

EXAMINATIONS COUNCIL OF ESWATINI

EGCSE

EXAMINATION REPORT

FOR

BUSINESS STUDIES (6897)

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

Business Studies Paper 1 for 2020 was significantly different from other previous papers set for this subject. Notable changes were in the number of questions presented as well as the overall total for the component. In 2020, the component constituted 4 questions as opposed to the usual 5. The number of items was also reduced to 20 from 25 thus the overall total became 80 marks instead of 100 marks. While the structure of the paper remained the same, the skills weighting ratio changed from 60:40 to 70:30.

Examiners noted that the performance of the candidates in 2020 was of improved quality across the available items. A high number of candidates were able to produce good responses to the questions asked and showed ability to handle the argumentative questions in **item (e)**. However, a great number of candidates did not do well on **item 1 (c)** which was based on the 'sectors of the economy' and their 'contributions to the economic performance of the country'. Examiners further noted that some candidates struggled to show clear understanding when defining business concepts such as 'business aims' and 'the economic problem'. Most definitions provided by candidates were either wrong or partially correct. However, most examiners opined that the paper was accessible as the highest score was 78/80 while the lowest score was 8/80.

Comments on Specific Questions

Question 1

Q1. Themba owns a large bakery. He wants to achieve several business aims and help Eswatini to develop. Themba views business activity as a way of meeting human needs and wants. Themba is concerned that the country's three sectors of the economy are not contributing equally to economic growth. He thinks that the country could stimulate economic growth by allowing for more privatisation of public corporations. Themba also thinks that his workers would be more productive if they were not members of a trade union.

(a) Define the term 'business aims'?

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

Concluding comment: This question was generally well answered by candidates

- **Example of good response/ content:** Good answers showed a clear understanding of what is meant by "business aims". Both terms 'business' and 'aims' were not repeated in the answers given. Candidates noted correctly that 'business aims' are 'targets [1k] which an organisation may work to achieve in a given period [1k]'. Some candidates acceptably stated that 'business aims' are 'objectives or levels of performance [k] that entrepreneurs may want to achieve for their enterprises in a given time period' (k).

Example of weak response/content: Responses showed limited understanding of the concept and produced answers that were either partially correct or totally incorrect. A common mistake was for candidates to repeat the terms 'business' and 'aims' in their responses thus losing marks.

(b) Identify the difference between human 'needs and wants'.

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

Concluding comment: This question was well answered by most candidates.

Example of good response/content: Good candidates provided a clear distinction between human needs and wants. The candidates noted that the difference lies in determining which one between the two concepts can be said to be ‘essential’ or ‘desirable’ to human beings. The term ‘essential’ refers to something which is a basic necessity for survival while ‘desirable’ refers to something cherished for luxury or comfort rather than to support human existence. Candidates stated correctly that:

- Human needs are goods and services required by humans for survival while wants are goods and services consumed by society for enjoyment, luxury or comfort.

Example of weak response/content: such responses came from candidates who simply gave examples of human needs or wants without answering the question directly. The candidates stated that human needs refer to food, water shelter, clothing, security, education and health care. They also named leisure, cars and designer clothing as examples of human wants. While these examples were generally correct, the candidates did not earn marks because the question had not instructed them to give examples of the concepts mentioned in the item but to show understanding by identifying the differences between the two concepts.

(c) Explain two recent changes in the contributions made by the three sectors of the Economy in Eswatini.

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

Concluding comment: Many candidates struggled to answer this question.

- **Example of good response/content:** Candidates were able to relate that the question instructed them to explain how the various sectors of the economy such as the primary sector, secondary sector, tertiary sector and construction sector have contributed to the country’s economy in recent time. They went on to describe the contribution or impact of the sectors in the economy using common measures such as GDP, employment, exports and so forth. For example, the candidates stated that:

- Level of output in the primary sector is declining (1k) because some mines have closed down and agricultural output has declined due to climate change (app)
- Manufacturing sector is declining (k) as major factories e.g. pulp, paper mill, textiles had to close down following loss of access to the USA market or AGOA (app)
- Tertiary sector is expanding (k) due to increase in tourism, retail industry, banking, educational institutions and health services (app)
- The construction sector had a large contribution in the economy (k) as the country embarked on large scale construction of infrastructure such as roads, dams, power stations, airports, housing, major hotels, shopping complexes, technology parks, textile factories, city offices, schools and colleges (app-one example was enough).

Example of weak responses/content: A number of candidates lost marks as they did not refer to the sectors of the economy. Their responses lacked specific content in describing how the sectors of the economy have performed in recent times. Their rambling responses suggested that the candidates lacked understanding of the elements of the structure of the economy and as well as how the specific sectors of the economy have performed in the recent past

- (d) Explain two reasons why the Government might not want to privatise public corporations.**

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

Concluding comment: Generally, well answered.

Example of good response/content:

- Some essential services might close down (1k) as private companies who take over public corporations are interested in profits (app) thus the standard of living of the people would be compromised (an)

- To prevent job losses (1k) as public corporations employ many workers (app) who would be retrenched if public corporations are privatised (an)
- Reduced benefit to domestic economy (k) as the public corporations could be acquired by foreign businesses (app) who would repatriate the profits (an)

Example of weak response/content:

Candidates who provided responses that didn't demonstrate knowledge, application and analysis in their responses. Other candidates failed to understand that the question required of them to analyse the possible disadvantages of privatisation to the Government of Eswatini.

- (e) **Do you think that joining a trade union would benefit Themba's workers? 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 which 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 relevant explanation (knowledge/application + analysis)
- State your decision and support it with relevant explanation (evaluation)

NB: This means that for the 6 marks essay you need three well explained points

Example of a balanced essay included:

Valid positive points:

- Improved working conditions for the workers (app) as Unions would bargain for workers' interests with Themba (an)
- Protected jobs (k) as the unions guard against unfair dismissal or retrenchment of workers by Themba (an)

Valid negative points:

- Loss of wages (app) as Themba could effect the no-work-no-pay rule on workers during strikes (an)
- Loss of jobs as Themba could decide to close down business rather than accede to workers' demands

Positive judgment:

I think the union could improve workers' skills as unions do assist in the training of workers thus making them more productive and marketable (2ev). **OR**

Negative judgment:

I think if labour costs increase beyond sustainable levels, Themba could save the business by retrenching the workers thus causing the workers to suffer loss of income (2ev).

Concluding comment: This question was **done** well by most candidates. A majority of candidates attempted to provide a balanced essay.

Example of a good response:

Many candidates were able to discuss whether or not joining a trade union would benefit Themba's workers. The discussion was concluded with a well justified stand as a way of demonstrating ability to evaluate facts.

Essay template

Themba's workers would begin to enjoy improved working conditions (k) as their union would bargain for their interests (app) thus influencing Themba to agree to their demands for fair treatment (an). However, during strikes called by the union, workers would lose their wages (app) as Themba could effect the no-work-no-pay rule on their income (an). I think joining the union could allow workers to upgrade their skills as the union would assist the employer in offering training opportunities in the workplace (2ev).

Question 2

Q2. Joe owns a chain of restaurants which are located in densely populated areas of towns around the country. The restaurants are currently not profitable. Joe has called his managers to a meeting. The Human Resources Manager reports that workers lack motivation hence they must be offered non-financial rewards. The Accountant thinks that the business's profits are affected by high operational expenses. Joe is considering raising food items in the restaurants. The Marketing Manager has suggested that the restaurants should be relocated to areas that are less polluted.

(a) Define 'motivation'

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

Concluding comment: Most candidates got this question correct.

Example of good response/ content:

Candidates provided a clear understanding of the concept of motivation. Good answers defined motivation either as a managerial process in an organisation or as a psychological process within an individual.

Those who defined 'motivation' as a managerial process stated that 'motivation is a process of stimulating workers towards persistent hard work or making workers to exert more effort in their work so that they can achieve stated targets all the time.

Another group opted to define motivation as psychological process operating within an individual and stated that 'motivation refers to factors within an individual worker which influence him or her to exert more effort in their duties.

Both sets of responses were considered correct because they focused on the worker's willingness to perform better. What is also important with the two definitions is that they both referred to motivation within the scope of business management.

Example of weak response/content:

Weaker answers showed limited understanding of the concept of motivation as they only focused on negative motivation. For example, some candidates defined motivation as 'telling people to stop being lazy to avoid expulsion'. This kind of response was deemed partially correct thus it earned the candidates only one mark. In a nutshell all responses that focused only on negative motivation got 1 mark.

(b) Identify two non-financial rewards that Joe could offer the employees.

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

Concluding comment: This question was well answered by most candidates.

Example of good response/content:

Candidates were able to demonstrate knowledge and understanding that non-financial rewards refer to all work designs and fringe benefits that a restaurant could possibly offer its employees:

Good answers indicated that Joe could introduce the following non-financial rewards in the restaurant:

- Team work, job enrichment for waiters, job security, opportunity for promotion, status of recognition and examples of fringe benefits.

Example of weak response/content:

Weak answers contained examples of monetary rewards or financial benefits and all the answers did not refer to Joe's restaurant.

- (c) **Explain two factors of production that are likely to affect the profit of Joe's restaurants.**

Command words explanation: 'explain' – give reasons why something is as it is like or how it works. Give reasons like 'because' or 'so that' to make clear you focus on explaining why or make the relationships between things evident

Concluding comment: A number of candidates struggled in this question.

Example of good response/content:

Good answers contained sufficient explanation of the factors of production that could affect the profit of Joe's restaurant:

- Land (app) as Joe's restaurant spends more money on rent for operating at town centre (k)
- Capital (app) as Joes restaurant spends highly on loan repayments (k)
- Labour (app) as less motivated workers at Joe's restaurant fail to keep customers happy (k)
- Entrepreneurship/enterprise (app) as Joe's ability to run the business and identify viable business opportunities could determine the restaurant's financial success (k)

Example of weak responses/content:

Candidates could not infer that a restaurant or any business is affected by the four factors of production such as land, labour, capital and enterprise. They also did not show understanding that the adequate availability of the four factors of production determines business success.

- (d) **Explain two ways that Joe's restaurants could use to reduce pollution in their operations.**

Command words explanation: 'explain' - give reasons why something is as it is like or how it works. Give reasons like 'because' or 'so that' to make clear that the focus is on explaining why or make the relationships between things evident

Concluding comment: Generally, well answered

Example of good response/content:

Candidates were able to provide answers applicable to the case in point. They explained that:

- The restaurant could package the food items (app) on biodegradable or reusable material (k) so as to reduce physical or visual pollution (an)
- The business could recycle waste material (k) and use it as raw material (app) so that solid waste is not dispelled to the environment (an)
- The restaurant could recycle grey water (k) from the kitchen (app) so that the business could reduce water usage (an)
- Stoves (k) could be fitted with fume hoods (app) in order to control air pollution (an)

Example of weak response/content:

Answers exhibited lack of understanding of all aspects pollution and the methods used to control them.

- (e) **Do you agree that if Joe increased the price of food items, the restaurant could become more profitable? 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 or opinion or recommendation.

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 relevant explanation (knowledge/application + analysis)
- State your decision and support it with relevant explanation (evaluation)

NB: This means that for the 6 marks essay you need three well explained points.

Concluding comment: This question was well answered by most candidates.

Valid points for price increase:

- Increased contribution margin (app) as the higher price of meals (app) could enable the business to recover expenses within a short period of time (an)
- Retention of loyal customers (k) as the higher prices of food items could give customers (app) the impression that the restaurant offers better quality meals compared to its competitors (app), (an).

Valid points against price increase

- Decreased demand (k) as most customers wouldn't afford the meals and then opt for cheaper restaurants (an, app)
- Loss of revenue (app) as competitors may bring out lower priced products thus taking away the market from Themba's restaurants (app, an)

Positive judgment:

- Themba's business could lose reputation as potential customers are put off by high prices (2ev). **OR**

Negative judgment:

- The high prices can give the restaurants more profits (app) thus helping Themba to access required loans from banks (2ev).

Example of good response/content:

Good answers provided a balanced view of the advantages and disadvantages of operating a franchise after which they took a justified stand.

Essay template

If Joe raised the price of food items, the business could have a high contribution margin (app) enabling the business to recover expenses within a short period of time (an). However, raising the prices would lead to decreased demand (k) as most customers couldn't afford the meals (app) and then opt for cheaper restaurants (an). I would not recommend to Joe to raise the prices as the business could lose reputation and put off potential customers (2ev).

Example of weak response/content:

Weak answer did not consider both sides of the argument. Most candidates failed to recognise the disadvantages of increasing the price of products in the restaurant in an environment where there is high competition.

Question 3

Grainex Ltd is an international maize milling company. It produces maize meal and flour for retail shops. The company has conducted market research. Findings show that the business could profitably invest in animal feed. Grainex Ltd uses large trucks to collect grain from distant farmers. The processing of the grain involves machinery and labour-intensive methods. The company has a reputation for respecting consumer rights. However, a shop steward has told workers that “Grainex Ltd is just another multinational company seeking to offer little benefits to the local economy”.

(a) Define ‘market research’.

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

Concluding comment: This question was generally well answered by candidates.

Example of good response/ content:

Good answers showed a clear understanding of what market research is all about outlining its main purpose in business. Excellent responses indicated correctly that ‘market research’ entailed the following:

- A process of gathering information about customers’ expectations (k) so that the business could serve them with products which meet their exact needs (k). (This definition is customer-oriented) OR
- An activity concerned with finding out about customer needs and wants (k) so as to enable the business to develop effective strategies for generating high revenue and profits (k). (This definition is strategy-oriented or helps to develop the marketing mix)

Example of weak response/content

Weak responses showed limited understanding and candidates included the terms 'market' and 'research' in their responses.

(b) Identify two likely customers for Grainex Ltd.

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

Concluding comment: This question was well answered by most candidates.

Example of good response/content:

Candidates were required to infer their responses to Grainex Ltd's three products mentioned in the case; maize meal, flour and animal feed. Good candidates were able to mention the following relevant points:

- livestock farmers who may buy the animal feed
- bakeries and other food processing industries who may use flour and maize as input materials
- individuals households who may buy any of the products stated
- tourism resorts such hotels and restaurants who may need maize meal and flour in the kitchen
- types of retailers who may sell all of Grainex Ltd's products (limited to one example)

Example of weak response/content:

Candidates failed to relate their choice of possible customers to the named products of Grainex Ltd.

- (c) **Explain one external benefit and one external cost resulting from the operations of Grainex Ltd.**

Command words explanation: ‘**explain**’ - give reasons why something is as it is like or how it works. Give reasons like ‘*because*’ or ‘*so that*’ to make clear you focus on explaining why or make the relationships between things evident

Concluding comment: This question was well answered by most candidates.

Example of good response/content:

Candidates were able to identify and explain costs and benefits related to the nature of Grainex Ltd’s line of business.

Valid examples of external benefits:

- Grainex Ltd creates jobs for many workers (k) since it uses labour-intensive methods (app)
- Grainex Ltd supports growth of other businesses (k) as it acts as a customer to transport service providers, fuel suppliers and manufacturers of factory machinery and equipment (app)
- Grainex Ltd supplies raw materials to local retailers (k) thus preventing its customers from buying costly imports (app)

Valid examples of external costs:

- Increased pollution (k) the business uses trucks to collect raw materials from farmers thus causing air pollution (app)
- Grainex Ltd’s factory and trucks might be causing pollution (k) in the environment thus causing various illnesses among members of the community (app)
- Trucks might cause road accidents or damage the roads (k) thus causing society to pay high taxes for rebuilding infrastructure (app)

Example of weak responses/content:

Candidates never applied their responses to the case thus they produced irrelevant answers resulting in loss of marks.

(d) **Explain two ways which could show that Grainex Ltd respects consumer rights.**

Command words explanation: 'explain' - give reasons why something is as it is like or how it works. Give reasons like 'because' or 'so that' to make clear you focus on explaining why or make the relationships between things evident.

Concluding comment: Fairly well done.

Example of good response/content: Candidates were able to raise a number of good points in this question, symbolising in-depth understanding of consumer protection laws and consumer rights. Good responses included the following:

- Grainex Ltd could avoid selling harmful products (k) that can cause illness or death (app) among consumers and animals (an)
- Grainex Ltd could be avoiding using misleading adverts about its finished products (k) thus protecting customers (app) against buying products they don't really need (an)
- Grainex can avoid selling underweight products (k) thus protecting consumers from losing out in transactions (app) they make with the business (an)
- Grainex Ltd could also avoid colluding with competitors (k) in fixing the prices of the products (app) thus enabling customers to get reasonable value for their money spent on the products (an)

Example of weak response/content:

Candidates produced answers that did not explain how Grainex Ltd could treat its customers fairly through the application of known consumer laws and rights.

(e) **Do you agree with the shop steward that multinational companies, such as Grainex Ltd, are of little benefit to the local economy? 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 or opinion or recommendation.

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 relevant explanation (knowledge/application + analysis)
- State your decision and support it with relevant explanation (evaluation)

NB: This means that for the 6 marks essay you need three well explained points

Example of a balanced response could include:

Valid points in favour of multinational corporations

- Increased job opportunities (k) for locals as multinational corporation usually operate at large scale (an)
- Increased country's GDP (app) as multinational corporations export a large volume of products (an)

Valid points against multinational corporations:

- Loss of national income (k) as multinational repatriate profits (an)
- Declined business opportunities (k) as multinational corporations may force local businesses out of competition (an)

Positive Judgment:

- Multinational corporations provide an inflow of capital as they build factories and invest in domestic infrastructure such as schools and training centres thus improving the country standard of living (2ev). **OR**

Negative judgment

- Multinational corporations may also import skilled labour who don't spend their salaries in the local economy thus yielding less economic benefits for the country (2ev).

Concluding comment: This question was well answered by most candidates.

Example of good response/content:

Good responses contained a balanced essay accompanied by a well explained stand.

Essay template

Multinational companies benefit the local economy by increasing job opportunities (k) for locals as they usually operate at large scale (an). However, multinational corporations may repatriate a large proportion of the money they make in the local economy (app) thus leaving the country with limited resource to finance development (an). My judgment is that multinational corporations provide capital for building factories and other social infrastructure thus they improve the country's standard of living (2ev).

Example of weak response/content:

A majority of candidates who got low marks in this question spent a lot of time writing introductory sentences to the essays. An introduction is **NOT** necessary and doesn't earn candidates any marks, no matter how well-written it maybe. Candidates are advised to go straight to the discussion without offering needless introductory sentences.

Question 4

Q4. Profam is an organisation that trains farmers' associations in commercial agriculture. The farmers are trained on how to deal with the 'economic problem' in farming. The farmers also learn how to add value and use financial ratios to determine the financial position of a business. The last aspect of the course seeks to inform farmers on different methods that can be used to calculate pay for farm workers. Profam advises the farmers to form joint ventures with companies that own large scale plantations.

(a) Define 'economic problem'.

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

Concluding comment: A number of candidates struggled in this question.

Example of good response/ content:

Candidates were able to infer that the 'economic problem' mentioned in the case implied:

- Shortage of resources required by farmers (k) to produce a sufficient supply of agricultural products in the market (k)

Example of weak response/content:

Answers showed limited understanding of what term 'economic problem' meant in the scope of farming. Candidates did not infer to the case to come up with the required definition.

(b) Identify two ways farmers could use to add value in their businesses.

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

Concluding comment: This question was well answered by most candidates.

Example of good response/content:

Good candidates were able to identify activities that could be undertaken by farmers when adding value in their businesses. Acceptable responses demonstrated that adding value in agriculture means improving the raw form of any product in order to meet consumer preferences. Value addition could include manufacturing activities undertaken to change the form, space, identity, taste, packaging and quality characteristics that were not initially present in the raw product.

In that regard, valid responses could include all forms of processing raw products before they are sold:

- packaging, grinding, grading, labelling or branding, drying, cooling, culturing, sweetening, smoking, extracting, distributing, mixing, cutting, spinning, weaving, cooking and combining.

Example of weak response/content:

Candidates provided responses that did not describe manufacturing processes that improve the original form of an agricultural product before it is taken to the market. A majority misconstrued value addition as a practice concerned with determining various pricing strategies for agricultural goods. Thus they wrongly assumed that ways of adding value in agriculture could include cost-plus pricing, price skimming, penetration pricing, competitive pricing and so forth.

(c) Explain two financial ratios that farmers can use to determine the financial position of their businesses.

Command words explanation: - 'explain' - give reasons why something is as it is like or how it works. Give reasons like 'because' or 'so that' to make clear that focus is on explaining why or make the relationships between things evident.

Concluding comment: This question was well answered by most candidates.

Example of good response/content:

Most candidates were able to identify and explain the relevant financial ratios which the business could use to determine its financial position. Candidates selected either liquidity or profitability ratios to answer the question. The chosen ratios were accompanied by explanations as to why they are used in business analysis. Some of the responses entailed the following:

- The farmers could use Return on capital employed (k) in order to compare the amount of profit earned with the amount invested in the farming enterprise (an)
- Acid-test ratio (k) by comparing net current assets to current liabilities so as to determine the farming business's ability to pay short term debts (an)
- Working capital ratio (k) which is the difference or comparison between firm's current assets and current liabilities used to determine the firm's ability to pay off its debts within a year (an)

- Profit margin (k) which measures the percentage of revenue remaining after the business has deducted all operating expenses (app) and is used to determine whether or not the farm products are priced correctly and if operating costs are well controlled (an)

Example of weak responses/content:

Candidates provided incorrect answers denoting lack of understanding that ‘financial position’ can refer to the financial condition of the business, which is derived by examining and comparing the information in its financial statements. Some candidates lost marks by outlining similar ratios expressed in different terms. For example, some candidates wrote about working capital and net working capital as if they were different ratios. Similarly, other candidates misconstrued the Quick ratio and the Acid-test ratio to be different yet the two financial measures are synonymous.

(d) Explain two different methods farmers can use to calculate a labourer’s pay.

Command words explanation: - ‘**explain**’ - give reasons why something is as it is like or how it works. Give reasons like ‘*because*’ or ‘*so that*’ to make clear you focus on explaining why or make the relationships between things evident.

Concluding comment: Well answered by most candidates.

Example of good response/content:

Good answers could include:

- Piece rate method (k) where the farmer would multiply total number of units produced by a worker with the average cost of producing 1 unit (app) in order to determine the worker’s total earnings or wages *before any statutory deductions* (an)
- Time rate method (k) where the farmer would multiply the total number of hours worked with the average cost per hour (app) to determine the worker’s total earnings or salary *before any statutory deductions* (an)

- Incentive system (k) where the farmer would pay labourers a bonus for meeting targets and maintaining product quality (app) so as to keep the workers motivated to produce more (an)

Example of weak response/content:

Candidates provided insufficient explanations as to how a farm worker's salary may be calculated using either the piece rate or time rate. Some candidates presented payment methods that are not used to pay farm labourers such as profit sharing, stock option and commission.

- (e) Do you think that forming joint ventures with large companies would benefit the local farmers' associations? Justify your answer**

Command word explanation: 'Justify'- make a balanced argument about a matter by taking into account all sides of the argument and then offer a well-supported judgment or opinion or recommendation.

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 relevant explanation (knowledge/application + analysis)
- State your decision and support it with relevant explanation (evaluation)

NB: This means that for the 6 marks essay you need three well explained points

Example of a balanced response included:

Points in favour of farmers' associations forming joint ventures with large companies

- Farmers would find it easy to raise capital for big projects (k) thus getting opportunity to enjoy economies of scale (an)
- Farmers would gain more skills (k) by being exposed to the modern farming practices of large companies (an)

Points against farmers' associations forming joint ventures with large companies

- Poor cooperation (k) as partners may experience a clash of cultures resulting in low performance (an)
- Language barrier (k) might hamper effective communication between the parties thus destroying good working relations (an)

Positive judgment: The joint venture can benefit the farmers as the partners may save money through sharing operational costs (2ev).

Negative judgment: The joint venture might experience high conflict over share of profits thus leading to the closure of the business (ev)

Concluding comment: This question was NOT well answered by most candidates.

Example of good response/content:

Candidates were able to analyse the merits and demerits of farmers' associations forming joint ventures with large companies after which they concluded their essays with a well justified stand.

Essay template

Farmers would find it easy to raise capital for big projects (k) thus being able to increase their scale of operation through mechanisation (an). However, Language barrier (k) might hamper effective communication between the parties thus destroying good working relations (an). I would recommend to the farmers to form the joint venture with large companies as the partners may save money through sharing operational costs (2ev).

Example of weak response/content:

Candidates struggled to explain whether or not a joint venture with large companies would benefit farmers' associations. A number of candidates showed limited understanding of what a joint venture entails.

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

The performance of candidates in the 2020 examinations was remarkably good considering the fact that they were affected by the COVID 19 pandemic which disrupted learning. On top of that the paper structure had changed and it was being written for the first time. The paper had 4 questions with total marks of 80 and time allowed was 1hour 30 minutes. Quite a number of candidates scored higher marks than in previous years and some candidates seemed to have mastered the new skills of presenting their answers in line with the assessment skills required in the current syllabus. However, there was a visible gap that still needs to be addressed as a number of Candidates were still using the old way of answering which led to loss of substantial marks across the paper.

Candidates attempted part (a) much better than part (b). Some candidates seemed to have not read the whole question, or at least read questions carefully before attempting them. This was mainly shown in the questions where they were asked to give examples of **fixed costs** and they gave examples of **fixed assets** and where they were asked to calculate **net profit** and they calculated **net profit margin**. Candidates spelled some terms wrongly e.g. **loyalties** instead of **royalties** or switching terms like referring to the **franchisor** as the **franchisee** and vice versa. Teachers should impress upon candidates the necessity to write correctly spelled business terms and appropriate use. Several candidates gave partial answers, whereby they only stated and described answers even where they were expected to analyse, which led to scoring lower marks than available.

In part (a) the marks are awarded in this manner [**Knowledge [2x2], Analysis [2x1], Application [2x1] = 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 gave a list of advantages/disadvantages without any explanation, one-side (that only gives advantages/disadvantages) and evaluation that is also stated or that in not evaluated (evaluation that only shows one side).

Quite a number of candidates scored between 65% - 75 % and there were equally quite a number of very low marks. Raw scores ranged between 78/80 and 02/80, which showed a slight increase on the highest and lowest mark scored in 2019.

Comments on Specific Questions

Question 1

PD Gardens intends to improve its internal and external communication methods.

- (a) Explain one reason for internal communication and one reason for external communication at PD Gardens.

An example of a good response:

To motivate workers **(1k)**, the business managers need to communicate with workers so that factory **(1app)** workers' needs may be understood **(1k)**. This would enable managers to offer workers useful benefits that will drive workers work hard **(1an)**.

Other possible answers include:

Reasons for internal communication:

- To control
- To train workers
- To delegate workers
- To get feedback from workers
- To motivate workers
- To get feedback from workers

Any other downwards or upwards communication

Reasons for external communication:

- To attend to customers' complaints
- To conduct market research
- To promote products
- To place orders with suppliers
- To make public announcements
- To send and receive feedback from govt offices

A majority of candidates were able to answer question and get most marks. Quite a number also scored full marks and there were some who failed to answer question correctly.

PD Gardens conducts primary research to make informed decisions and reduce the risk of business failure.

- (b) Do you think that using primary research is a suitable method for collecting data to check whether customer needs are satisfied? Justify your answer.

An example of a good response:

Primary research would enable the business to collect relevant information **(L1)** since the business researcher can prepare research questions that are linked to the distribution of fruits and vegetables **(App) (L2)**. Unlike when using secondary research where the business can collect information that does not give the exact places that customers prefer to buy the product hence distribution could be made at the wrong places **(L2/L3)**

Other possible answers might include:

Advantages of primary research	Disadvantages primary research
<ul style="list-style-type: none"> • Easy to analyse as questions are linked business problem. 	<ul style="list-style-type: none"> • Expensive.
<ul style="list-style-type: none"> • Only PD Gardens will have access to data collected. 	<ul style="list-style-type: none"> • Time consuming
<ul style="list-style-type: none"> • Detailed data can be collected. 	<ul style="list-style-type: none"> • Researcher bias high.
<ul style="list-style-type: none"> • Up-to-date/current data is collected. 	<ul style="list-style-type: none"> • Poor sampling may lead to poor research results.

This question was challenging as most candidates were unable answer correctly. Candidates were answering as if the question was on the market oriented approach or were using one method of primary research to answer the question yet the methods are not all the same.

Question 2

One of PD Gardens' business aims is to expand.

- (a) Explain two possible reasons why PD Gardens would want to expand its business.

An example of a good response:

Achieve higher profits **(1k)** as the business grows it is likely for it to sell more fruits and vegetables **(1 app)**, increasing its sales and profit **(1k)**. That would increase the members' wealth **(1an.)**

Other possible answers might include:

Advantages of growth:

- To obtain a larger market share
- To achieve economies of scale
- To make higher profits
- To spread risk/ diversify
- To fight competition
- To increase added value

Comment: most candidates correctly answered his question and got high marks. This was an accessible question in the paper.

Some members of the close corporation think that selling franchise licenses would only benefit PD Gardens' franchisees.

- (b) Do you think that selling franchise licenses would only benefit PD Gardens' franchisees? Justify your answer.

An example of a good response:

Franchising the business would enable members to expand the fruits and vegetables business **(1app)** cheaper **(L1)** since they will get more lot managerial work from the franchisor **(L1)** as they will be responsible for stocking, advertising, training and supervising franchisees **(L2)**. On the other hand, the franchisees will get a well-known

vegetable business **(1app)/ (L1)** reducing chances of failure **(L2)**. The franchisee will however be expected to pay royalties **(L1)** reducing their profit **(L2)**.

I therefore think franchising will not only benefit the franchisee since the franchisor controls business operation limiting the franchisee from taking decisions that could benefit the business **(2L3)**. However, the franchisees save on training and advertising as the franchisor is responsible for that **(2L3)**.

Other possible answers might include:

Advantages of franchisees:

- Easy access financial assistance
- Gets a well-known business
- Gets technical support from franchisor
- Cuts on training and advertising costs

Disadvantages of franchisees:

- Expected to pay royalties
- Could be negatively affected by another outlets bad reputation
- Licence can be very expensive
- There is no operational freedom

Advantages of franchisors:

- Can easily expand
- Not responsible for daily management of outlets
- Receive royalties from franchisees

Disadvantages of franchisors:

- It demands a lot of managerial work: stocking, advertising, training, supervision of outlets.
- Royalties received are only a small percentage of total profits made.
- Mismanagement of outlets may destroy the franchise image.

This question proved to be challenging for most candidates since most answers demonstrated lack of understanding of the concept. Others were just being unable to differentiate between the franchisor and franchisee.

Question 3

PD Gardens' profit and loss account shows that expenses (fixed and variable) decreased in 2019.

(a) Explain one example of a fixed cost and one example of a variable cost that might be incurred by PD Gardens

An example of a good response:

Packaging materials **(1k)** the business incurs costs for packaging the fruits and vegetables in different quantities before they are delivered to retailers **(1app) / (1k)**. These costs will not be the same since it will change according to the quantities ordered by retailers **(1an)**

Other possible answers might include:

Examples of fixed costs

- Salaries
- Insurance
- Rent and rates
- Hire purchase instalments

Examples of variable costs

- Utilities bill
- Stationery
- Wages
- Packaging materials

One of PD Gardens' members suggested that price skimming should be used in the new target market (South Africa)

- (b) Do you think price skimming would be a suitable pricing strategy for the business in the new market? Justify your answer.

An example of a good response:

Price skimming would enable the business to recover the cost of setting up the factory **(App)** / **(L1)** since they will charge prices for the fruits and vegetables **(L2)**. However potential customers may be scared off by the high prices leading to low fruits sales **(L2)**. I therefore think price skimming will help present the vegetables as high quality **(1L3)** hence attracts more customers **(2L3)**. This may however lead to a low customer base as some customers may buy cheaper substitutes **(2L3)**.

Other possible answers might include:

Advantages of price skimming	Disadvantages of price skimming
<ul style="list-style-type: none"> • Could earn high sales revenue • Covers development costs • Product presented as of superior quality • High profits could be earned 	<ul style="list-style-type: none"> • Customer base could be low • Could lose customers to cheaper substitutes

This question was generally well answered by most candidates.

Question 4

The government of Eswatini has reduced corporate tax to encourage new business start-ups as well as benefit existing businesses.

- (a) Explain one positive effect of reduced corporate tax on PD Gardens and one positive effect to government.

An example of a good response:

More money will be kept at PD Gardens **(1k)** as the fruits and vegetables' **(1app)** business will pay less tax to the government **(1k)**. This will enable the members to reinvest some of the profit and expand their business **(1an)**.

Other possible answers might include:**Benefits to businesses:**

- More profit will be kept by businesses / more dividends for members.
- Expansion
- Reduced costs
- Competitive advantage on pricing strategies

Benefits to government

- Reduced unemployment
- More tax revenue
- Increased exports
- Increased economic growth
- Price stability
- Encourages FDIs
- Improved public goods

This question was accessible for most candidates. However most did not get the application mark for the benefit to government as they treated it separate from the case. Not as PD Gardens' stakeholder.

Use information from Appendix 3 to calculate the business's net profit and return on capital employed for both years 2018 and 2019.

- (b) Recommend to PD Gardens' managers how they might increase future profitability of the business. Justify your answer.

An example of a good response:

Net profit:

Items	2018	2019
	E'000	E'000
Gross profit	460	200
+ Other income	150	80
Gross income	610	280
-Expenses	250	180
Net profit	360	100

Return on capital employed

ROCE 2018	ROCE 2019
<p>ROCE = <u>Net profit x 100</u></p> <p>Capital employed</p>	
E'000	E'000
<p>ROCE = $\frac{360}{1800} \times 100$</p> <p>= 20%</p>	<p>ROCE = $\frac{100}{1100} \times 100$</p> <p>= 9.1%</p>

The business made a net profit of E360 000 in 2018 and it decreased to E100 000 in 2019. The ROCE in 2018 was 20% and it dropped to 9.1% in 2019.

Evaluation:

The business should consider finding cheaper suppliers or reduce its expenses so as to improve its profitability. If possible it may also increase their selling price to increase sales and eventually improve profits made.

This question was generally well answered by some candidates showing an improvement in attempting calculation questions.