggests that it is a small business **[app]** thus the bank might consider it a high-risk business. **[an]**

Example of weak response/content

A maximum of **three** stated points showing limited **application**, **analysis**, and weak or no **evaluation**:

- The business is a private limited company with continuity which is important for loan repayment. **[k]**
- The company has limited capacity to raise more capital by selling more shares to the public. **[app]**

Example of a good essay

Moya Industries Pty Ltd proves viable as it currently experiences high demand for its soaps and detergents **[k]** thus the bank could be convinced to offer the company the required loan **[an]** However, the business is operating in an industry dominated by stronger competitors like Omo and Sunlight **[app]** thus the bank might not be sure of its survival and then refuse to approve the loan. My view is that Moya Industries Pty Ltd would find it easy to acquire the loan as it has

already acquired experience in the cleaning chemicals industry [app] thus the bank would consider it a low-risk business. [ev]

Question 2

Case 2: Sinex plc is a local producer of soft drinks. The business wants to recruit a Chief Executive Officer (CEO) with proven experience as an effective manager. The candidate must also have an excellent understanding of how to ensure the quality of soft drinks. The CEO must also have marketing skills so that efficient distribution channels can be selected for the company's products. The position comes with an attractive salary and non-monetary benefits. Meanwhile, senior managers at Sinex plc are unhappy that the company has decided to use external recruitment for the post.

(a) **Define the term 'effective manager.'**

Command word explanation: 'define'- give a precise meaning of a word or concept.

Concluding comment: The term was generally well understood by candidates. However, some candidates did not get full marks because they only focused on defining the term '**manager**' while omitting the adjective '**effective**'.

Example of good response/ content

- A leader or boss [1k] who is successful in guiding subordinates to meet the objectives or targets of the company [1k]

Example of weak response/content

The answer defines only **one** of the **two** words mentioned and omits the other:

- A manager who can achieve set targets before the deadline.

(b) **Identify two ways of ensuring the quality of soft drinks.**

Command word explanation: 'identity'- give, name, select, recognise or state relevant fact (s) or point

Concluding comment: Weaker candidates often stated general points or ways of improving quality without any reference to the soft drink business. Stronger candidates were able to identify specific ways that a soft drink business could use to improve its products.

Example of good response/ content

- Hire qualified engineers or chemists. [k]
- Training workers. [k]
- Introduce Total Quality Management (TQM). [k]
- Design attractive portable packaging. [k]
- Differentiate the soft drinks according to customer tastes and preferences. [k]

Example of weak response/content

Candidates stated at least one general point or way of improving quality without any reference to the soft drink business:

- Budgeting for quality control issues. [k]

(c) Explain two non-monetary benefits that Sinex plc might offer to the new CEO.

Command word explanation: - 'explain' – give reasons why something is as it is like or how it works. Give reasons like '*because*' or '*so that*' to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: This question was well answered by the majority of candidates who were able to identify and explain the type of non-monetary rewards that the soft drink business could offer its CEO. Candidates who did not apply their responses to the case earned fewer marks.

Example of good response/ content

A **maximum of 2 marks** are awarded for discussing **each point** showing **knowledge** and **application** accompanied by **analysis**:

- Share ownership [k] so that the CEO would work hard as part-owner of the company. [app]
- Children's education [k] so that the CEO would have less financial burden. [an]
- Company car [k] so that the CEO would feel elevated in status thus motivated to help the company achieve its targets set. [an]
- Provision of security [k]so that the CEO would feel protected at home and in the workplace. [an]

Example of weak response/content

A **maximum of 1 mark** is given for **knowledge** but **no marks** for **application** since the answer does not fully respond to the question set and the explanation ignores the scenario given in the case:

- Rewarded with more responsibility **[k]** so that the worker would feel important and be encouraged to put more effort.

(d) Explain two factors that Sinex plc could consider in selecting suitable channels of distribution.

Command word explanation: - '**explain**' – give reasons why something is as it is like or how it works. Give reasons like '**because**' or '**so that**' to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: A significant number of candidates did not do well in this question. A common mistake was to list all types of possible distribution channels that the company could use to avail its products in the market. Stronger responses correctly identified and explained relevant factors that the soft drink company could use as **criteria for selecting a suitable distribution channel** for its products.

Example of good response/ content

A **maximum of 3 marks** are awarded for discussing **each point** showing knowledge, application, and analysis:

- Sinex plc would consider the shelf life of the beverages **[k]** to find direct distributors with temperature control vehicles **[an]** to maintain the quality of the soft drinks. **[app]**
- The company would have to study the reputation of the available middlemen **[k]** so that customers can perceive the beverages **[app]** in a positive light. **[an]**
- Sinex plc would be careful about the cost of middlemen **[k]** to prevent an increase in distribution expenses of the drinks **[app]** leading to higher prices. **[an]**
- Sinex plc can study the location of the market **[k]** to find a suitable channel to supply the beverages **[app]** at the right time without increasing costs. **[an]**
- Marketing objectives of the company **[k]** to find a distributor that will deliver suitable quantities of drinks demanded by the market **[app]** thus meeting the targeted revenue for Sinex. **[an]**

Example of weak response/content A **maximum of 1 mark** is given for knowledge in each point. **No marks** are given for **application** and **analysis** since the answer does not fully respond to the question set and the explanation ignores the scenario given in the case:

- Sinex plc can look for someone with suitable transport means to make it easy to do business. **[k]**

(e) Do you think that Sinex plc would benefit from using external recruitment to hire the CEO? Justify your answer

Command word explanation: ‘Justify’- make a balanced argument about something by taking into account all sides of the argument and then offer a well-supported judgment, opinion, or recommendation. Or make clear the arguments that support a course of action.

Simple procedure:

- Give a positive view and then support it with relevant explanation (knowledge/application + analysis)
- Give a negative view and then support it with a relevant explanation (knowledge/application + analysis)
- State your decision and support it with a relevant explanation (evaluation)

Concluding comment: A substantial number of candidates were able to answer this question. However, weaker responses could not explain how external recruitment of the CEO could either be beneficial or disadvantageous to the business. A limited number of candidates forgot to either take a stand or justify it.

Example of good response/ content

Positive viewpoints could include:

- External recruitment could bring in fresh talent **[k]** thus the firm get new skills and ideas to help it develop improved brands **[app]** of soft drinks such as those with less sugar content. **[an]**
- Wider choice of candidates **[k]** thus Sinex would be able to select a more suitable CEO **[app]** to lead the company. **[an]**
- New culture would be introduced **[k]** as the external recruit **[app]** would bring new strategies and methods of winning competition in the soft drink industry. **[an]**

Negative viewpoints could include:

- The external recruit may have limited understanding of the new environment [k] thus conflicts among the workers would arise at Sinex as existing employees [app] can claim they were more suitable for the job. [an]
- Increased expenses [k] as recruitment agencies [app] would charge Sinex high fees for the recruitment process. [an]
- There would be resignations [k] as existing qualified managers who were competing for the post of CEO [app] would decide to leave Sinex for better opportunities in other companies. [an]

Example of weak response/content

A maximum of **three** stated points showing limited **application, analysis,** and weak or no **evaluation:**

- Increased expenses [k] as agencies would charge Sinex high fees.
- Fresh talent [k] would bring new skills and ideas into the company.

Example of a good essay

External recruitment could bring a CEO with fresh talent [k] thus the firm will get new skills and ideas to help it develop improved soft drink brands [app], such as those with less sugar content [an]. However, resignations might occur [k] as existing qualified managers who wanted the post [app] could decide to leave Sinex for better opportunities in other companies [an]. In my view, Sinex could benefit from external recruitment because the firm will have a wider pool of candidates from which to select the best recruit for the CEO's position [2ev].

Question 3

Case 3: Sweetmelt is a large domestic producer of confectionery products (sweets and chocolates). The management of the company believes that the business could benefit from globalisation. Market research has shown that Sweetmelt has the potential to compete in the global market. However, Sweetmelt has been warned about the effects of exchange rate changes in international trade. The company has decided to set up international factories in the African regional trade blocs of which Eswatini is a member. Sweetmelt plans to use flow production methods in its international factories.

(a) Define the term “globalisation.”

Command word explanation: ‘define’- give a precise meaning of a word or concept

Concluding comment: This term was well understood. Strong answers gave precise definitions often stressing that the process of globalisation involves the ‘**removal of trade barriers to allow for the spread of technology, products, capital, services, and labour among countries of the world**’. Some candidates were confused and provided shallow definitions such as ‘**it is when two or more countries trade with each other**’.

Example of good response/ content

The process by which people and goods move easily across borders [k] due to the reduction or removal of trade barriers among the countries of the world [k]

Example of weak response/content

1 mark is awarded since there is no mention of what facilitates the process.

- It is when many countries trade with each other. [1k]

(b) Identify two reasons why Sweetmelt would want to globalise its operations.

Command word explanation: ‘identify’- give, name, select, recognise or state relevant fact (s) or point

Concluding comment: The majority of candidates gained both of the marks available for this calculation. Those who did not gain both marks often forgot that the ‘**reasons for globalisation**’ translate to ‘**benefits or advantages of globalisation**’.

Example of good response/ content

Two knowledge marks are awarded for stating **two relevant reasons**. **Note** that to corporations such as Sweetmelt, the reasons for globalisation are **primarily economic** and could include:

- To penetrate new markets/expand market share.
- To exchange business ideas with advanced corporations.
- To learn and introduce new service culture.
- To develop and distribute products very quickly.
- To get new opportunities for expansion and growth.
- To access cheaper raw materials in other countries.
- To Diversify business risk.

- To acquire cheap labour/low labour costs.
- To access efficient technology and infrastructure.

Example of weak response/content

A **maximum of 1 knowledge** mark is awarded for a statement of **one or two vague reasons that are not primarily economic**, including:

- Ability to reach many countries
- Opportunity to cross the borders

- (c) **Explain two ways in which exchange rates changes might affect the success of Sweetmelt.**

Command word explanation: - '**explain**' – give reasons why something is as it is like or how it works. Give reasons like '**because**' or '**so that**' to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: This was one of the most challenging questions for candidates on the paper. Many candidates were unable to show understanding of the effect of exchange rate changes on international businesses. A common error was to state that the value of the local currency could either appreciate or depreciate without explaining how those changes could affect the international business mentioned in the case. Only the strongest candidates were able to explain the impact of exchange rate changes on the confectionery business.

Example of good response/ content

A **maximum of 2 marks** are awarded for discussing **each point** showing **knowledge** and **application** accompanied by **analysis**:

- Reduced price of imported sweeteners [app] as local currency appreciates thus more cost savings for Sweetmelt. **[1app]**
- Increased price of confectionery exports **[k]** as local currency appreciates thus low revenue earned by Sweetmelt. **[app]**
- Increased price of imported raw materials as the local currency depreciates **[k]** thus higher production costs for Sweetmelt. **[app]**
- Increased demand for Sweetmelt's exports as the local currency depreciates **[k]** thus earning more revenue. **[app]**

Example of weak response/content

A **maximum of 1 mark** is given for **knowledge** but **no marks** for **application** since the answer does not fully respond to the question set and the explanation ignores the scenario given in the case:

- Currency appreciation **[k]** will cause a fall in demand for the company's products and it will obtain less revenue.

(d) Explain two benefits that Sweetmelt could gain from the African regional trade blocs.

Command word explanation: -'explain' – give reasons why something is as it is like or how it works. Give reasons like '*because*' or '*so that*' to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: Candidates clearly understood the concept of economic integration and the potential advantages for businesses trading within regional trade blocs of which their country of origin is a member. Good answers often explained the potential benefits concerning access to lower labour costs, cheaper raw materials, reduced tariffs, a larger market, and more opportunities for diversifying business risk. A common error among weak candidates was to mistakenly state **benefits relevant only to a country** as opposed to **an individual business**. Such responses were not awarded marks and included loss of economic sovereignty, high economic growth or GDP, and increased national security.

Example of good response/ content

A **maximum of 3 marks** are awarded for discussing **each point** showing knowledge, application, and analysis:

- Lower production costs **[k]** as Sweetmelt would set up factories **[app]** in African countries where wages are lower. **[an]**
- Cheaper raw materials **[k]** as Sweetmelt would source ingredients like chocolate or cocoa **[app]** from the African countries where new factories would be built. **[an]**
- Reduced transport costs **[k]** as Sweetmelt could locate its production facilities **[app]** will closer to the market. **[an]**
- Diversified risk **[k]** as Sweetmelt would minimise the possibility of business failure **[app]** by operating within the protected markets **[app]** of different countries. **[an]**

Example of weak response/content

A **maximum of 1 mark** is given for knowledge in each point. **No marks** are given for **application** and **analysis** as since the answer partially responds to the question set and the explanation ignores the scenario given in the case:

- (e) **Do you think that Sweetmelt should introduce flow production methods? Justify your answer.**

Command word explanation: - '**Justify**'- make a balanced argument about something by taking into account all sides of the argument and then offer a well-supported judgment, opinion, or recommendation. Or make clear the arguments that support a course of action.

Simple procedure:

- Give a positive view and then support it with relevant explanation (knowledge/application + analysis)
- Give a negative view and then support it with a relevant explanation (knowledge/application + analysis)
- State your decision and support it with a relevant explanation (evaluation)

Concluding comment: Many candidates produced answers that failed to distinguish between batch production and flow production. However good responses focussed on the advantages and disadvantages of flow production and their possible impact on the confectionery business.

Example of good response/ content**Positive viewpoints might include:**

- High volume of standardised chocolate products **[app]** will be produced **[k]** thus Sweetmelt will be able to meet the demand of the regional market. **[an]**
- Economies of scale will be generated **[k]** as Sweetmelt engages in mass production of sweets **[app]** leading to a decline in production costs for the business. **[an]**
- High quality of sweets will be maintained **[k]** as flow production method is monitored against standards thus defects/faulty products are removed. **[an]**

Negative viewpoints might include:

- Lack of motivated workforce at Sweetmelt **[k]** as flow production work can be boring. **[an]**
- Low variety of confectionery products **[k]** as the production process is inflexible. **[an]**

- Increased operational expenses **[k]** as factory machinery is costly to maintain. **[an]**
- High shut down costs **[k]** as the whole production line will come to a close if required raw materials are not available. **[an]**

Example of weak response/content

A maximum of **three** stated points showing **limited application, analysis, and a weak or no evaluation**:

- A large quantity of standardised sweets will be produced **[app]** to match customer demand when using the flow production. But the flow production will bring boring tasks to workers at Sweetmelt **[k]**. Therefore, I think flow production methods are not good due to the costly machinery that might be used in the business. **[1ev= weak evaluation]**.

Example of a good essay

Flow production could make Sweetmelt produce a high volume of standardised chocolate products **[k]** thus the demand of the regional market will be met **[an]**. However, the flow production line involves workers doing boring tasks **[app]**, causing their motivation to decline **[an]**. I decide that Sweetmelt proceeds with the introduction of flow production because its confectionery factories will start generating economies of scale **[app]** thus improving the company's opportunity to make a high profit. **[2 ev]**

Question 4

Case 4: Elegant Enterprise is a clothing retailer serving the country's domestic market. The financial objectives of the business focus are to achieve an annual increase in revenue and profits. The clothing company tries to win the market competition by offering more favourable credit terms to its customers while maintaining a healthy liquidity position. During an economic boom, Elegant Enterprise allows less credit. Table 1 shows an extract of the retailer's financial data for the years 2019 and 2020.

Table1: Extract of financial data for Elegant Enterprise

Financial items	2019	2020
Revenue	E30m	E41m
Credit sales-to-revenue ratio	55%	65%
Cash sales-to-revenue ratio	45%	35%
Current ratio	1.8:1	1.2:1
Profit	E8m	E12m

(a) Define the term ‘current ratio.’

Command word explanation: ‘define’- give a precise meaning of a word or concept

Concluding comment: This term was generally understood. A common error was to state the formula without showing an understanding of its meaning. Some candidates lost marks by stating only one aspect or component of the ratio.

Example of good response/ content

A maximum of **two** knowledge marks is awarded for two salient points identified in the definition of the term, simultaneously answering ‘**what is it?**’ and ‘**what is it for?**’:

- A financial measure used to show the business’s ability to pay its current liability **[1k]** with available current assets. **[1k]**

Example of weak response/content

A maximum of **one** knowledge mark is awarded for stating the formula for calculating the measure:

- A ratio between current liabilities and current assets of a business **[k]**

(b) State two reasons why businesses such as Elegant Enterprise calculate profit.

Command word explanation: ‘State’- express briefly in clear terms

Concluding comment: A generally well-answered question. A small number of candidates incorrectly stated that one benefit of calculating profit is to ‘**find out if the business is making profit**’. No marks are awarded to candidates who gave such answers.

Example of good response/ content

Award a maximum of two well-stated reasons or benefits for calculating profit:

- Determines how much money the business is gaining from its operations or investment within a particular period **[k]**
- Checks if the business is achieving the basic objective for its existence in a given period **[k]**
- Checks whether the business is making money or growing per given period **[k]**
- Compare its level of success with other similar businesses per given period **[k]**
- Provides information about where the business is making money or spending it **[k]**

Example of weak response/content

Award a maximum of **one** mark for an imprecisely or incompletely stated benefit of calculating profit:

- Provides information on the total revenue made by the firm
- Gives an idea about the total costs incurred by the business per given period

(c) **Explain two methods that Elegant Enterprise could use to reduce the ratio of credit sales to revenue**

Command word explanation: -‘**explain**’ – give reasons why something is as it is like or how it works. Give reasons like ‘**because**’ or ‘**so that**’ to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: This question was one of the most challenging questions for candidates. Weaker responses did not refer to how the clothing company could reduce the value of credit sales in favour of cash sales. Full marks were not awarded to answers that lacked application.

Example of good response/ content

A **maximum of 2 marks** are awarded for discussing **each point** showing **knowledge** and **application** accompanied by **analysis**:

- Elegant Enterprise can offer cash discounts **[k]** so that debtors **[app]** will prefer buying goods on a cash basis. **[an]**
- The retailer could reduce the length of the credit period **[k]** so that debtors can pay off their arrears **(app)** promptly. **(an)**
- The shop needs to extend credit selectively **(k)** by targeting customers with a good credit history **(app)** to reduce bad debts. **(an)**
- The boutique **(app)** can establish a debt collection department **(k)** so that debtors can be reminded to service their debts on time. **(an)**
- The business can charge a high penalty fee for defaulters **(k)** as a deterrent for not servicing their hire purchase agreements **(app)** on time. **(an)**
- The clothing retailer can set a credit limit according to the customer’s level of income **(k)** so that the customers **(app)** could continue to have the capacity to pay their dues. **(an)**

Example of weak response/content

A **maximum of 1 mark** is given for **knowledge** but **no marks** for **application** since the answer does not fully respond to the question set and the explanation ignores the scenario given in the case:

- The business can charge a high penalty for defaulters once customers fail to pay on time. [k]

(d) Explain two reasons why the country might have experienced an economic boom in 2019.

Command word explanation: - ‘**explain**’ – give reasons why something is as it is like or how it works. Give reasons like ‘**because**’ or ‘**so that**’ to clarify your focus on explaining why or making the relationships between things evident.

Concluding comment: A significant number of candidates confused economic boom for an individual business and economic boom for a country. Ostensibly, such candidates had made the error of not reading the question to the end. Thus, they continued to mistakenly give answers which implied that in this case economic boom meant rapid and significant sales growth for the company influenced by the use of effective marketing strategies. However, stronger candidates noted that in the given context, the economic boom meant significant GDP growth in the whole economy of Eswatini, largely caused by expansionary fiscal policy, expansionary monetary policy, increased borrowing, and rising asset prices.

Example of good response/ content

A **maximum of 3 marks** are awarded for discussing **each point** showing **knowledge, application, and analysis**:

- Increased job opportunities [k] as more people got employed thus increasing their income and aggregate demand [app] for clothing. [an]
- Increased investment spending [k] thus retailers [app] had more money to expand their clothing shops. [an]
- Increased inflation [k] as retailers [app] raised prices in response to increasing customer demand for clothing. [an]
- Expansionary policy or reduced interest rates [k] thus encouraging consumers and firms [app] to increase their borrowing and expenditure on products. [an]
- Expansionary fiscal policy or tax cuts with increased state borrowing [k] thus boosting consumer spending and aggregate demand. [app], [an]

- Increased borrowing [**k**] as consumers and firms gained confidence [**app**] to seek more credit and increase their income to be spent on clothing. [**an**]
- Increased wealth [**k**] thus encouraging consumers to have confidence in buying property assets that are rising in price. [**an**]

Example of weak response/content

A **maximum of 1 mark** is given for knowledge in each point. **No marks** are given for **application** and **analysis** since the answer does not fully respond to the question set and the explanation ignores the scenario given in the case:

- Consumers and firms gain more confidence to seek more credit (**k**) which makes them hold more cash to spend.

- (e) **Would you agree that Elegant Enterprise performed better in 2019 compared to 2020? Justify your answer by referring to the financial information shown in Table 1.**

Command word explanation: - '**Justify**'- make a balanced argument about something by taking into account all sides of the argument and then offer a well-supported judgment, opinion, or recommendation. Or make clear the arguments that support a course of action.

Simple procedure:

- Give a positive view and then support it with relevant explanation (knowledge/application + analysis)
- Give a negative view and then support it with a relevant explanation (knowledge/application + analysis)
- State your decision and support it with a relevant explanation (evaluation)

Concluding comment: Stronger candidates were able to provide detailed answers that often displayed knowledge and understanding of the performance ratios shown in Table 1. Candidates were able to identify and explain ratios that showed whether or not Elegant Enterprise performed better in 2019 compared to 2020. Other candidates went on to calculate profit margins based on data given and used to determine the performance of the company. A supported judgment usually focuses on the overall performance of the business in the two periods given. However, many candidates couldn't access this question.

Example of good response/ content**Positive viewpoints might include:**

- More customers bought using cash in 2019 (45%) than in 2020 (35%) **[k]** thus Elegant Enterprise generated more cash in 2019 compared to 2020 **[an]**.
- More liquidity in 2019 (current ratio 1.8:1) than 2020 (current ratio 1.2:1) **[k]** thus Elegant Enterprise could service its debts better in 2019 compared 2020 **[an]**
- Lower credit sales in 2019 (55%) compared to 2020 (65%) **[k]** thus there was better debt collection in 2019 compared to 2020 **[an]**

Negative viewpoints might include:

- Higher revenue in 2020 (E41m) than in 2019 (E30m) **[k]** thus Elegant Enterprise made more sales **[app]** from operating activities in 2020 than in 2019 **[an]**
- More current assets (in terms of current ratio, money or clothing stock lying idle in 2019 is higher compared to 2020) **[k]** thus Elegant Enterprise was more efficient in 2020 compared to 2019 **[an]**
- More profit in 2020 from operating activities compared to 2019 **[k]** thus Elegant Enterprise was able to sell more well-priced quantities and reduce total costs in 2020 than in 2019 **[an]**
- Higher profit margin in 2020 ($12m/40m= 30\%$) than in 2019 ($8m/30m=27\%$) **[k]** thus Elegant Enterprise priced its clothes better in 2020 than in 2019 **[an]**

Example of weak response/content

A maximum of **three** stated points showing limited **application**, **analysis**, and weak or no **evaluation**:

Elegant Enterprise had 45% cash sales in 2019 yet in 2020 the cash sales reached 35%**[k]**. In 2019 the liquidity measured **[app]** showed a current ratio of 1.8:1 while the 2020 current ratio was 1.2:1. I think Elegant Enterprise performed better in 2020 since it made a profit of E12 million, which is a lot of money for the business to earn during the Covid times **[1ev]**.

Example of a good essay

Elegant Enterprise generate more cash in 2019 **[k]** as the 45% cash sales it made was much greater than the 35% cash sales made in 2020 **[an]**. However, using profit as a percentage of revenue **[app]**, the year 2020 achieved a higher profit margin of 30% compared to the 27% profit margin achieved in 2019 **[an]**. My view is that the retailer performed better in 2019 because it recorded a higher current ratio of 1.8:1 compared to the 1.2:1 current ratio of 2020 thus the business could service its debts better in 2019 compared to 2020 **[2ev]**

SGCSE BUSINESS STUDIES**Paper 6897/02****General Comments:**

The 2021 examinations performance was good considering the fact that candidates' learning was disrupted by the COVID 19 pandemic and the political unrest. This left candidates with a few months of learning time with no/little time for revision and practice on the assessment expectations. The paper structure was being written for the second time and it has 4 questions with total marks of 80. Time allowed is 1hour 30 minutes. There were learners who scored higher marks and demonstrated to have mastered the new skills of presenting their answers in line with the assessment skills required in the new syllabus but a lot also lacked the necessary assessment skills to attempt questions as expected. There was a visible gap between the raw scores (high and low) that were attained by candidates in the paper.

Candidates still attempted part (a) much better than part (b) in this component. Emphasis should be made on the marks breakdown for each part-question as candidates still gave partial answers.

In part **(a)** candidates state and described or analyse answers further leaving out the application, leading to candidates scoring lower marks. This is how marks are awarded in **(a)** for this component:

There are:

[2x2 marks] Knowledge

[2x1 marks] Analysis

[2x1 marks] Application

Total 8 marks.

This translates to:

One knowledge mark is awarded for stating each **correct relevant point**. Another **one knowledge mark** is awarded for **describing** identified point. **One application mark** is awarded for **applying to the case or business context**. **One analysis mark** is awarded for **explaining how or why** the business will be affected.

Weak responses in this part of the question would be one that leaves out the description of the identified point or analysis and without application. The answer would score lower marks since it would not meet the assessment requirements.

In part (b), candidates tend to give one sided answers instead of balanced argumentative essays yet one can only evaluate when both sides are given and explained. This is how this part the question should be answered

The essay requires 4 points in total

- **A Level 1 [L1] candidate** is one who will list points without any analysis (explanation) and will only **get 2 marks** for knowledge and a maximum of **1 mark** for limited application if and when it is shown. **[L1 candidates get a maximum of 3 marks (2L1 marks + 1 App mark)].**
- **A Level 2 [L2] candidate** is one who will **state and explain two points** showing an **advantage** and **disadvantage**. This candidate will get a maximum of **6 marks** and **2 marks** for application if and when shown. **[L2 candidates get a maximum of 8 marks (2L1 marks + 4L2 marks+ 2 App mark)].**
- **A Level 3 [L3] candidate** is one who will **state and explain two points (adv. & disdv.)**, apply to the case or context **two** or more times and further evaluate or take a stand showing both the pros and cons of the decision taken, which amounts to **4 marks (for the evaluation)/L3**. The evaluation also has **2 points** (the pros and cons). This candidate will get a maximum of **12 marks**. **[L3 candidates get a maximum of 12 marks (2L1 marks + 4L2 marks + 4L3 marks + 2 App mark)]**

A weak response in this part of the question is one that lists advantages/ disadvantages without any explanation, one-side (that only gives advantages/ disadvantages) and evaluation that is also just stated and not explained or if explained, one may find that it is not evaluated (an evaluation that only shows one side).

Quite a number of candidates scored between 55 – 35 marks and there were equally quite a number of very low marks. Raw scores ranged between 78/80 and 0/80, which showed a slight decrease on the highest and lowest marks scored in 2020.

Comments on Specific Questions

Question 1

Linda is a successful entrepreneur.

(a) Identify and explain two characteristics of a successful entrepreneur.

Possible answers may include:

Characteristics of a successful entrepreneur:

- Forward planner
- Risk taking
- Innovative/creative
- Persistent
- Determined
- Good communicator

An example of a good response:

Risk taking **(1k)**, Linda has identified a business opportunity and is willing to take risk of buying more vehicles **(1app)** while success is not assured **(1k)**. This would enable the entrepreneur to succeed as she will be able to meet the demand and increase sales and profitability in the long-run **(1an)**.

Comment: a majority of candidates were able to score good marks in this question. However, other candidates were giving qualities or functions of managers instead.

Linda's owns the driving school as a sole trader.

- (b) Do you think the sole trader is the best form of business ownership for Linda? Justify your answer.

Possible answers might include:

Advantages of sole traders	Disadvantages of sole traders
• Decision making fast.	• Lacks continuity.
• Profits of the business are not shared.	• Unlimited liability
• Linda is her own boss.	• Difficult to expand.
• Easy to start and end	• Considered risky by investors

An example of a good response:

Sole trader businesses are easy to start (L1) since there are not legal requirements during formation hence Linda can start offering driving lessons (app) and recover the money spent to start the driving school (L2). However, the business lacks continuity (L1) which means that when Linda dies the business will dissolve and lose income during that time as driving lessons (app) will not be offered (L2). In conclusion, I think operating the business as a sole trade is the best form of business ownership profit will not be share and Linda can decide to re-invest it as her business is experiencing growth (2L3). However, the business has unlimited liability, which could lead to the owner losing personal assets if she fails to repay the bank loan she wants to apply for (2L3)

Comment: this question was accessible to a majority of candidates. Common errors were on the evaluation of the recommendation.

Question 2

The business is experiencing rapid growth.

- (a) Explain two ways in which the size of the driving school could be measured.

Possible answers might include:

- By the amount of capital employed
- By the number of workers
- By the size of profit generated
- By the number of branches it has
- By the volume of sales/output it makes

An example of a good response:

By the number of workers **(1k)** the number of driving instructors **(app)** employed in the driving school could be used the business **(1k)**. Similar businesses with fewer workers would mean the business is small but one with many workers would mean the business is large **(1an.)**

Comment: ways of measuring business size was identifiable for most candidates, but the challenge was on explaining how/why these ways are used to measure the size of the business.

Linda's business wants to improve customer care and effective communication by introducing a variety of communication methods including social media networks.

- (b) Do you think using social media networks can improve effective communication in the business? Justify your answer.**

Possible answers might include:

Advantages of written electronic media:

- Immediate feedback
- Allows for visual display
- Cheaper to send information
- Large audience
- Messages can be sent and received day & night
- Fast

Disadvantages of written electronic media

- Messages could be ignored
- Disrupted by poor network coverage/connection
- Some people do not have necessary gadgets
- Expensive
- Illiteracy challenges may hinder communication

An example of a good response:

Social media networks are available for communication all day and night **(L1)** hence messages to learner drivers **(app)** can be sent at any time enhancing effective communication **(L2)**. On the other hand some driving instructors **(1app)** may not have smart phones **(L1)** and may not receive/send messages leading to communication break-down **(L2)**. I therefore think social

media networks can improve effective communication as messages can be sent to a large number of people at the same time through Facebook and a people can post to enquire or make bookings **(2L3)**. However, data bundles are expensive so some people may not have them and miss out on important messages that may be posted **(2L3)**.

Comment: most candidates across centres were able to attempt and get good marks on this part question.

Question 3

Move it driving school obeys the country's labour laws.

(a) Explain two reasons why the business should obey the country's labour laws.

Possible answers might include:

- To avoid lawsuits
- To motivate workers
- To attract and retain employees
- To create a good reputation
- To avoid penalties by government
- To improve labour relations/ avoid disputes
- To get govt assistance

An example of a good response:

To motivate workers **(1k)**. If the driving instructors **(1app)** are paid in accordance the legal minimum wage or more, they will be driven to work hard **(1k)** providing satisfactory services to customers and this will attract more people to enroll for driving lessons at Linda's driving school **(1an)**.

Comment: Performance on this question was generally poor. Most candidates were stating the labour laws instead of the reasons for obeying these laws thus lost marks even though there were others who answered very well.

Linda has decided to join an employers' association for the benefit of the business.

- (b) Do you think that being a member of an employers' association could benefit the business? Justify your answer.

Possible answers might include:

Advantages of membership in an employer association	Disadvantages of membership in an employer association
<ul style="list-style-type: none"> • Advice on labour related matters • Collective bargaining • Bulk buying of inputs • Influence on govt policies • Insurance • Social benefits • Legal representation 	<ul style="list-style-type: none"> • Subscriptions costly • Business has to do as other members/businesses do. • Association may take decisions that do not suit business.

An example of a good response:

The association advises members on labour matters (L1) this would enable Linda to treat the driving instructors (app) fairly and avoid labour disputes (L2). However, membership is expensive (L1) as the business has to pay monthly subscriptions increasing driving school (app) costs (L2). I therefore think membership in an employers' association would not be beneficial to the business as the association will expect the driving school to do things like other businesses which may conflict with the way the business culture (2L3). The business would however benefit from low cost of inputs through the association's bulk buying of inputs at discounted prices (2L3).

Comment: a few candidates were not able to obtain good marks on this question. Some were using content on trade unions. Overall question was poorly done.

Question 4

Linda has organised training workshop on customer care as well as health and safety for the workers.

- (a) Explain two benefits to Move It Driving School of training the workers on customer care as well as health and safety.

Possible answers might include:

- Reduced accidents
- Safe working environment
- Customer satisfaction
- Improved skill
- Motivated workers

An example of a good response:

Reduced accidents **(1k)** as trained driving instructors **(1app)** would adhere to safety measures which would in turn minimise injuries **(1k)**. This will improve service delivery and attract aspiring drivers to the business **(1an)**.

Comment: this question was not done well by most candidates. Candidates were explaining benefits of training in general without referring to the specified area where the workers were trained.

The business is experiencing high demand for its services hence the operational costs are also increasing.

- (b) Using information from Appendix 3 to calculate the missing figures labelled A, B, C and D.

Advise Linda on whether the business will have sufficient cash if the two vehicles are purchased with cash

An example of a good response:

A = Total cash inflows = E28000 + E16000 = E 44000.00	B = Closing balance = Opening balance + Net cash flow = E8000 + E24000 = E32000.00
C = Opening balance = opening balance 2021 = closing balance 2020 Therefore the opening balance is E32000.00	D =net cash flow = total cash inflow – total cash outflow = E52000- E41000 = E11000.00

Advice:

The business should not buy the vehicles for cash as it will end up having cash flow problems. The forecasted closing balance is E43000.00 in 2021 yet the business needs E200000. Spending this money on the vehicles will leave the business without working capital.

Evaluation:

The business should apply for the bank loan since the needed amount will be acquired if the application is successful. Moreover, Linda will have to repay the loan in instalments over a long period of time enabling the business to generate the needed amount to repay the loan.

Comment: this question was generally well answered by a many candidates showing an improvement in attempting calculation questions. There were candidates who were leaving out the currency and/ formula.

Answer presentation is very important in this question as candidates who fail to present their answers as expected lose marks.