BUSINESS & MANAGEMENT

Overall grade boundaries

Higher Level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 13	14 - 27	28 - 40	41 - 50	51 - 59	60 - 69	70 - 100

Standard Level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 15	16 - 31	32 - 43	44 - 53	54 - 64	65 - 73	74 - 100

Higher level internal assessment

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 3	4 - 6	7 - 9	10 - 12	13 - 15	16 - 18	19 - 25

The report for this component is the same as May 2014.

The range and suitability of the work submitted

The majority of the higher level internal assessments (HL IAs) fulfilled the format requirements of the IB. It is rare for candidates to omit the action plan in the research proposal and it is clear that centres are paying more attention to examiner reports. There are, however, still some issues that need addressing. Word counts, for example, are not universally known. For instance, the executive summary has a limit of 200 words, which was frequently exceeded. Many candidates, and indeed whole centres, appeared to be unaware that the word count for the research proposal of 500 words must include the words in the action plan as well, even if the action plan is in a table. The *teacher support material* (*TSM*) should be consulted before the beginning of the session.

There were more internal assessments focusing on quantitative issues than in previous sessions, but the majority of projects still investigated the "softer" topics of marketing and

human resource management. Projects on marketing remained generalized and superficial and too often addressed the entire marketing of an organization, which was not achievable within the word limit, especially when it was a service organization and/or a multinational organization.

The number of business tools used in internal assignments has reduced over the years and some centres are clearly advising all candidates to include a SWOT and possibly a PEST analysis. These tools are perfectly acceptable and often relevant, but at times, reports appeared too formulaic and the link between the PEST and SWOT and the research question was far from clear. In addition, a large number of candidates did not really understand the tools and applied them inaccurately and inappropriately, including strategic analysis.

It is clear that the HL IA is intended to be an investigation requiring the candidate to conduct primary research and to work with a business or non-profit organization. It was disappointing that this session saw some candidates producing a project based only on secondary data.

Despite the issues identified, most reports were professionally presented and well researched and were a credit to the candidates writing them and to their teachers who supervised the process.

Candidate performance against each criterion

Criterion A: Research proposal and action plan

The research question is crucial to the final success of the project as it provides the focus for all research. It was often clear from reading the title of a report that the work that followed was likely to be descriptive and generalized. Centres should spend more time on ensuring that their candidates' research questions demand clarity on what is to be investigated and set some measurable success criteria. Fortunately, fewer research questions were backward looking, but many were still too broad in scope for effective treatment within the word limit.

One way to ensure that the research question is focused is to include a clear rationale for the investigation. This was a weakness this session. Candidates continued to provide personal reasons for their research, such as interest or personal links, rather than providing a business and commercial rationale, such as falling sales, profits or other problems such as poor productivity and high staff turnover.

Candidates are expected to explain their choice of both methodology and theory, and why these will help answer the research question, but it was relatively common for candidates only to explain one or neither and simply provide a list. Teachers and candidates need to pay close attention to the criterion requirements.

Anticipated difficulties of the research were generally addressed. Projects that did well not only identified potential research problems, but also suggested some sensible solutions through careful planning.

Criterion B: Use of theoretical concepts, sources and data

Few candidates provided the context for their investigations. It would help the reader if secondary data was included to explain the nature of the market in which the organizations operate, the market share held and the relevant economic issues affecting demand patterns. It was common to reach the end of a report and to not fully understand the role that the organization played in the market place and the competition it was facing. Information on markets is readily available and it is surprising that many candidates did not present some background.

Projects are intended to show that the candidate is able to apply theory and tools learned in the classroom to a range of business situations. Although it is beneficial for the owners and managers of businesses to be provided with a purely practical report addressing a business problem, this type of report does not achieve a high mark according to the assessment criteria. Projects were often practical with little evidence of sources and data being used effectively and integrated with the theoretical framework.

Criterion C: Analysis and evaluation

Analysis and evaluation are higher order skills and require more than the simple presentation of tools and theories. There needs to be a connection between the data collected, the research tools and theories and the research question. It is worrying that many candidates described the data collected and the theories and tools used, but did not apply these tools and theories to underpin their analysis and evaluation. Synthesis was a skill found only in the highest achieving assignments.

The range of business tools and theories being applied continued to be limited. SWOT analysis was used almost routinely and often where an advantages and disadvantages analysis would have been more appropriate. It appeared that candidates regarded these tools as simple; requiring one or two entries in each quadrant, often without any evidence or citation. SWOT and PEST analyses are connected and require high order skills to provide a basis for detailed analysis and evaluation linked to the research question. Many SWOT analyses were inaccurately prepared with entries in the wrong categories particularly in the case of the 'opportunities' section, which included internal, controllable factors. Similarly, force field analysis was often presented as a stand-alone section with no clearly signposted link to the research focus. Weights were estimated by the candidates in many cases, without any basis for the selection of these weights. In the conclusion, it was then common for candidates to say that the SWOT, PEST and force field analysis provided evidence for a conclusion or recommendation, when they did not, because all three were purely the opinion of the author with no backing from secondary or primary sources.

The lack of integration of tools, theories and data, made it difficult for candidates to achieve the higher mark bands, because they could not provide consistent evidence of critical and reflective thinking.

Criterion D: Conclusions and recommendations

As in previous sessions, it was unusual for candidates to cost their recommendations and consider whether these were viable for the organizations under investigation. Poorly focused and descriptive research titles led candidates to introduce new ideas and information in the conclusions section, which should have been examined in the main body of the report. Many candidates did develop their conclusions and recommendations, but few identified future action to address limitations in the research, with many unnecessarily evaluating their research, but not suggesting ways the weaknesses could have been addressed in the future.
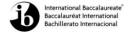
Criterion E: Value to management

The majority of assignments were acceptable in their use of footnotes and candidates produced sources for most of the data presented in diagrams or tables or in the text, but bibliographies and appendices were both limited and poorly presented. Indeed, some candidates had no use of footnoting and sources were not acknowledged, opening up the issue of plagiarism. Limited bibliographies continued to be a problem as they indicated that research was not adequate and many included little more than text books.

Most reports followed the IB written report format. Presentation (format, layout, font size and line spacing) was normally very professional with clear, labelled diagrams and well laid out logical sections.

Recommendations and guidance for the teaching of future candidates

Teachers should ensure that candidates:

- Have access to the assessment criteria before starting their project.

- Know the word counts for all sections of their reports, check that their projects are within the word limit and are clear regarding the penalties for exceeding this limit.

- Have a clear and focused research question, so as to make the project realistically achievable and forward-looking with a title that is not too broad in scope or over-ambitious.

- Include a business rationale rather than a personal rationale for the investigation.

- Include a research proposal containing all the required components and show that they understand all IB requirements before beginning the written report (with particular emphasis on the inclusions of a detailed action plan).

- Present an adequate balance of both primary and applicable secondary data effectively used in answering the research question.

- Analyse and integrate their ideas in a logical and coherent manner.

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- Use a variety of presentation techniques and statistical tools when they are analysing their data, with well-labelled, titled and properly sourced diagrams.

- Show adequate critical and reflective thinking throughout the report and not just in a few segments of the report.

- Provide limitations of their research including giving future action to resolve any weaknesses identified.

- Provide full references and acknowledge all sources they have used to support their data.

- Include financial analysis, such as the costing of recommended courses of action.

- Have the IA criteria at the beginning of the course which is clearly explained to them. The candidates should also be encouraged to assess themselves with these criteria before they hand in their final drafts.

- Include executive summaries that are "summaries" of the report as a whole (in the past tense) and not just a repeat of the introduction.

- Assess their own work against the assessment criteria on completion of their reports.

- Include in their appendices, comments from the supporting organization on the completed assignment, as evidence that it was at least submitted to them.

Standard level internal assessment

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 3	4 - 6	7 - 9	10 - 12	13 - 16	17 - 19	20 - 25

The report for this component is largely the same as May 2014.

The range and suitability of the work submitted

Some new centres did not properly follow the instructions to meet the requirements, typically about the inclusion of supporting documents. This, however, heavily penalizes candidates, as no supporting documents presented affects the marks awarded for criteria A and C.

The 1500 word limit is a tight one and it is important that candidates choose a well-focused issue. The range and breadth of the supporting documents must allow candidates to apply tools, techniques and theory from the course within this tight word limit. Exceeding the word limit (even just by a couple of words) results in 0 for criterion F.

The commentary must be based round a single business organization. It may be appropriate to look at industry-wide issues and how they relate to the organization, but the primary focus must be a single business organization. The commentary is an overall commentary of all the supporting documents and should not be done as a commentary on each separate document.

Among some candidates, there was some confusion as to the difference between a "research project" (as for the HL) and a "commentary". The commentary does not require a forward-looking research question, but is simply a commentary on the way in which the supporting documents help to analyse a particular business issue or problem. As such, no setting out of methodology is required and there is no required structure either. Lengthily presenting the rationale for the choice of subject, the objectives, the methodology, as for the HL IA, is not appropriate. Candidates should rather clearly identify, at the end of their introduction, the 3 to 5 documents on which they are basing their commentary, and these documents must be provided in the appendix.

Candidate performance against each criterion

The standard of the work submitted was generally encouraging and most centres had clearly understood and applied the assessment criteria very well.

Centres that provided clear internal marksheets and showed where and why the marks had been awarded for each criterion helped the work of the moderator significantly, as they could see the reasoning behind each mark allocation.

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Criterion A: Supporting documents

In many ways this is one of the most important criteria, not because of the number of marks offered, but because the choice of supporting documents can be a contributory factor towards several other criteria.

This link is particularly true with criterion C (Use, analysis and synthesis of data), but also to a lesser extent with criterion B, D and E. The right choice of supporting documents will not only give candidates the highest marks for this criterion, but will also set them up effectively for the rest of the commentary.

In some cases the supporting documents were too long. It is sufficient for the candidate to provide the relevant section of the annual report of a company as a supporting document, highlighting the relevant passages used in the commentary. This may be the financial statements if they are looking at financial issues, or perhaps the relevant sections relating to their corporate social responsibility if this is the topic under investigation.

The highlighting is a crucial step in the process. Not only will it help the candidate to plan and organize the data they require for the commentary, but it will also help the moderator to judge the performance on criterion C – the extent to which the candidate has synthesized the data from the documents. If the supporting documents are not in the language of submission, the highlighted sections must be translated.

The supporting documents must be documents that are externally sourced or are generated from primary sources. It is not appropriate for a SWOT analysis or PESTLE analysis prepared by the candidate to be used as a supporting document. A summary of results from primary research may be used as a supporting document but not documents that have been directly written by the candidate. If the candidate is able to source strategic documents coming from the organization itself (*eg* a company-prepared SWOT analysis) then this may be appropriate, but not one prepared by the candidate themselves.

It is helpful for the moderation of this criterion if the supporting documents are clearly labelled as such. Candidates may want to offer additional material in other appendices, but this material should be clearly differentiated from the supporting documents. The supporting documents should be given as a separate section to any other appendices and should be clearly labelled, for example "Supporting document 1", "Supporting document 2" and so on.

To access the top level of this criterion, candidates need to ensure that the supporting documents are:

- Relevant – this is where the choice of documents is crucial. The documents must be directly related to the issue chosen and not just general company documents.

- Sufficient in depth – to ensure this, the choice of documents will be important. Newspaper and journal articles will often be good sources of supporting documents, but the level of analysis in newspaper articles may differ significantly from one to the other. Candidates should ensure that the source chosen is a suitable one in terms of the level of depth of analysis in the articles. Documents such as company price lists

or product lists will not allow candidates to access the top levels of this criterion.

- Recent – the instructions refer to documents written a maximum of two years before the submission of the IA.

- Providing a range of ideas and views – to ensure that they meet this requirement, candidates need to choose a number of different sources. While it may be possible to choose five different journal or newspaper articles as supporting documents, these will need to be very carefully chosen if they are to offer a range of ideas and views. For most candidates, it is better to avoid this situation and have the documents from a broader range of sources in order to ensure they meet this criterion. If it is not immediately clear from the supporting document itself, the document should be clearly labelled with the date in order to show that it meets the requirements of the task.

Criterion B: Choice and application of business tools, techniques and theory

The two key elements to this criterion are the selection of appropriate business tools, techniques and theory and then their application. Given the word limit, it is important that the issue chosen is well-focused to allow for the choice of appropriate tools. This was generally well done, though the application of the business tools was not always as effectively done.

A SWOT analysis is not a requirement for the commentary. In some cases, a SWOT analysis may be appropriate, but this is a strategic tool and so may be difficult to apply effectively within the word limit. Given the word limit, the use of a SWOT analysis should be carefully considered before its inclusion. It may be an effective planning tool for the candidate while preparing the commentary, but it may not always be appropriate to include it. If a SWOT analysis is included, all elements should be appropriately sourced and evidenced. It is not possible to do a SWOT analysis of an individual strategy/situation/proposal and these should not be attempted.

Ensuring that "a broad and appropriate" selection is made of theory/tools/techniques does not necessarily require theory/tools/techniques from different topics within the syllabus. Indeed, given the constraints faced by the candidate, this may prove very difficult to achieve. To meet this requirement, it is more appropriate to simply choose a range of theory/tools/techniques from within the topic area under investigation. In many cases candidates were perhaps trying to offer too broad a range of theory resulting in the depth of application being more limited.

Criterion C: Use, analysis and synthesis of data

To achieve the top levels of this criterion, candidates must show where material has been sourced from. In other words, they need to show clearly where, from within the supporting documents, the evidence for their analysis appears. The best commentaries directly referenced the material they used and showed the sources as footnotes. This made it very clear how the material had been synthesized and it was very helpful to moderators.

It is helpful for this criterion to refer directly to the supporting documents in the body of the commentary and to use the material from them to illustrate their analysis. This is, after all, a

"commentary" and so candidates should ensure that they use the supporting documents effectively and integrate the information from them appropriately with their chosen business theory, tools and techniques.

Criterion D: Conclusions

The requirements of this criterion are fairly clear from the levels of the criterion and were generally very well met, though the conclusions should be clearly set out as a separate section. While it may be perfectly appropriate to draw conclusions about the arguments raised in the body of the commentary, there should also be an overall conclusion offering a direct answer to the question or topic chosen. Recommendations for action are not required (this is different from the HL IA).

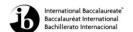**Criterion E: Evaluation and critical thinking**

The performance on this criterion was varied, as may be expected. The key phrase in the top level of this criterion is the need for judgments to be "substantiated". This process of substantiation will partly depend on the choice of supporting documents. The greater the range and depth of views offered in the supporting documents, and the higher the level of analysis within them, the easier candidates will find it to substantiate their judgments.

Criterion F: Presentation

Some commentaries exceeded the word limit of 1500; in such cases, candidates could only be awarded 0, no matter how well presented the written commentary was overall. Even 1505 words is above the word limit and leads to a mark of 0 for this criterion. Internal markers need to be very strict on this. The word limit is a constraint on what candidates can offer, making it all the more important that they use the word limit effectively. Descriptive and introductory material should be trimmed as far as is possible in favour of the more analytical material and this will leave more time to apply business tools, techniques and theory. The best commentaries were clearly structured, well laid-out and neatly presented. The bibliography should first source and date the supporting documents, and then any other sources used. These must be clearly footnoted. The dates and times of access to web sites must be given and the full web address of the pages used, not just the homepage.

Recommendations and guidance for the teaching of future candidates

- The use of a checklist (possibly based on the SL IA checklist in the *TSM*) can help ensure that candidates meet all the requirements of all criteria. Centres may want to adapt the SL IA checklist to their own requirements and perhaps add to it to suit their own local context and deadlines. This checklist and other relevant material can be downloaded from the Online Curriculum Centre (OCC).

- Giving candidates access to the assessment criteria before starting the commentary will allow them to see in detail the requirements of the task.

- Candidates will need support and help in the identification, choice, preparation and use of the supporting documents. The impact that this choice has across the assessment criteria makes this a vital element of the commentary process.

- Candidates should be encouraged to to use theory, tools and techniques explicitly in the commentary and to apply them appropriately to the business issue/problem chosen.

- Candidates should be provided with precise guidance and support for referencing, also ensuring that the supporting documents are referenced throughout the commentary.

- Candidates should use only 3 to 5 supporting documents as stipulated in the subject guide.

- Any documents or material that is used that is not in the language of submission should be translated.

- Candidates should ensure that documents are less than two years old.

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Higher and standard level paper one

Component grade boundaries

Higher level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 11	12 – 23	24 - 31	32 - 38	39 - 46	47 - 53	54 - 80

Standard level

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 8	9 – 16	17 - 24	25 - 28	29 - 31	32 - 35	36 - 50

The areas of the programme and examination which appeared difficult for the candidates

As in previous years, marketing questions were the ones that candidates found most difficult; in this case, question 2 (a) (about position map) and SL question 4 (c) (about elements of the marketing mix).

Examiners also noted that many candidates did not answer some questions as they are worded, but answered ones that they had clearly prepared on the topic (for example, 1 (c) about SWOT analysis or 2 (c) about leadership styles); the same point was made in the May 2014 subject report. The increasing number of "ready-made answers" could be linked to the way teachers and candidates prepare for this examination.

The level of knowledge, understanding and skill demonstrated

As can be expected, the level of knowledge, understanding and skill that was demonstrated varied both by centre and by candidates within a centre. There were fewer weak scripts, at the lower end, which is pleasing as it means that even weaker responses displayed some knowledge and understanding of the subject and evidence of what the candidate had studied and learnt, for example about break-even analysis (SL, question 4 (a)).

All candidates were able to complete the paper. No issue of lack of time was apparent for SL candidates.

As always, a very small number of candidates answered three questions from Section A. This is bad practice and a waste of valuable time. Those candidates were awarded the marks for the best two answers.

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The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1 SL and HL

(a) This question was usually answered well. Most candidates were able to name methods of recruitment, typically internal recruitment internal (promotion) and external recruitment (through job adverts and interviews); some candidates referred to other methods such as using the services of a specialized recruitment agency or head-hunting; all these answers were acceptable. Some candidates wrote very long answers, comparing and contrasting the methods of recruitment, discussing their respective advantages and disadvantages for the organization – this was not required, as the command term was simply "describe"; these candidates will have lost valuable time in the exam. For basic questions, candidates do not need to show everything they know on a given topic.

(b) Most candidates were able to draw an organization chart, however a significant number of candidates were not aware of what it should look like (and many drew a triangle or an inverted pyramid, reminiscent of Maslow's hierarchy of needs model). Some candidates included *GP* at the top of the chart; this was not needed, as the question was about *The Imperial*.

(c) A surprising number of candidates carried out a full SWOT analysis. This only indirectly answered the question that was set, which was about advantages and disadvantages. Good answers not only identified advantages and disadvantages, but then related them all to *GP*. A significant number of students still did not recognize strengths and weaknesses as internal to the business whereas opportunities and threats are external – a problem also frequent in the SWOT analyses carried out in the SL internal assessments.

Question 2 SL and HL

(a) There were a variety of presentations for position maps. Any diagram and/or description that showed the differences between businesses (hotels) with respect to quality and price were rewarded. Some candidates added that the map helped identify the position of *The Imperial* relative to other hotels. Some candidates did not know what a position map was; they wrote about geography and the location of the hotels in Mombasa.

(b) Most candidates answered this question reasonably well, clearly showing some knowledge and understanding of Maslow's motivation theory and applying it to Martin. The best answers related Martin's basic needs (safety) early on in his career with the likelihood of higher needs (esteem/self-actualization) as he took on managerial responsibilities later on.

(c) Candidates were able to obtain the full range of marks even when they did not refer to one other business. Most candidates answered the following question: "compare and contrast the leadership styles of Martin and Susan", which was not the question

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asked. Very few candidates addressed the central issue which was why these differences were important rather than the differences themselves. The best answers focused on the impact that leadership styles can have on motivation and morale, and the importance of this impact on the outcomes of business activity.

Question 3 SL and HL

(a) Cash flow is an area of the subject that seems well understood by a few and less well understood by many. However, even where it is well understood, there was often little evidence of applying the ideas of cash flow to *The Imperial*. The best ideas related the concepts of cash flow to key issues such as seasonality and the liquidity problems identified at *The Imperial*. A disappointingly large number of candidates confused cash flow with profits.

(b) The topics of objectives and non-profit organizations was generally well understood and candidates seemed to have no difficulty suggesting organizations of their own, as well as being able to identify the objectives of the orphanage. Candidates could still access the full range of marks for this question when they referred to the orphanage only. Explanations however were often weak even when the objectives were stated; this is common difficulty of candidates who tend to "describe" or "identify" rather than "explain".

(c) A few candidates confused the term "external environment" with the less business-specific concept of "the environment". The question was not about global warming and climate change. Good answers were built around the concept of PEST or PESTLE. The best answers related the PEST factors directly to *The Imperial* and analysed how the changes that were happening would affect decisions for *The Imperial.* The case study material had a range of related issues that could be drawn upon so it was disappointing that there were so many purely theoretical answers.

Question 4 SL only

(a) The vast majority of candidates answered correctly, even if the labelling of the diagram was sometimes a bit vague. Examiners were pleased to see that even those candidates who struggled with longer, discursive answers clearly knew the break-even model.

(b) Most candidates achieved at least one mark (out of maximum of two) as they showed some knowledge and understanding; many answers however were just theoretical, it is important to ensure that candidates understand the requirements of different command terms (as the question was not "define" but "explain").

(c) The answers were very disappointing overall. Very few candidates knew that "place" does not mean "location" but "distribution"; very few candidates understood the meaning of "physical evidence" (despite the emphasis, in the case study, on the appearance of *The Imperial*). All these terms are in the Subject Guide; it is therefore surprising to see that so few candidates answered this question correctly.

(d) The majority of candidates did not recall the Ansoff matrix (what it looks like, how it can be used and what the terms are: new/existing product, new/existing market; market penetration; market development etc). Some candidates wrote about the BCG matrix instead. When candidates applied the right model, their answers were good, and sometimes excellent in the case of candidates discussing some of the limitations of the model (for example, the fact that it is not easy to apply it, as the border between "new product" and "existing product" is not perfectly clear in the case of the hotel reinventing itself after refurbishment and/or a new name). This final question was a very good discriminator between candidates: the ones who achieved maximum marks for this question were very likely to be awarded a grade 7 for the paper overall.

Question 4 HL only

(a) Most candidates were able to identify strategies such as work to rule, arbitration, overtime bans. Fewer candidates were able to relate these to the situation at *The Imperial.* For example, the fact that the hotel is a service based business means that anything that has an immediate impact on the quality of the service might help the employees achieve their objectives. A significant number of candidates included "strike" and "negotiations", both specifically excluded in the question.

(b) Most candidates were able to reproduce the standard advantages and disadvantages of break even. Fewer candidates were able to apply these ideas to *GP / The Imperial.* Better answers referred to aspects of the hotel such as the seasonal nature of the business – changing prices and possibilities of economies of scale at various times, the likelihood of frequently being unable to let rooms and the impact of external factors.

(c) Few candidates answered this question well. The best answers began with an explanation of customer perceptions and then explained why strategies should change in response to those perceptions. Most answers simply talked about strategic changes without any relationship to customer perceptions being apparent.

(d) The question was clearly about "financial rewards" and the syllabus is clear on the distinction between "financial" and "non-financial" rewards. Nonetheless many candidate answered in terms of rewards that are clearly financial – promotions, pay rises, perks, extra holidays and so on. The best answers focused on the non-financial rewards specified by the syllabus – job enrichment, job enlargement and team work. The good answers then applied these ideas to the situation facing *The Imperial.*

Question 5 HL only

(a) A significant number of candidates appeared unfamiliar with critical path analysis, and many either did not attempt the question or identified the wrong path.

(b) (i) Few candidates provided an adequate explanation of the purpose of a dummy activity. Marks were awarded for some sense that the dummy activity ensures the right order of task dependency.

(ii) Many candidates were unable to calculate the values of the floats.

(c) (i) Most candidates were able to extract the appropriate data for the calculation. The most common error was to forget that the denominator is the **average** net cash flow rather than total net cash flow so used £51m in the formula rather than $51m/6.

(ii) Most candidates carried out the calculation well and obtained the correct answer.

(d) From the material provided, candidates were able to use two key pieces of information in their answer. First, there is the HR information provided in modified Options 1 and 2. Secondly there is *NWF's* HR policies. The best answers drew information from both of these two possible sources, developing both the positive and negative impacts on the organization. So, for example, an international workforce could have a positive impact on relations with future customers, but a huge impact on existing employees and existing customers. Weaker answers tended to focus on either only advantages or only disadvantages. The weakest answers simply repeated case study material with little development, or only focussed on one stakeholder, for example employees.

(e) The approach to answering this question was generally good, although the depth of answers differed greatly. Weak answers often looked at only one option, or where both options were considered simply listed relevant information without any relevant development. Good answers took a range of issues from the stimulus material to build an analysis of the two options. The best answers synthesized the pieces of analysis in order to produce a coherent and convincing recommendation. There were some instances where a few responses hesitated to make a final recommendation or simply stated that one option was chosen because it had fewer disadvantages. Candidates should be reassured that there is no "right" answer. The emphasis is on using own judgment based on the weight of their own evidence/analysis and a consideration as to which were the key issues.

Recommendations and guidance for the teaching of future candidates

- All classwork should be directed towards contextualizing answers rather than simply developing knowledge and understanding. Such skills can be developed through the wide use of case studies and developing candidates' ability to reflect on "how could you improve this answer".

- Evaluation skills have to come through the confidence of making judgments and recommendations which can only be developed through exposure to a wide range of business decision-making experiences (HL specific).

Higher level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 10	11 - 21	22 - 33	34 - 40	41 - 46	47 - 53	54 - 75

The areas of the programme and examination which appeared difficult for the candidates

The most notable areas were:

- The advantages and disadvantages of operating profit centres.

- Calculating whether a company should subcontract an activity.

- The nature of flexible project teams.

- The nature/characteristics of sales forecasting and trends.

The level of knowledge, understanding and skill demonstrated

The level of knowledge, understanding and skill that was demonstrated varied considerably between candidates.

It is still unfortunately very noticeable that some candidates could not cope with the numerical questions which in some cased resulted in very few marks overall.

The main weaknesses were apparent mainly due to difficulties in:

- A lack of specific application to the stimulus beyond the name of the organization was still quite noticeable in some questions, especially those with lower level command terms. Many candidates only referred to the organization by name rather than incorporating the issues in question. Please note that just to mention the name of the organization does not qualify as application.

- The interpretation of command terms. Although a further improvement was noticeable throughout this session, still unbalanced responses were evident in analytical and evaluative questions. It was pleasing to see that many candidates attempted to provide balanced responses, but often those candidates were not able to reach the top markband due to the breadth and depth of the arguments, or for some lack of balance.

- At the same time, a noticeable number of candidates exceeded the expectation of the different questions (command terms) and provided conclusions when none was

needed. Valuable exam time was wasted and no additional credit was awarded for the extra work/effort.

- Still, a noticeable number of candidates simply regenerated the printed information in the stimulus material without further expansion regarding the exact effect on the specific organization.

- Unsubstantiated conclusions / judgments is still a major issue that hinder many responses from achieving the top markband, or even the higher marks. Most candidates just summarized their answers. There was no weighing up of / prioritizing of the arguments presented in the response.

A substantiated conclusions/ recommendation must be based on a secure analysis.

The areas of the programme and examination in which candidates appeared well prepared

- It was noticeable that more candidates were analytical in their approach and produced very good responses.

- Unfortunately, only a small number of candidates were evaluative and produced excellent quality answers.

- As in previous sessions, the candidates that produced very sound theoretical answers with specific application to the case were able to reach the top band.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

(a) This question was generally done well by most candidates. There continues to be some confusion between "features" versus "advantages". There were some examples of poor understanding of the meaning of unincorporated, with candidates not understanding that unincorporated and "no separate legal identity" are the same thing, hence some candidates were in effect repeating the same point and did not gain full marks.

(b) (i) Overall this question was poorly attempted. The majority of candidates understood the concept of LIFO, however the addition of the sale of surplus fish to the processing factory seem to confuse some candidates as to how to incorporate this into a table. A significant number of candidates merely copied the information already provided.

(ii) Candidates who failed to understand question part (i) also had difficulty with this question. However the question was designed to give some reward to those who recognized the basic provision of Profit = revenue – costs. The second point of recognition here was the calculation of closing stock which the majority of candidates
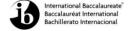
did not do well, i.e. opening stock + purchases – closing stock and should be emphasized as a teaching point albeit for 2 more sessions only as this topic is no longer in the new syllabus.

(iii) Most candidates were able to apply the formula (on the formula sheet), however, a large proportion of candidates provided incorrect answers based on previous errors. Nevertheless some marks were rewarded **if** candidates showed working and included the percentage sign.

(c) This really was a very simple question and most candidates recognized the advantages of quality standards. Nevertheless a significant number of candidates failed to gain full marks by not linking their responses specifically to *DSC*.

(d) The command term "examine" seems to confuse many candidates. This command term requires analysis and while most candidates understood and applied PEST correctly, most responses were one-sided, taking no account of the positive effects of the external environment.

Question 2

(a) Some good relevant descriptions Those candidates who were not awarded the full 2 marks per feature, were the ones who mentioned a feature like limited liability without any further description. Some produced features that really overlap like private shareholders / shares held by friends and family members.

(b) Very few responses were awarded the top marks for this question. Many did not demonstrate understanding of profit centres at all. Far too many referred to the benefit of calculating revenue which can be done easily without structuring the *SF* around different profit centres. The issue is more of the allocation of fixed / indirect costs.

A noticeable number of candidates did not refer to specific and relevant advantages and disadvantages to *SF* / boat building. Some just mentioned *SF* without further expansion which was not credited.

(c) (i) It was disappointing to see that many candidates lost one or even two marks. This was due to unfamiliarity of the business term, or not calculating the percentage.

(ii) It was disappointing to see that a notable number of candidates did not know how to calculate the break-even quantity. Surprisingly, far too many candidates used the wrong figures as the new fixed cost was not calculated.

(iii) A small number of candidates were awarded full marks for this question. These candidates were able to correctly and clearly calculate the profit of *SF* before and after subcontracting the production of "The Quad".

Many candidates, despite choosing this question, were not able to manipulate the relevant figures to demonstrate profit before and after.

Good responses were the ones that clearly explained the working used by classifying the costs. Some only wrote figures which, on occasions, was difficult to follow. It is expected that responses show relevant clear and logical methods of working.

(d) Most candidates were able to provide some advantages and some disadvantages of *SF* changing from job to flow. However, the application was often minimal if at all. No direct and constant reference to the particular situation of *SF* was mentioned. Often just the name *SF* was used. Some candidates simply lifted information from the stimulus material without further expansion. It was also expected that some description of the methods would be provided. Many responses went straight to the advantages or to the disadvantages without even brief description / explanation.

Question 3

(a) (i) A relatively straight forward question. Nevertheless some candidates mixed up the terms "responsibility" with "task". Increasing ones responsibilities, could apply to both job enlargement and enrichment and therefore without additional comment could not avail the candidate with full marks. Some candidates mistook enlargement for other types of non-financial motivation such as promotion which inevitably involves additional financial reward.

(ii) Many candidates felt they had to apply their answer to the stimulus. This was not required and in some cases made their response too narrow and hence unable to achieve full marks. It is worth reminding teachers that good examples alone will not gain full marks if the underlying definition is vague.

(b) This was a relatively simple question to answer if candidates recognized the key word "revenue" in the question. In poor responses, any link to revenue (or even reduced demand) was omitted, hence preventing full marks being gained.

(c) The responses to this question were generally disappointing. *C4U* is looking to purchase four new aircraft. These aircrafts are likely to cost millions of dollars. Business angels are therefore not a suitable source of finance. Candidates also missed the point about asset life. Hence any finance by definition is likely to be long term. This means that even if you use long term trade finance (assuming it is available) a large portion of the credit remains payable after one year and as such is classified as a long term liability. As such it would be included in any gearing calculation. The issue of the high gearing was often overlooked, especially by those candidates suggesting using long term loans as a source of finance, and consequently no marks were awarded for any such suggestion.

There also seemed to be a lack of understanding about other forms of long term financing. Bonds and mortgages are also long term and as such would also affect gearing. The only likelihood of such finance succeeding is when debts are secured on the aircraft themselves, though very few candidates recognized this. Finally, quite a few candidates mentioned hire purchase. Unfortunately, although the lender retains ownership of the asset, the amount owed to the lender remains as a long term liability on *C4U's* balance sheet and therefore once again affects gearing.

A number of candidates also mentioned sale of assets, but failed to qualify their responses with the effect of the loss of income that these assets generate (the company has recently announced losses). Some tied these sales to leaseback schemes, but again failed to recognize that lease costs would act as additional operating costs. Similarly, although aircrafts may have a long asset life, potential lessors might not be interested in purchasing old planes.

It would be useful for teachers to re-affirm the appropriateness of types of finance given factors such as amount, tenor, and risk. This applies equally to equity finance where the downsides were often omitted from responses. Only a few candidates recognized that issuing shares can be difficult if a company is making losses and/or that the future plans for Q*4U* are uncertain or risky.

(d) There were some good responses to this question, with more than enough information in the stimulus for candidates. Whilst some candidates concentrated on the job versus off the job issues, this was not strictly necessary. In fact some candidates rightly recognized that both forms of training could be regarded as off the job. Nevertheless the hotel training gave ample opportunity for a balanced response which was for the most part missing in the weaker responses. The examination requirement leant itself more to issues related to motivation along with short term and long term benefits to the company as well as the individual workers. These HR issues could then be linked to marketing (image) issues and the potential for market penetration and hence revenue growth.

Few candidates reached the top markbands, for reasons elaborated in many previous reports: analysis must be balanced, and judgments / evaluation must be based on analysis. Sometimes analysis was good but the subsequent judgment lacking in either depth or breadth. Candidates are still all too often omitting a judgment entirely and therefore limiting the potential mark for what might have been quite good analysis.

Question 4

(a) Many candidates showed understanding of the term and produced good definitions. Some confused it with the term "structure". There were some excessively short responses that merited only one mark.

(b) Many candidates answered this question well.

(c) While most candidate were able to provide a relevant theoretical response. A significant number did not apply to *CB* hence some of the suggested benefits and the costs were not really relevant. As a result, on many occasions 1 mark rather than 2 marks were awarded.

(d) Again, it was disappointing that while many candidates did provide a sound theoretical analysis of the effectiveness of using flexible project teams, the application was all too often non-existent or irrelevant.

Moreover, a significant number of responses did not refer to the issue of flexible project teams and just provided an analysis of team work.

(e) There were many relevant, applicable responses. Those who did not achieve the top markband were the candidates who:

- Produced unbalanced responses, or just lifted some relevant issues from the stimulus material without further explanation / expansion.

- Provided conclusions that lacked support / substantiation.

Question 5

(a) **(i and ii)** These two questions were largely well answered by many. Still some candidates do not understand the difference between variable and fixed costs. Those candidates who produced a long response with full definitions, simply wasted valuable time.

(iii) Most candidates understood the term offshoring. Some, just provided a definition of subcontracting and /or ignore the issue of operating outside owns shores.

(b) This question was possibly one of the most challenging for many candidates.

The weakest responses used the BCG matrix to describe some growth strategies and hence not answered the question.

Only a small number of candidates demonstrated the expected knowledge and application of the sales forecasting technique, calculating the trend and with the best fit line, forecast future figures be it sales or wages (as stated in this stimulus),

The markscheme was adapted extensively during the standardization meeting to allow for a wide range of candidate responses. However, most candidates just referred to future prediction as a planning tool. There was little relevant application evident in most responses.

(c) This question seems to have been very accessible for most candidates. Most responses demonstrated good understanding of the effect of manufacturing MNCs on China in a balanced manner.

Those who did not reach the top markband were the responses which were either unbalanced or provided relevant issues but in a descriptive manner, a full explanation was often lacking.

(d) This question was a very good discriminatory one. There was a wide variety of responses. Some just simply repeated the issues mentioned in the stimulus without further expansion, so despite some balance the answers were superficial. Other weak

responses covered economies of scale as a reference to scale.

The candidates who reached the top end of the middle markband or even the top markband, where those who expanded on the information in the stimulus and provided a well-balanced response with some conclusions / judgment.

The main deficiency was the provision of a substantiated judgment.

Generic comments for evaluative questions:

To reach the higher markbands, candidates are expected to go beyond the printed stimulus material and expand using some secure theoretical knowledge. Some did and were awarded high marks. Moreover, for an evaluative question, it is expected that the candidate provides some substantiated conclusions / recommendations.

As an example this session, the same issues as mentioned before emerged:

- Some candidates simply copied references to costs in a vague manner of implementing various strategies and tactics.
- Some did not provide a conclusion. Most did provide conclusions that were unsubstantiated.

Again, to reach the top markband candidates should have:

- Made explicit use of some subject concepts / terminology.
- Commented on the significance of their argument and hence substantiated / well supported conclusions.
- Provided some suggestions as to what organization X / person X could possibly do to alleviate the arguments against.

Recommendations and guidance for the teaching of future candidates

- Candidates should read all the questions carefully before answering them.

- Candidates should read the questions carefully and know that different command terms require different kinds of responses. Candidates should not go beyond the requirement of the command terms. They will not be rewarded for such practice.

- Pay attention to the presentation of models, such as the BCG matrix.

- Candidates should present their workings clearly.

- Provide substantiated conclusions / judgment where required. Many candidates wrote the word "conclusions" but no evidence of real substantiated evaluation was evident, just a short summary of the points already mentioned. This issue is commented upon in every subject report. The top markbands were reached by relatively few responses.

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- Ideally, to reach the top markband for analytic and evaluative questions candidates should:

    - Make explicit use of some subject concepts/terminology.

    - Comment on the significance of their argument and hence provide a substantiated/well supported conclusion.

    - Provide some suggestions as to what the organization can do to improve on the current limitations. Suggestions need to be fully explained and substantiated.

Standard level paper two

Component grade boundaries

Grade:	1	2	3	4	5	6	7
Mark range:	0 - 10	11 - 21	22 - 26	27 - 32	33 - 39	40 - 45	46 - 60

The areas of the programme and examination which appeared difficult for the candidates

On Section A, some candidates struggled with the cash flow or the break-even calculations (though many did rather well). Most candidates could give some level of examination to the relationship between investment, profit, and cash flow, though not many achieved high marks.

Many candidates struggled with the term semi-variable cost. Candidates were a bit vague of the aims, strategies, and tactics. On question 4 (d), very few candidates wrote about franchising as a growth strategy and instead wrote about the advantages and disadvantages of franchising.

Question 5 (e), an evaluation of the use of a large number of part-time employees, was challenging for many candidates in that they seemed to assume that the question had more complexity than it did. As a result, many basic points, such as the fact that volunteers are not paid a salary or wage, were not in responses.

The level of knowledge, understanding and skill demonstrated

- When candidates were prepared for the cash flow or break-even, they often earned full or close-to-full marks.

- Candidates knew what stakeholders are.

- Many/most candidates knew two methods of primary research, perception/position map, situational leadership, flexitime, commission-based incentive, and mission statement. More candidates than usual, it seemed, included "balance" in their responses, suggesting that teachers are improving their strategies for teaching this skill.

The strengths and weaknesses of the candidates in the treatment of individual questions

Question 1

(a) **(i)** In general, candidates could define secondary sector adequately. A term like this one really needs some type of contradistinction within the definition for clarity.

(ii) Many candidates could identify two advantages of a private limited company. However, many candidates wrote far more than the command term "identify" requires.

(b) Many candidates struggled with semi-variable cost.

(c) Teachers need to read the markscheme to see expectations for a cash flow forecast. Many candidates had some idea but did not really know a genuinely correct format.

(d and e) Due to the candidate own-figure rule, many candidates earned marks on this question.

(f) When candidates lost marks, it was often because they did not explicitly state the stakeholders.

Question 2

(a) **(i)** Most candidates answered this question correctly. Information was in the stimulus.

(ii) Many candidates could identify at least one feature, but some struggled to find a second.

(b) **(i-iii)** Candidate performance covered a range.

(c) Many, many candidates earned 3 marks but did not achieve full marks either because they did not use a straight edge/draw to scale, or because they incorrectly labelled the y-axis. These are common problems that occur often, almost every time break even is assessed.

(d) Responses on this question covered a range, but were less effective than anticipated, mostly because candidates would write about only one or two of the groups of workers.

Question 3

(a) Most candidates could identify two types of primary market research.

(b) The four marks for this question were probably the easiest four marks to achieve on the whole exam, based upon candidate performance.

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(c) The markscheme allowed for a considerable range of responses, and most candidates achieved 1 or 2 marks when answering this question

(d) Candidates who focused upon the relationship between investment, profit, and cash flow did well. Many however, just defined the terms, with limited attention to the relationship. Some were unclear about the difference between profit and cash flow.

(e) Candidates were often vague about the difference between strategies and tactics, even when they knew the hierarchy of tactics, strategies, and aims. Application to the stimulus was often weak, and many canidates did not know how to evaluate in this context.

Question 4

(a) Many candidates could come up with a source of finance, but in some cases the source was not realistic.

(b) (i) Candidate knew what flexitime is but sometimes could not come up with a disadvantage.

(ii) This question was straight forward for candidates – many received 4 out of 4 marks.

(c) Many candidates earned 2 or 3 marks. They know what a business plan is and how it helps obtain a bank loan. Many candidates did not know how to have balance on this question, which is by addressing the limits of the helpfulness of a business plan, and a business plan alone is rarely sufficient for a start-up business to obtain financing.

(d) As noted above, most candidates wrote a rather generic response on the advantages and disadvantages of franchising rather than on franchising as a growth strategy.

Question 5

(a) Candidates generally knew enough about mission statement to earn at least 1 mark and many earned 2.

(b) Most candidates could identify one method of formal communication, though many struggled to explain it.

(c) Most responses identified an advantage and a disadvantage but some did not go on to explain it.

(d) Candidates seemed unsure how to address this question, which was a bit surprising. The question itself is straight-forward.

(e) Many candidates assumed that that the question had more complexity than it did. As

a result, many basic points, such as the fact that volunteers are not paid a salary, were not in their responses.

Recommendations and guidance for the teaching of future candidates

Teachers should:

- Teach the command words so that candidates know what to do with each term and provide a response of appropriate depth.

- Continue to teach candidates about the idea of "balance" in responses -- addressing the positives and the negatives, the degree to which something helps and the degree to which it does not, etc. To earn marks in the upper range on analytical and evaluative questions, answers must include balance.

- Teach candidates to answer the question exactly as asked. The IB follows "positive marking": marks are not deducted per se when a candidate go off on tangents or include irrelevant or unnecessary information. However, candidates lose valuable time when they do. That, and their thinking that the irrelevant or unnecessary information is helping them becomes self-penalizing.

- Teach the break-even chart with precision, down to the exact label of the axes.