

BUSINESS (STANDARD LEVEL)

Paper 8929/5172
Effective Business Communication

Key messages

Overall candidates would improve their marks if they focused on the letter as many candidates' responses are very weak in terms of layout and content.

General comments

The syllabus has been clearly covered by the majority of candidates. However in some instances candidates did not fully understand the features of a hierarchical organisation structure.

Comments on specific tasks

Task 1

- (a) Many candidates were able to describe four two-way methods of communication.
- (b) Candidates were asked to identify four key causes of poor internal communications. A number of candidates were not able to do this correctly and were not able to access the marks.
- (c) This task asked candidates to explain the need for business to understand the communication process. Many candidates were able to gain two/three marks but did not achieve the full four marks as they did not identify both internal and external stakeholders.

Task 2

- (a) Letter Layout.

There were some attempts to draw a logo but the address on the letterhead and that of the addressee were not realistic and not in the context of the case study. The salutation and the complementary close in most cases did not correspond and the signatory was incorrect and not in context.

Weak areas were:

Letter content.

Date – not in context,

Date, time and place of the meeting not given.

Confirmation of attendance was either missing or the date used was the date of the meeting.

The Agenda was often missing or incorrect.

- (b) This task was answered well by candidates.

Task 3

- (a) The majority of candidates did not understand this task on the rules which groups need to comply with in order for them to be successful.
- (b) This task was poorly answered by candidates as they did not understand the factors which project teams need to consider to ensure that they are effective groups.

- (c) This was a very straight forward task asking the candidate to list six characteristics of a successful meeting.

Task 4

- (a) Many candidates were able to gain maximum marks on this task.
- (b) Candidates were able to gain marks on this task. This was a very straightforward task about planning for a selection/recruitment interview.
- (c) This was a straightforward task about open and closed tasks.

Task 5

- (a) This question was very poorly answered by candidates. Many candidates did not use the terms span of control or chain of command in their answers. Candidates talked about the disadvantages for communication but did not describe the features of a hierarchical organisation.
- (b) In some cases candidates did not read the question correctly. Diagrams were drawn and an advantage and disadvantage were not fully identified.
- (c) Candidates were able to achieve at least two marks for this task. As this was the last task on the paper it was often not answered in great detail and so evidence of poor time management.

BUSINESS (ADVANCED LEVEL)

Paper 8929/5173
Business Finance

Key messages

- Centres and candidates are once more reminded of the need to provide a formula when undertaking tasks that require a calculation as a failure to do so can result in the loss of marks should the solution prove to be incorrect.
- Centres and candidates are reminded of the need for precision when defining terms as vague responses will only attract low marks.
- Candidates should be reminded that it is essential to read the rubric of the tasks carefully. If the task requires that an explanation is given then a simple definition of the terms cannot attract the higher order marks.

General comments

Overall the performance of the candidates who sat the October 2011 examination appeared to be similar to that seen in previous examination sessions. The majority of candidates appear to have good knowledge of most areas of the subject and they appear to understand what is required in order to be successful.

Comments on specific tasks

Task 1

Generally the answers provided for the tasks **(a)** to **(e)** were satisfactory with many candidates achieving awards that were around or above the pass boundary.

The answers to part **(a)** were very strong with the majority of candidates able to explain in detail what could have caused the net profit figure to have been better than expected.

The answers to the part **(b)** were inconsistent with some good answers and some very weak answers.

The answers to part **(c) (i)** were generally good with the majority of the candidates achieving full marks. This is clearly a topic that is well covered by the majority of Centres and Centres are to be congratulated for this.

The answers to parts **(c) (ii)** were rather weak with many candidates providing vague explanations as to why monitoring was necessary. Many candidates provided answers that concentrated on monitoring the level of cash rather than looking at the need to monitor all current assets and current liabilities.

The answers to part **(d) (i)** were generally good with precise definitions of incorporated organisations.

The answers to part **(d) (ii)** were, again good with relevant advantages and disadvantages being provided.

The responses given for part **(e)** were satisfactory, although a small minority of candidates provided answers that were relevant to a franchisor rather than a franchisee.

Task 2

Overall the responses provided for this task were rather disappointing with a sizeable minority of candidates appearing to be confused by all parts of the task

The answers to part **(a)** were rather weak with most candidates being unable to provide an answer that distinguished between the two documents. Clearly this is something that Centres need to be concerned about if future candidates are to be successful.

The answers to part **(b)** were better with most candidates being able to produce a relevant response.

The answers to part **(c)** were very disappointing with only a minority of candidates achieving high marks. Again, Centres are urged to address this issue in order to benefit future candidates.

Task 3

Overall the responses provided for this task were quite good with many candidates scoring reasonable marks.

The answers to part **(a)** were good, with most candidates being able to explain how the payback method can be applied to appraise investment projects.

The answers to part **(b)** were slightly weaker with many candidates producing vague descriptions of how the Annual Rate of Return % is calculated.

The answers to part **(c)** were good with most candidates being able to correctly calculate the payback periods. It was also pleasing to see that in the majority of cases, the candidates provided formulae to show how they were undertaking the calculations. In some cases this meant that they were still awarded marks, even though the calculations were incorrect.

The answers to part **(d) (i)** were generally good with relevant explanations of the need to take account of the time value of money.

The answers to part **(d) (ii)** were again generally good with precise explanations of Net Present Value.

Task 4

Generally the answers to this task were encouraging with most candidates appearing to be familiar with the concept of PEST factors and how such factors could have an impact on business. However, candidates should be more precise when discussing profitability. It is essential that they discuss the likely effects on revenues, costs and therefore on profits. Such discussion will yield high marks.

Task 5

The answers provided for this task were generally good and depreciation is clearly a topic that is well understood by the majority of candidates.

The answers to part **(a) (i)** were generally good with most candidates being able to calculate the depreciation allowances. Again, it was pleasing to see that in the majority of cases, the candidates provided formulae to show how they were undertaking the calculations. In some cases this meant that they were still awarded marks, even though the calculations were incorrect.

The answers to part **(a) (ii)** were weaker and it was noticeable that a sizeable minority of candidates did not show their workings. Sadly, this meant that some candidates lost marks when they produced wrong answers.

The answers to part **(b)** were generally poor with many candidates struggling to explain an alternative method of depreciation and there were some very weak explanations as to when this method would be more suitable.

BUSINESS (ADVANCED LEVEL)

Paper 8929/5174

Marketing

Key messages

- Teachers can help by ensuring that all topics are covered each session as there are still areas of the syllabus that cause problems for the majority of candidates. Not only can past paper tasks be useful in helping candidates with their exam technique, but also asking candidates to bring examples of marketing that they come across in their day to day life can be useful in helping them to recognise marketing applied in different contexts.
- Candidates need to ensure that where appropriate that they apply their answers to the Case Study scenario.
- As always candidates need to ensure that they read the tasks accurately.

General comments

It is good to see some very high marks achieved by some candidates for this paper. Examiners report that good candidates know the syllabus well, and are able to identify the relevant concepts required by each task. The Case Study was based on a holiday company, and those candidates that were able to apply their knowledge to the tasks and link these to the Case Study were awarded high marks.

Unfortunately there were still a considerable number of fail grade candidates, and Centres should note the key messages above.

Comments on specific tasks

Task 1

- (a) This first part of this task required candidates to explain why putting the customer at the Centre of all activities was important. While many candidates did this well, there were still quite a number who defined the marketing concept rather than explaining its importance as required.
- (b) The second part of this task required candidates to identify three examples of marketing activity from the Case Study and then explain how each contributed to the company's objectives. There were several pieces of evidence in the Case Study – for example, branding, channel management, looking after internal customers (the 'people' element of the marketing mix, and promotional activity.

Several candidates identified three different elements of marketing communications instead of the three different elements of marketing. When this happened, candidates were rewarded for one example of marketing, although if they did identify how they contributed to different objectives they were awarded one or two more marks.

Teachers should ensure that learners are clear about the differences between marketing and marketing communications, and also ensure learners are encouraged to read the tasks carefully.

Task 2

- (a) This task was generally answered well. Most candidates were able to identify suitable ways of gathering customer feedback, and it was very pleasing to see that some considered the usefulness

of monitoring social media for this purpose. The advantages and disadvantages of the various methods were also described well.

- (b) Again, in this part of the task, many candidates were able to identify sources of secondary data as asked. However, fewer candidates were able to make the link between a generic secondary source (e.g. a specialist journal) and the Case Study (e.g. publications about sports events). This limited the number of marks that could be awarded.

Task 3

This task explored segmentation in the early sections, and then looked at the consumer buying decision making process.

- (a) The marks for the first part of the task were for an explanation of the ways that Holidays Inc use demographic segmentation in the Case Study. Many were able to describe demographic segmentation, although a mention of family holidays or cruises for those with higher incomes was expected to gain full marks.
- (b) As with (a) many candidates were able to describe psychographic segmentation and some identified sports holidays as a response to this form of segmentation.
- (c) This final part of the task asked for the consumer buying decision process to be linked to a family holiday. Many candidates were able to list the stages in this process but very few applied it to the situation in the Case Study.

Task 4

- (a) Some candidates simply described the PEST factors in a generic way, and did not make any attempt to address the requirement of the task. There were examples from each of the political, economic, social and technical elements of the marketing environment analysis model in the Case Study, and Examiners were flexible in their approach to acceptable answers where possible.
- (b) In this final part of the task candidates were asked to explain all four of Ansoff's growth strategies in the context of the holiday industry. Some were able to do this well. However, for some Centres this presented a difficulty and this part of the task was either ignored or wrongly completed with a description of the Boston Consulting Group matrix.

Task 5

- (a) Strong candidates were able to explain the elements of the extended marketing mix (7 Ps) in the context of the World Cup package holiday. There were some very good answers that recognised online booking as a 'process', some went into detail about the need for the 'people' involved to be knowledgeable about football, and about the need for the package (product) to allow for holidaymakers to travel to different venues to watch matches at different stages of the competition.

Many candidates simply described the 7Ps in a generic way, and did not make any attempt to address the requirement of the task.

- (b) This final part of a task allowed candidates to use creativity in their choice of product to explain how a coordinated marketing mix had achieved success (or lack of coordination had made it unsuccessful).

Some candidates did not attempt this element of the task, and it is difficult to assess whether this was poor time management or lack of knowledge.

Most of those who did attempt it did very well and used various examples from soft drinks to iPhones to demonstrate their knowledge.

BUSINESS (ADVANCED LEVEL)

Paper 8929/5175

Human Resource Management

Key messages

- Bullet point format was used in answers by some candidates; while this is acceptable candidates must recognise that they have to fully justify the items in the bullet points and not simply provide lists. Detailed essay-type answers are not always required but candidates must write in enough detail to demonstrate to the Examiner that they understand the tasks.
- Teachers should ensure that their candidates understand the importance of context. Higher level marks were awarded to candidates that could appreciate that their answers must refer to the case study in order to demonstrate that they can analyse and apply their knowledge. Many candidates provided examples from general business practices or classroom examples to illustrate their knowledge but did not make use of the examples provided in the case study. Distinction answers showed that the candidate was able to understand the tasks and apply their knowledge by ensuring that responses were clearly related to the case study.
- The most able candidates will also end their answer with a conclusion summarising their answer and making recommendations where appropriate.

General comments

Candidates at this level are expected to be able to analyse the case study and make suitable evaluations in their answers rather than simply repeating subject knowledge. The majority of candidates did produce some evidence of applying knowledge and interpreting the case study although there were still a significant number of candidates scoring less than 20% of marks. These candidates would have been better advised to sit the Standard level paper.

Many candidates produced much shorter and less detailed answers for **Tasks 4 and 5**. It is not clear if this was due to poor allocation of examination time or a lack of knowledge in the syllabus areas being examined. It was common for the answers to **Tasks 1 and 2** to be the most lengthy in candidates answers so this does suggest that many candidates need better guidance on examination technique. The more able candidates were those that showed good examination technique and allocated suitable time to answering each task.

Comments on specific tasks

Task 1

- (a) Candidates were expected to provide a definition of Strategic and Operational policies. Most candidates were able to identify the different roles of Abdul and Daljit whilst the more able candidates made an attempt to evaluate how well each role had been performed by the two managers.
- (b) Many candidates were able to provide definitions of decentralised and centralised methods of human resource management. Candidates achieving Merit level marks expanded their answers to suggest how the management of human resources at USS could be changed to decentralised and what effect this would have on the motivation and communication at USS. The best answers provided conclusions assessing the likely effect of the changes and recognising the possible new roles for staff.

Task 2

- (a) Candidates were expected to identify the labour market relevant to USS's business from the information provided in the case study. Candidates providing answers that simply explained general labour market features were not really answering the task. Most candidates were able to identify the relevant information and the benefits to USS in terms of recruitment and salary levels because of the high levels of well educated unemployed people on the market. Good conclusions also recognised how the market was influencing USS in the types of contract it was able to offer.
- (b) This task required candidates to identify the influence of technical change at USS. Some marks were awarded to candidates who made reference to the relevant section of the case study but better answers explained the need for lifelong learning; the constant need for new skills and the threat of redundancy. Distinction level candidates added to these answers by considering the implications of the rapidly changing nature of the IT industry that USS was in.

Task 3

- (a) A significant number of candidates simply provided lists of the different forms contracts. Higher marks were awarded for definitions that made reference to the different roles at USS. Distinction level candidates recognised why USS was using different forms of contracts for the different roles and justified the use of each type of contract such as initially giving systems designers temporary contracts in order to assess their competence before offering permanent contracts.
- (b) A significant number of candidates provided answers that explained both the recruitment and selection process at USS even though the task only asked for the selection process. No marks were available for explanations of the recruitment process. There were some very good answers from candidates that described the sort of practical tests that could be used for the different jobs on offer at USS; for example testing typing speed of office staff or asking programmers to write simple programmes. Candidates often suggested practical tests could require prospective employees to show their skill in using factory machinery, these answers were not relevant to USS so would not earn any marks at Advanced level.

Task 4

- (a) A significant number of candidates were confused between employment contracts and working patterns. Pass level candidates often simply listed the working patterns and provided illustrations relevant to all types of industry. Better candidates applied their answers to USS by identifying which working pattern was used by each group of workers and explaining why shift working was suited to the programmers and flexitime to the office staff. The very best candidates evaluated the consequences to USS if all staff were put on the same working pattern and how this would affect production.
- (b) Candidates simply had to identify appraisal methods to gain a Pass on this task. Many candidates did not seem to recognise this and answers to this task were often weak. Candidates who provided general explanations not applied to USS were still able to gain Merit marks where their answer explained the use of targets, standards, key competences and accountabilities. There were some excellent answers that used the information in the case study to suggest suitable targets/standards such as sales targets for sales staff, number of programmes to be written by programmers and factors such as sickness rates and punctuality for all staff.

Task 5

- (a) A quite well answered task at Pass level with most candidates explaining suitable benefits such as free meals, company cars, cheap loans, free health care, discounts on company products, etc. A large number of candidates restricted their answers to lists or very simple explanations, in many instances this was much weaker than their previous answers so does imply that these candidates had not allowed themselves sufficient time to answer this task fully. A few candidates were able to consider the purpose and gains to USS made by providing these fringe benefits. The most able answers were able to consider the benefits from both the employer and employees perspective by

comparing fringe benefits with monetary rewards and factors such as motivation and taxation implications for benefits.

- (b)** A very poorly answered task on a topic that has produced weak answers in previous papers, although it was also clear that many candidates had not allocated sufficient time to complete this task in full. Candidates were expected to consider how levels of reward for staff were influenced by the marketplace for particular skills/qualifications; legal constraints; regional variations; bargaining strengths of individuals/groups and differentials. A number of candidates misread the task and provided incorrect answers explaining the different methods of payment. Many candidates explained the relevance of skills/qualifications in determining levels of reward and a few also made references to minimum wage legislation. The most able candidates linked their answer to the regional employment market and the supply/demand of staff in the different job roles.

BUSINESS (ADVANCED LEVEL)

Paper 8929/5179

Business Organisation and Environment

Key messages

Teachers are advised that previous examination papers and Principal Examiner's reports may be downloaded and it is recommended that they are used as resource material during the important revision period. It is imperative that *examination technique* is a vital part of any candidate's examination preparation process. Points to bear in mind include:

- Candidates are expected to read both the case study and the accompanying tasks carefully in order to understand precisely what they are required to do. All too often, candidates fail to do themselves justice simply because they either misread or fail to comprehend a task.
- *The purpose of having the case study is to encourage candidates' responses to be made in the appropriate context.* This means that responses *should, where appropriate, be clearly related to the case study. Marks are often lost if the context is disregarded.* It is not enough to display knowledge; it needs to be applied to the case study. *Context is important and a key to success in the examination!*
- Candidates must not underestimate the importance of *time management*. An examination will clearly put candidates under pressure but they need to be instructed how to pace themselves and not panic because of the time constraint.
- Candidates must be advised that a succinct and focused answer is preferable to one that is lengthy and offers little substance. At no point in the examination paper are candidates required to submit lengthy essay-type answers but they must write a sufficiency of detail to demonstrate to the Examiner that they understand the tasks.
- There are those candidates who answer tasks with bullet points. A series of bullet points may well contain the correct information or data but they do not conform to any instruction to 'describe' or 'explain'. *It is likely that only one or two marks will be awarded for bullet points.*
- *It must be acknowledged that unclear or untidy scripts can present Examiners with unnecessary difficulties.* No marks are deducted from scripts where candidates ignored advice about, for example, leaving margins clear, or starting each task on a separate sheet of paper, *but teachers and candidates must acknowledge that these instructions have a purpose.*
- The majority of candidates undertake the examination in a second language. *Incorrect spelling and grammatical errors are **not** taken into consideration.* The demonstration of business knowledge and is much more important than the quality of written language. *However, it must be emphasised that very poorly expressed answers, especially those which expect the Examiner to guess a candidate's meaning and intention, may not be marked very favourably.*

Invigilators should note that:

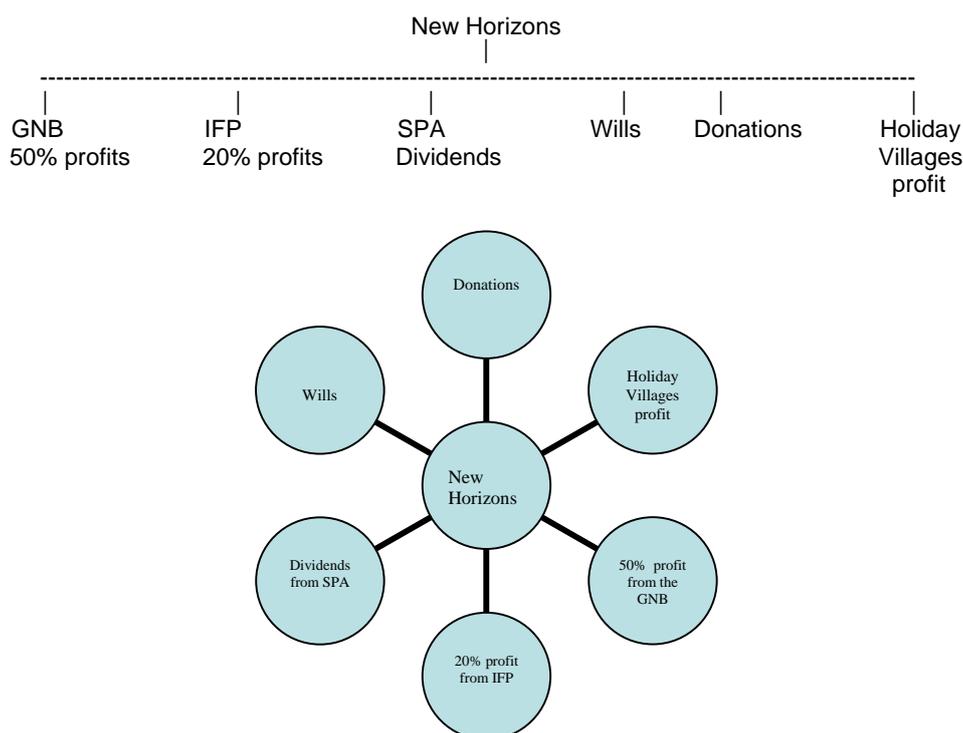
- Candidates need some guidance before the start of an examination. The information on the front page needs *to be read out aloud in a clear voice* by the invigilator so that candidates fully understand how they should proceed.
- Prior to the start of the examination, the invigilator must draw attention to the fact that 15 minutes' reading time is provided in order to help candidates become acquainted with the contents of the examination.
- Where candidates use loose sheets rather than an examination booklet, invigilators should check that the sheets have been assembled in the *correct order*.

Comments on specific tasks

Task 1

- (a) Charities are non-profit making organisations and candidates were asked to explain what a non-profit-making organisation was and give one benefit of it to New Horizons. The majority of responses were weak indicating a lack of understanding of non-profit making organisations. Many candidates suggested that New Horizons did not make any money but accepted that it could qualify for Government grants. Candidates were expected to recognise that the charity was run like a business but was not specifically driven by the profit-motive and the need to satisfy shareholders. A benefit was that it took the pressure off the charity to achieve a specific return on capital. Also being non-profit-making meant, as was acknowledged, the charity could reasonably expect Government to offer concessions, grants and allowances not normally given to business organisations.
- (b) Father Mahesh, the chairman of the charity, said that without a surplus the charity would not be able to grow. Candidates were asked to explain what he meant. This task was basically about the profit argument i.e. without a profit or surplus there would be no accumulation of funds for future development. Despite being a charity, New Horizon needed to grow in order to meet its objectives and funding was necessary to do that. The charity was involved in many humanitarian projects and an active funding stream was essential which came, mostly, from business activity. Most responses did not grasp the similarity here between a non-profit making charity and other forms of business organisation.
- (c) Candidates were given the task of drawing up a simple chart to show how New Horizons obtained its funding from the main sources mentioned in the case study. This task was generally not well answered. Some candidates omitted it altogether. All the necessary detail was contained within the case study and candidates only had to produce an elementary chart to illustrate the charity's funding arrangements. Full marks ought to have been bestowed on each and every candidate but it was clear that drawing up a chart was not a skill possessed by all candidates. The essence of the chart was that it could be readily understood and made sense. The chart should also have been given a heading or description and there were very few instances where this occurred. There were some attempts which consisted of just a list of funding sources despite the task demanding a chart.

Here are two examples of the sort of simple chart each of which would have qualified for full marks:



- (d) This task called for an explanation of the charity's objective of satisfying customer demand. Very few candidates answered in terms of the charity as most ignored context and gave generic responses. This issue is fundamental to any organisation, whether it is for profit or non-profit, but candidates should have recognised that being a religious charity it was important for it to deliver what it promised i.e. outdoor activities, retreat, opportunities for study, and meditation in a holiday village environment. Some candidates understood that a key to this objective was that a quality product/service and acceptable pricing should be offered but there was very little appreciation that New Horizons had to maintain its multi-faith objective.

Task 2

- (a) (i) This task asked candidates to explain the meaning of team-working and to identify one benefit of it to New Horizons. Mostly candidates understood the task and answers were quite well structured. The points to be discussed included, for example, that teams tended to comprise multi-skilled and trained staff; that it encouraged employee interest in their work. There were very few candidates who acknowledged that a team was usually given an entire project or process to manage. As far as the benefit of team working was concerned, most responses dealt with the improvement of motivation. There was no reference to the likelihood that team working could offset the effect of hierarchy and give employees the feeling that they had something to contribute. There were those who interpreted the task to mean matrix management.
- (ii) This task called for an explanation of what was meant by a quality circle and one benefit of it to the employees and volunteers. The responses here were not as competent as those for team working (above) and it appeared that few understood what quality circles were. Candidates needed to say that a quality circle was a group of employees/volunteers which met to consider and recommend solutions to problems incurred by the charity's operations. This point was key to the task. The circles also met to consider 'what if?' situations and may involve people from several departments or specialisms e.g. production, sales, finance. The participation of staff and volunteers in problem solving, using their knowledge and experience, made them feel valued and motivated. Also participation enabled people to understand more about the charity and its objectives.
- (b) Although the structure of New Horizons was hierarchical, there was a flat structure in the holiday village division. Candidates were expected to describe a flat structure and say why it was not appropriate for the entire organisation of New Horizons. Generally this was not well done and the weakness lay in the definition of a flat structure although most candidates offered the appropriate reason why it was not appropriate for New Horizons i.e. the charity was a large and complex organisation which needed to coordinate its work on a world-wide basis. From the charity's point of view this meant that it could deliver its objectives better through an hierarchical structure i.e. all personnel could relate to the structure and easily identify the chain of command. With reference to the flat structure, candidates should have pointed out that it was based on a wide span of control and few layers of management or hierarchy, and that it enabled the delegation of a high proportion of tasks and decisions.
- (c) One function of the charity's structure is to set and achieve targets. Candidates were to explain how the flat structure of the holiday village division achieved this. This task was not well done overall although it linked with the three preceding tasks. At the level of the holiday villages, staff were organised into teams and quality circles. A wide span of control worked well here because vertical communication was easier as there were fewer layers through which it had to pass; it enabled the delegation of a high proportion of tasks and decisions; and it would help to motivate staff as they would have more responsibility. Clear understanding and application would have been well served had any candidate pointed out that visitors needed to feel that they were not obviously part of a huge organisation, and that there was the 'personal touch'.

Task 3

- (a) (i) Candidates were asked to describe New Horizons' expectation that employees and volunteers should be committed to the charity and its objectives. Loyalty was well rehearsed in this task but all organisations expect loyalty from their staff. There was little evidence of context and many candidates overlooked or misunderstood the nature of the charity. The essential point to have pursued was that being a faith organisation there was the suggested obligation that staff be extra

supportive and committed. The charity was not so much about business but a way or an expression of life. There was an implicit view that the charity was also serving its staff.

- (ii) The next task focused on employees and asked candidates to describe the employees' expectations that they would be given training. The need for training was generally well understood in that the Charity's success was largely dependent upon having a fully trained workforce whether paid or voluntary. However, few candidates fully appreciated that training would enhance the commitment to improve the charity and its prospects. There was no mention of multi-tasking or of the need to update skills. The text suggested that most staff did not feel they got sufficient training for their jobs which would, in turn, enable them to get more out of their roles.
- (iii) As the volunteers did not receive any wages or salaries, candidates were asked to describe their expectation for appropriate incentives. No specific references were made in the text so some conjecture was acceptable so long as the incentives were appropriate to a faith charity. The text said that they were given air fares, accommodation, work clothing and medical treatment so candidates needed to identify what more could they be given. In fact, many responses reiterated these very conditions. Candidates should have recognised that despite being volunteers, and motivated through faith, there was an expectation that they would receive something to encourage them. Examples might have included a bonus pay for languages, reasonable time off to enjoy the holiday village local environment, a performance bonus, etc. Overall, this task was not well done.
- (b) The staff of New Horizons were employed on a range of different employment contracts. This task called for an explanation of the difference between casual and temporary employees. Generally the responses were rather weak although a basic knowledge was demonstrated. Casual staff (which should not have been confused with part-timers) were generally taken on during short intensive periods e.g. the height of the summer season at one of the holiday villages and, in the main, had very short contracts. The status of being temporary just meant that an individual was not on the permanent staff. A temporary member of staff could work for the charity for months or even a year or so and still not be regarded as permanent.

Task 4

- (a) Environmental groups had complained to the charity that the visitors to the holiday-villages were causing negative externalities. An explanation was required of what was meant by a negative externality and one example was called for that would concern an environmental group. Had a candidate not been able to define a negative externality, the text gave a clear enough guide. Some candidates tended not to offer a definition although they often offered a correct example. Candidates should have pursued the line that externalities could be either positive i.e. conferring benefits, or negative i.e. conferring costs, and could arise as a result of activity undertaken by an individual, an organisation, or a government. The holiday villages were located in areas of extreme beauty and environmentalists would be concerned, for example, about the possible erosion of the forests, the countryside generally, possible pollution of rivers and streams, and the general upset to wild life. Visitors to the holiday villages combined their studies with outdoor pursuits which may have caused negative externalities. An environmental group might also have been concerned about whether or not the charity would meet the cost of remedying some of the negative effects of its activities.
- (b) New Horizons' holiday villages provided much needed employment for a lot of local people. Candidates were asked to explain why the charity thought it should receive Government incentives and give one example of a suitable incentive. Overall this task was quite well answered although a common example was lower or no tax. Mostly the candidates appreciated that Father Mahesh believed that the charity should receive incentives because of its objectives and its contribution to local economies. Examples might include tax concessions, perhaps employment grants and allowances, ease of planning consents, and grants towards building faith centres. There were two implications for special treatment which eluded the majority of candidates: one was that New Horizons is a faith organisation and should therefore receive special consideration, and the other was that it has given employment to those who lost their jobs when the holiday firm crashed.
- (c) (i) This and the following task focused on PEST factors that influence every business organisation. In this task, candidates were asked to explain how New Horizons might be influenced by exchange rates. There were very few acceptable responses and it was clear that the impact of exchange rates was not understood. The task did not demand an in-depth knowledge but rather some

appreciation that New Horizons operated throughout the world and as such necessarily had to deal with many currencies. The important point was that the charity needed to monitor exchange rate movements and adjust its prices accordingly so it did not make losses. The holiday villages attracted visitors from all over the world and it was highly likely they brought their currencies with them.

- (ii) The second PEST factor concerned social, ethical, and environmental considerations. To some extent, this task was tied in with **4(a)**. It was challenging but a general approach only was expected and the clues were provided in the case study. Mostly answers were disappointing and vague. Candidates should have recognised that being a large organisation, New Horizons would be a target for pressure groups (especially ecological or 'green' groups). The charity needed to demonstrate good citizenship in its behaviour within the community and here candidates could refer to, for example, the provision of employment, the development of faith, the use of beautiful environments. These activities influenced New Horizon's objectives and operations.

Task 5

- (a) (i) New Horizons operated using cost-plus pricing for clients in the developed world but discriminatory pricing in the developing world. This task called for an explanation of what was meant by cost-plus pricing and candidates had to say why the charity used it in the developed world. The reason for using the method in the developed world was better described than the method itself. Cost-plus pricing meant adding a set percentage mark-up to the costs of each activity. This method ensured that the costs would be covered as they were passed on to the clients – in this way the surplus (or profit) was protected. The charity's view was that the people from the developed world could afford to pay full price i.e. there would be little consumer resistance to the prices.
- (ii) This task focused on discriminatory pricing. An explanation was required of what was meant by discriminatory pricing and why New Horizons used it in the developing world. Most responses identified appropriate points but the answers tended to be vague. Pricing methods did not appear to be well understood. Candidates needed to acknowledge that this policy involved charging different prices to different segments of the market. It helped to maximise revenue by charging more to those willing and able to pay e.g. cost-plus to developed world. Some of the charity's target market came from the developing world where earnings were lower than in the developed countries. New Horizons was thus able to attract a lot of business from the developing world.
- (b) (i) Marketing was covered by this and the following task. In this case, candidates were asked to describe how New Horizons should establish and promote its image. This task involved application of the marketing mix (4Ps) with specific reference to promotion. The task was reasonably well tackled in terms of promotion but the 'brand' was often overlooked. Clearly advertising was essential to encourage visitors to the holiday villages and to support the charitable work. Various media would have been employed e.g. brochures, newspaper inserts (particularly in the faith press), direct mail to faith organisations, possibly even TV coverage in those areas New Horizons was targeting. The essential issue to have developed was that New Horizons needed to become a caring brand.
- (ii) The second aspect of marketing was provided by this task which asked candidates to explain what was meant by the marketing mix. Candidates were not expected to give a detailed breakdown of the 4Ps but a general response was required to demonstrate understanding and application. There were two possible approaches to this task. Either a candidate defined a clear relationship of the marketing mix to New Horizons by arguing that its success must have meant that it had organised the 4Ps appropriately; or discussed the 4Ps individually but within the context of New Horizons. Most responses offered generic definitions of the 4Ps and, disappointingly, with little reference to context. The case study contained plenty of material necessary to respond well to this task.