



EXAMINATIONS COUNCIL OF ESWATINI

Eswatini General Certificate of Secondary Education

Business Studies (6897)

Examination Report for 2024

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EGCSE BUSINESS STUDIES

Paper 6897/01

General Comments:

Examiners noted that the quality of the 2024 cohort's responses had slightly declined compared to previous years. A significant number of candidates struggled to define two-word concepts such as job profile in 1(a), tertiary sector in 3(a), and working capital in 4 (a), learners still need to be guided in defining two-word concepts. A useful hint is that both words in the concept need to be defined and must not be repeated in the answer given. It was also noted that a large number of candidates had misconceptions of key terminology, which compromised their ability to score high marks, especially in Questions 2(c) and 4 (e).

In parts (c), (d), and (e) marks were lost by candidates for restating points instead of explaining them, misunderstanding questions and key terminology, and not referring to the given business situations.

Several considerations might help enable candidates to achieve high marks:

- Learn precise definitions and appropriate analysis
- Read entire questions with understanding to take note of the stakeholders involved and modifiers that come with the common business terminology in questions.

Comments on specific questions

Question 1

Case 1

Gobblers is a new restaurant in the city centre set up by Jomo. Jomo needs an assistant and has drawn up a job analysis for a Deputy General Manager. He plans to offer the job to an experienced cook. The new employee will help identify effective ways of motivating young workers and advise on suitable business locations for future restaurants. The Deputy General Manager's vacancy will be advertised on media several channels. Jomo is unsure whether to use a centralised or decentralised structure for the business.

- (a) Candidates performed poorly in this question. Most of the responses answered the question partially by defining "job profile" as either "an outline of characteristics for a suitable candidate or "an outline of tasks to be carried out in a particular job."

Stronger answers were able to obtain full marks as they stated that a 'job profile' is a document written by an employer to outline tasks of a particular job **[k]** and the characteristics of the person required to do the job **[k]**.

- (b) The question was answered well by most candidates in identifying ways of motivating workers. The strongest responses provided the following ways
- Financial motivating factors [app]
 - Non-financial motivating factors [app]
 - Job satisfaction [app]
 - Extrinsic factors [app]
 - Intrinsic factors [app]

However, some candidates missed points by repeating examples of the same factors of motivation.

- (c) This question was fairly answered as most candidates were able to state and explain the advantages and disadvantages of centralisation. However, a small but significant number of candidates could not score highly as they either failed to apply to the given case or had incorrect explanations.

Precise answers provided the following advantages and disadvantages.

Advantages

- Jomo would maintain control of the organisation [k] thus ensuring that hospitality services remain high [app]
- Decision-making in the restaurant will remain with specialists [k] thus preventing customer service mistakes [app]
- Things are done the same way in the restaurant [k] thus quality of meals served is the same [app]

Disadvantages

- Decisions are made by Jomo who is not in close contact with the customers [k] are less likely to meet or address the customers' needs or satisfaction, especially changes in menus [app]
- Delayed decisions by Jomo [k] as he may not be aware of what is happening in the outlets [app]
- Junior managers are not empowered [k] because they do not make decisions on the types of meals to serve [app]

- (d) Candidates performed poorly in this question for several reasons. The common error with many candidates was to explain how Jomo would advertise his products instead of advertising a vacancy for the Assistant General Manager. Some candidates lost application marks for not referring to the given case. There were also cases where candidates failed to explain how the media identified could be used by Jomo to advertise the vacancy.

Some of the best responses included the following:

- Jomo can create social media pages [k] to attract a pool of candidates [app] without spending a lot [an]
- The business can advertise the vacancy on its website [k] to find a good match [app] for the position at the right time [an]
- Popular newspapers [k] like The Times of Eswatini [app] as they attract a wider audience of job seekers [an]

- Shopping centre notice boards **[k]** as they can be accessed by many potential applicants **[app]** thus increasing the chance of getting a skilled cook to fill the vacancy **[an]**
- Recruitment agencies **[k]** since they keep applications for clients **[app]** who wish to be referred to different employers **[an]**

(e) Most candidates did well in this question. However, some candidates discussed factors that affect the business location decisions in general instead of evaluating the suitability of the **city centre** business location for the success of Jomo's restaurant. And this tendency led to a loss of marks. It is evident from such responses that candidates did not read the question thoroughly before they could respond, which compromised their performance.

Expected responses could include:

positive points:

- High competition **[k]** since the many food outlets **[app]** in the city centre would provide Gobblers with an opportunity to copy their effective advertising strategies free of charge and gain more customers **[an]**
- Availability of complementary businesses **[k]** who offer related services **[app]** can drive customers to the restaurant **[an]**
- Accessibility **[k]** as shoppers along busy streets in the city centre and malls **[app]** can notice the restaurant and be attracted by their services **[an]**
- High visibility **[k]** since the traffic of shoppers is high, the awareness **[app]** created results in low advertising costs **[an]**

negative points:

- High operating costs **[k]** as high rent and rates **[app]** in the city centre could reduce the profit of the restaurant **[an]**
- Pollution **[k]** as noise and exhaust fumes from motor vehicles in congested zones **[app]** can drive away customers **[an]**
- High crime rate **[k]** as client value security **[app]** thus would be driven away to restaurants in safer locations or premises **[an]**
- High competition **[k]** since the many franchised food outlets **[app]** are concentrated in the CBD, thus Jomo would spend a lot to attract clients **[an]**

Question 2

Case 2

Pearl is a poultry farmer. She operates her business at a medium scale to avoid diseconomies of scale. The business has three departments, each specialising in a particular management area. Pearl often encourages her marketing department to use effective sales promotion methods to improve revenue. She has increased farm worker's productivity by giving employees opportunities for on-the-job-training.

Table 2.1

Extract of Pearl's production data for the poultry farm

	2023	2024
Average number of production workers	60	65
Total output per month	480 000	650 000

- (a) The question was generally well answered. Stronger answers were able to obtain full marks in defining diseconomies of scale as costs or disadvantages that accrue to businesses [k] as they increase their size or output beyond the optimum level of production [k]
- (b) A well-answered question in calculating the output per worker for each year. The strongest responses were able to show the working correctly as $\text{output} \div \text{number of workers}$ and got correct answers in both years.

2023: $480\,000/60 = 8\,000$ units [app]

2024: $650\,000/65 = 10\,000$ units [app]

However, some candidates lost all the marks for inserting units of currency in the answer.

- (b) This question required an understanding of the advantages and disadvantages of specialisation. Many candidates were able to show a good understanding of specialisation. However, there were instances where candidates suggested that specialisation would help Pearl to become more skilful and raise more cows or produce more crops because cows and crops are not correct examples of poultry products. Thus, application marks were lost. Some of the expected responses included the following:

Advantages of specialisation:

- Increased broiler production [k] as workers would be efficient during the production process [app]
- Less wastage of farm inputs [k] as workers become experts in performing their tasks [app]
- Low mortality of the broilers [k] as trained workers would treat them according to animal health specifications [app]
- Lower unit costs [k] as specialised workers can efficiently produce more broilers, to keep the farm's operating costs low [app]

Disadvantages of specialisation:

- Increased boredom [k] as workers perform simple tasks repeatedly on the farm [app]
 - Workers obtain limited skills [k] since each worker performs narrow tasks along the chain of production [app]
 - Lack of responsibility [k] as tasks of raising chickens can be too interdependent [app]
- However, candidates missed marks for their failure to apply to the case.

- (d) A substantial number of candidates struggled to explain two methods of sales promotion that the business could use. Candidates were not sure of what sales promotion is which led them to discuss other promotional strategies, price skimming, and psychological pricing. This led to poor performance in this part question.

Expected responses could include the following:

- Sponsoring events in the community for a short while [k] can improve the business's reputation or brand image [app] thus attracting more customers [an]
- Pearl can use short-term discounts or special offers [k] to attract more sales from retailers [app +an]
- Pearl can develop loyalty benefit schemes [k] to encourage customers to do more repeat buying of the broilers [app] to increase sales [an]
- The business can run a competition mid-monthly [k] so that people may buy more broilers [app] to increase their chances of winning the prizes being offered [an]
- Offering gifts [k] to customers who buy poultry products in bulk [app] to improve customer loyalty [an]

- (e) Many candidates did not perform well in this question. The most common error was to discuss the advantages and disadvantages of training in general instead of discussing specific pros and cons of **on-the-job** training.

Expected responses could include the following:**positive points:**

- Cheaper form of training [k] as there are no travelling costs incurred since training occurs while doing their work at the farm [an +app]
- It can be tailored to the needs of the farming enterprise [k +app] thus skills learnt are more appropriate to the work of the business [an]
- Easy to organise [k] thus it can be completed within a short time and save broiler production time [an + app]

negative points:

- Productivity levels can be lowered [k] as the trainer and trainee [app] are temporarily distracted by focusing on the training [an]
- Narrow scope of the training [app] thus it is unlikely to bring new skills into the business [an]
- Previous conflicts or personality clashes [app] can mean the training may be ineffective [an]

Question 3

Case 3

Verox is a tertiary sector enterprise based in urban areas. The business specialises in the collection and management of waste. Verox experiences high average costs of production. The urban communities appreciate the external benefits from its operations. The business has a flat organisational structure. The management of Verox is worried that the government has increased the minimum wage rate for low-paid workers.

- (a) Many candidates showed that they understood the tertiary sector. Stronger answers were able to obtain full marks as they defined the tertiary sector as an area or part of the economy **[k]** that supplies services to customers and businesses **[k]**. However, a small number of candidates provided partially correct responses as they referred to a 'sector' as a business and lost half the marks.

Responses that defined 'tertiary sector' as the provision of goods and services were also common. These responses resulted in a loss of marks.

- (b) Many candidates were able to provide the correct formula for calculating the average cost of production.

Average cost = Total production cost / Quantity **[app]**

However, some candidates could not provide the formula correctly which resulted in a loss of all the two marks.

- (c) This question was generally well answered. Precise answers provided the following external benefits that the urban community gets from Verox's services.

- Improved air quality **[k]** as waste removal **[app]** reduces the emission of greenhouse gases **[an]**
- Reduced energy consumption **[k]** as recycling or re-using waste **[app]** lowers the rate of manufacturing new products **[an]**
- Conserved natural resources **[k]** as used metal, water, wood, and plastic substances are recycled or re-used **[app + an]**
- Reduced spread of diseases **[k]** in the environment as improperly disposed waste **[app]** hosts harmful bacteria in the environment **[an]**
- Increased employment **[k]** as waste collection and management is labour intensive **[app + an]**
- Increased business opportunity **[k]** as Verox would buy waste material **[app]** from members of the community **[an]**

However, it was also common to find answers where candidates had restated the external benefits instead of explaining how the urban community would benefit from Verox's services. And in such cases, both application marks were lost by candidates.

- (d) This question proved difficult for most candidates. The common mistake made by candidates was to discuss the advantages of a formal organisational structure without clearly demonstrating that the chain of command is short as there are fewer or no middle level managers, and the span of control is wider as there are many subordinates reporting to one manager.

It was also common to find responses where candidates referred to a flat organisational structure as having fewer employees instead of fewer management levels.

Expected responses could include the following:

- Increased responsibility [k] as low-level workers report directly to top management since the middle management tier [app] does not exist [an]
- Easier dissemination of information compared to the tall structure [k] as sharing of information goes through fewer levels of hierarchy [app +an]
- Lowered operational costs [k] as there are fewer managers to pay [app] compared to the tall structure [an]
- Better co-ordination [k] as larger spans of control [app] make it possible to introduce teamwork [an]
- Higher productivity [k] as empowered departments [app] and employees tend to develop high motivation and loyalty [an]

- (e) This question was well answered by most candidates as they could justify how the Government's policy of increasing the minimum wage rate would benefit Verox's low-paid workers. However, it was also common for candidates to explain the effect of increasing the minimum wage rate to Verox instead of explaining the effect of increasing the minimum wage rate on Verox's low-paid workers. Other candidates could not score highly in this question because they discussed the advantages and disadvantages of having the minimum wage rate instead of the effect of an **increase** in the minimum wage rate on Verox's low-paid workers.

Expected responses could include the following:

positive points:

- Improved standard of living [k] for workers with less disposable income [app] since they would afford basic household expenses [an]
- Increased employee morale [k] as lowly paid cleaners [app] would be satisfied with their pay [an]
- Reduced income inequality [k] as unskilled trash collectors and women [app] would be uplifted above the poverty line [an]

negative points:

- Lowered profits for businesses [k] as wage rate increase would raise operating costs [app] leading to loss of jobs since businesses may close down [an]
- Increased retrenchments [k] as businesses would opt to retain fewer dumpsite operators [app] to reduce the wage bill [an]
- Increased inflation [k] as workers with improved disposable income [app] would consume more goods and services [an]

Question 4

Case 4

Jason owns a small shop selling cell phones in Manzini city centre. He has obtained a government grant to boost his working capital. He imports cell phone brands from Asia that are still at the early stages of their life cycle. The low-cost Asian imports help to keep the business operating within its annual financial budget. Jason uses penetration pricing. When the business experiences a cash flow crisis, Jason delays payment to his Asian creditors.

- (a) The question was well answered by most candidates. Stronger responses were able to obtain full marks as when they defined “working capital” referred to “the amount of money available [k] to conduct the business’s daily operations [k]. However, few candidates defined working capital as money [k] used in the business. Thus, they received only one mark for their partially incorrect response.

Centres are urged to teach candidates precise definitions of concepts and remind them to always read questions thoroughly during examinations to avoid losing easy marks.

- (b) The possible stages of a cell phone’s product life cycle were fairly answered by a significant number of candidates. However, some candidates also incorrectly stated the stages of the trade cycle (boom, slump, and recession), stages of production (primary, secondary, tertiary) and stages of product development (idea generation, idea screening, forming a prototype), as their responses to the question which resulted to loss of marks.

The strongest responses provided any two of the following product life cycle stages:

- introduction (launch), [app]
- growth, [app]
- saturation, [app]
- maturity, [app]
- decline, [app]
- Withdrawal. [app]

- (c) **Explain two reasons why Jason prepares the annual financial budget.**

Candidates were able to explain two reasons why Jason prepares the annual financial budget. Few candidates made common errors suggesting that future incomes and expenses were estimated to determine profit or loss. This misconception led to a loss of marks.

Precise answers provided the following reasons for preparing financial budgets:

- To control income and expenditure [k] so that the cell phone business [app] remains in a healthy liquidity position [an]
- To set financial targets/ priorities [k] to monitor the performance of the organisation [app] and ensure business success [an]
- To provide direction [k] so that business objectives [app] can be turned into practical reality [an]

- To justify a need for external funding [k] to pay off his debts with Asian suppliers [app] before the business is blacklisted [an]

(d) Explaining one advantage and one disadvantage to Jason of using penetration pricing was well answered by a significant number of candidates. However, some of candidates still could not get high marks on this question. Penetration pricing was confused with the other pricing strategies, especially price skimming and psychological pricing strategies.

Expected responses could include the following:

Advantages of penetration pricing

- Increased customer interest [k] as mobile phone [app] prices are lowered below those of competitors to win customers [an]
- Reduced competition [k] as the lowered prices can push rival businesses [app] out of the market [an]
- Increased brand loyalty [k] as the low cell phone prices [app] brings in new customers who may value the business for a long time [an]

Disadvantages of penetration pricing

- Increased price wars [k] as stronger competitors may lower their prices to push the cell phone business [app] out of the market [an]
- Poor brand perception [k] as mobile phone buyers [app] would believe that the low prices initially set are associated with low-quality products [an]
- Increasing prices later would drive customers away [k] since they had been attracted by the initial low price of the cell phones [app + an]

(e) A majority of candidates could justify how Jason's strategy of delaying payment to creditors is the best way of managing a cash flow crisis as high marks were scored. However, some candidates performed poorly as they could not make correct submissions on whether delaying payments to creditors was the best strategy for Jason.

Furthermore, some candidates confused creditors with debtors. Thus, these candidates scored low marks on this question.

Expected responses could include:

positive points:

- Delaying payment will allow Jason to reduce cash outflow [k] thus cash will be available to pay for import duties [app + an]
- Buy cheaper cell phone accessories [k + app] which would reduce cash outflows [an]
- Jason may clear out old cell phone models [k + app] thus freeing up cash tied up in stock to improve liquidity [an]
- It improves short-term liquidity [k] during periods of lower income, thus helping to cover urgent expenses like salaries and rent [app + an]
- It may increase working capital [k] by closing the gap between cash inflows and cash outflows [an]
- It opens up investment opportunities [k] since the extra funds can be used to seize short-term investment [app] to increase profitability [an]

negative points:

- Suppliers may stop providing the business with cell phones **[k + app]** thus it will be able to generate sufficient cash inflows **[an]**
- Jason could ask his debtors to pay more quickly **[k]** resulting in fewer customers willing to buy the cell phones **[an]**
- Jason may arrange an overdraft or short-term loan with his bank **[k]** and pay interest **[app]** thus worsening his liquidity position **[an]**
- Jason's business could suffer damage to its reputation **[k]** thus other mobile phone suppliers **[app]** could refuse to offer it credit **[an]**
- The cell phone suppliers **[app]** may take the business to court **[k]** thus incurring preventable legal costs **[an]**

EGCSE BUSINESS STUDIES**Paper 6897/02****General Comments**

The 2024 cohort showed significant improvement over the 2023 cohort. Most candidates effectively related to the case, enabling them to apply their knowledge well. There was also an increase in high marks for question 4(b), which involved financial calculations and evaluations.

Candidates demonstrated greater confidence in tackling question 4(b) which required financial data processing and interpretation. While most followed command words and provided sufficient application, some struggled to advance their answers to levels 2 and 3. Many produced level 2 answers but struggled to provide the evaluation needed for higher marks.

Questions that proved to be particularly challenging for most candidates were Questions 1(b), 2(b), and 3(a). Many candidates struggled to recall the relevant content required to answer these questions effectively. This ultimately resulted in low scores on these specific items.

Items 1 (a), 4 (a), and 4 (b) were well answered by most candidates, many earning full marks. Additionally, Question 3 (b) was answered effectively by numerous candidates, showing how the restaurant could use written electronic communication to boost productivity.

Overall, the answers were mostly of an acceptable standard. Many candidates also showed a solid understanding of the syllabus topics assessed. However, to achieve level 3, candidates should present a balanced essay discussing both the merits and demerits of a decision. They should also evaluate their judgment twice: first by supporting their initial standpoint and then by explaining reasons for rejecting alternative decisions.

Specific comments on individual questions**Question 1**

- (a) This question was answered well overall. The aims of private sector businesses were clearly stated and analysed in relation to the case study. However, some weaker responses confused the aims of private sector businesses with those of public sector businesses. For example, many candidates mistakenly claimed that Zamani Foods aimed to create more jobs for society. While job creation is an incidental benefit of any business activity, it is not considered a primary aim of the private sector. Additionally, some candidates simply listed the stated aims instead of developing them further to achieve full marks.

Example of a good response:**Content:**

- To grow / expand
- To make profit
- To provide a service
- To win loyal customers
- To survive

Example of a correct response:

To make profit **(k)** as the shareholders want to get returns on their investment **(k)**. This would enable the restaurant **(app)** to finance its expansion and fight competition **(an)**.

- (b)** This question posed a challenge for most candidates. Only a limited number were able to clearly explain the advantages and disadvantages of horizontal growth. Unfortunately, many candidates failed to distinguish between horizontal growth and internal growth, which cost them potentially high marks. For instance, some weaker responses incorrectly stated that Zamani Foods would have cheaper supplies, but horizontal integration refers to acquiring a business that operates at the same stage of production.

Example of a good response:

Advantages of horizontal growth	Disadvantages of horizontal growth
• Reduces the number of competitors	• Conflicting management styles
• Business benefits from economies of scale	• May be hard to manage
• Increases market share	• Expensive to operate

Example of a correct response:

Horizontal growth will reduce competition for the merged restaurants **(L1)**, enabling the business to sell food items **(app)** to a large number of customers and increase revenue volume **(L2)**. However, the managers from the merged businesses may have conflicting management styles/culture **(L1)** which may lead to delays in implementing decisions in the restaurant **(L2 +app)**.

I therefore think horizontal growth would be a beneficial way of expanding the business as it would enjoy purchasing economies of scale when buying inputs **(2L3)**. However, if the growth is not well managed, operational costs would increase due to dis-economies of scale **(2L3)**.

Question 2

- (a)** The majority of candidates were able to only identify ways in which the restaurant could measure its size. However, several candidates could not sufficiently explain these measures to earn full marks as required.

Example of a good response:**Content:**

- The volume of output/revenue
- The number of employees
- The number of branches
- The size of the market share

Example of a correct response:

Zamani Foods (Pty) can measure its size using the number of employees **(k)**, this is the total number of people hired by the restaurant **(k)**. As a small-scale business **(app)**, the firm is likely to have few workers, but more workers will be hired as the business plans to expand **(an)**.

- (b)** The question required candidates to advise Zamani Foods (Pty) on whether to apply for the grant or the bank loan. This question was challenging for most candidates. Many responses failed to compare the two concepts adequately. Several candidates wrote solely about either the grant or the bank loan, ignoring the requirements of the question. As a result, they did not provide a balanced essay and missed the opportunity to score maximum points.

Advantages of applying for a grant	Disadvantages of applying for a grant
• May not need to be repaid	• May take a long time to process
• Cheaper for business (no interest charges)	• Funds may not be enough
• No collateral required	• May not qualify

Advantages of applying for a bank loan	Disadvantages of applying for a bank loan
• Easy to arrange	• Collateral required
• Sufficient funds could be secured	• Needs to be repaid
• Repaid over a long period	• Interest charged

Question 3

- (a) (i)** Most candidates provided strong responses to explain one advantage to customers of more food options. Many correctly identified and analysed the advantages of Zamani Foods offering a wider menu. However, some responses lacked sufficient detail in their explanations. While many candidates noted that the business could increase its revenue, their answers often did not explain how the restaurant could achieve this outcome.

Example of a good response:**Content:**

- Clients are able to choose their preferred dishes for health reasons
- Males prefer different meals compared to women
- Young people prefer different food items compared to adults.
- People from different religions prefer different kinds of food.
- People from different income groups prefer different food items.

- (ii) The question required candidates to explain one disadvantage to Zamani Foods (Pty) of offering more food options.

Example of a good response:

- Increases costs as the business caters for different variations.
- The business may venture into that market segment where there is stiff competition and is saturated.
- Difficulty in choosing the right options to focus on

Example:

- Religious beliefs **(k)** People from different religious groups prefer different kinds of food **(k)**. if Zamani Foods (Pty) offers many food varieties **(app)**, different believers will be able to buy meals that match their tastes and preferences **(an)**

- (c) This question was, relatively, well answered by most candidates. Many candidates demonstrated how the restaurant could utilise written electronic communication to enhance productivity. However, most struggled to explain their answers clearly, as their understanding of written electronic communication was limited to facsimiles, rather than including emails and modern social media platforms.

Example of a good response:

Advantages of written electronic communication	Disadvantages of written electronic communication
<ul style="list-style-type: none"> • Shows visuals attractively • Message can be sent to many people at the time • A lot of details can be provided • Widely used • Keeps record of communication 	<ul style="list-style-type: none"> • Messages could be ignored • Could be affected by poor network coverage • Feedback may be slow • Expensive • Not everyone has access

Example of a correct response:

Written electronic communication provides proof of communication **(L1)** which would help waiters **(app)** refer to in case customers' orders get mixed up **(L2)**. However, communication can be disrupted by network outages **(L1)** leading to delayed orders **(app)** and loss of revenue **(L2)**.

I therefore think written electronic communication would lead to increased productivity as the restaurant can attach attractive pictures of their meals that will entice customers **(2L3)**. However, this method of communication requires the use of expensive gadgets which some customers may not have **(2L3)**

Question 4

- (a) Benefits of recruiting internally for the management position was successfully answered by many candidates, with a majority recognising that it focused on analysing the benefits of internal recruitment. However, a significant number misunderstood the question and analysed advertising as a marketing concept instead, which caused their responses to deviate from the intended response.

Example of a good response:**Content:**

- Motivates workers
- Cheaper
- Limited induction training required
- Internal recruits already know company culture

Example of a correct response:

Motivates workers **(k)**. internal recruitment encourages waiters **(app)** to put more effort into their work **(k)**. As a result, customer care is improved thus more customers will be attracted to the business **(an)**

- (b) Most candidates answered this question well, demonstrating knowledge of the formula for calculating the net profit margin. Stronger responses included recommendations on whether the bank could lend Zamani Foods the required funding of E35,000. Candidates noted that the restaurant's performance was exceptional enough to qualify for the loan, as the net profit margin reviewed showed a significant increase. However, some candidates pointed out that the level of profit could be misleading, especially if the business had high credit sales.

Example of a good response:

Net profit margin (NPM): 2023

$$\text{NPM} = \frac{\text{Net profit}}{\text{Revenue}} \times 100$$

Revenue

$$= \frac{\text{E50000}}{\text{E400000}} \times 100$$

E400000

$$\text{NPM} = 12.5\%$$

Net profit margin (NPM): 2024

$$\text{NPM} = \frac{\text{Net profit}}{\text{Revenue}} \times 100$$

Revenue

$$= \frac{\text{E80000}}{\text{E400000}} \times 100$$

E400000

$$\text{NPM} = 20\%$$

Evaluation:

The firm's net profit margin is 12.5% and 20% in 2023 and 2024 respectively. There is a relative improvement in the profitability of the business as it shows a 7.5% increase. This shows that the business has the potential to repay the bank loan and the relevant interest payments. The improvement in the net profit margin shows that the business has been able to pay all expenses and has more potential to pay for the additional expenses (loan interest) that will come with the loan. The E35 000 loan is for working capital (additional inventory) which is short-term making the loan to be less risky. The loan amount in relation to capital employed is reasonable which may also result to the bank lending the business such a loan.

RECOMMENDATIONS

Candidates should be reminded that success in this paper depends on the following hints:

- Candidates should reference the case study to ensure their answers are relevant, specifically using terminology, products, concepts, processes, outputs and issues related to a small-scale restaurant.
- Candidates should provide detailed explanations of their points, as listing them usually only earns Level 1 marks. Explaining a point can raise the answer to Level 2, resulting in more marks.
- Candidates should remember that part (b) requires a justified recommendation or conclusion. They should base their decision on a balanced argument presented earlier, justifying the chosen option without repeating points or the analysis. Additionally, they should compare options and explain why alternatives were rejected.