

Guidance on answering questions

Finally, **exam day itself will dawn** when you take the exam. There will be a selection of questions depending on the examination being taken. Some will be objective test questions and multiple choice, some short answer questions and others will require more extended writing.

Unit 1: compulsory multiple choice and objective test questions.

Unit 2: a research/investigation task with results written up under controlled conditions.

Unit 3: multiple choice, short and extended answer, data response and scenario-based questions.

Unit 4: multiple choice, short and extended answer, data response and scenario-based questions.

Unit 5: multiple choice, short and extended answer, data response and scenario-based questions.

Unit 6: compulsory multiple choice, objective test and extended answer questions.

The questions will be set to target the three assessment objectives against which you will be measured. These are:

AO1: recall, select and communicate knowledge and understanding of concepts, issues and terminology.

AO2: apply skills, knowledge and understanding in a variety of contexts and in planning and carrying out investigations and tasks.

AO3: analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

Some questions will be targeted just at AO1 such as 'State **one** drawback of a piece rate system.' Others, especially the higher mark questions, will have elements of all three. For example, a 10 mark question such as 'To what extent can a business be profitable and ethical? Justify your answer.' may have 2 marks for knowledge, 2 for application and 6 for analysis and evaluation. You must make sure that you have some idea of what Assessment Objectives the question is likely to be targeting.

When you receive the paper and are told you can look at it, spend the first few minutes just looking through it to get an idea of the type of questions and the range of topics covered.

Remember that you have around 1 minute per mark. So an 8 mark question should take around 8 minutes, a 4 mark question around 4 minutes and so on. Taking a short time to familiarise yourself will help you to plan your time better. Do not, for example, spend 10 minutes struggling with a question worth 4 marks which you are not sure of, when you could spend 10 minutes answering a 10 mark question which you are confident with. You are more likely to gain more marks on a 10 mark question than an extra mark on a 4 mark question.

If you are taking an examination which has objective tests and longer written answers, you could deal with each section as they come. You might, however, want to go directly to the more challenging questions. Your brain is more alert early in the exam and you may find that you can tackle the challenging questions more effectively early on in the exam.

The most common mistake in exams is candidates not reading the question carefully enough and taking notice of what the demands of the question are. This is where your revision time spent looking at **command words** and **past papers** will be invaluable.

Read any scenario that is given carefully. There are clues to help you answer questions. You are expected to apply your knowledge to the context in the scenario. You are not expected to have a detailed understanding of the business in the context, but to use it to identify issues.

If your answer could apply to any business, not just the one in the scenario, it is likely that you have not applied knowledge appropriately.

Here's an overview of how to do best at each type of question.

Objective test questions

Objective test questions will be a mixture of:

- multiple-choice tests, where a series of alternatives are given and one or more is chosen which is/are correct or
- other types of questions that may include matching alternatives, placing items in order or filling in gaps in a table or diagram.

For these questions:

- read the question carefully;
- look at the choice of answers;
- cross out the ones that you know are incorrect;
- and then think about which is the most appropriate answer.

An example of an objective test question would be:

Which of the following would **not** be an appropriate method of market research for a new small business? Select **one** answer.

- A Employing a specialist market research company to carry out a survey of 10,000 people
- B Asking customers to fill in a short questionnaire on the premises
- C Using published statistics about market trends
- D Conducting an interview with a group of volunteer customers

The answer is A. Employing a specialist market research company to carry out a survey of 10,000 people would not be suitable for a small business. The number of people being surveyed is likely to be too large and not representative of its market. It will also cost a lot, which a small business may not be able to afford.

Recall questions

Recall questions are questions that ask you to remember information. For example, you may be asked to:

- give a definition of a key term, such as define the term 'marketing mix' or
- identify a number of points in relation to a topic area, such as 'State **one** barrier to communication' or 'Identify **two** elements of the Boston Matrix'.

You must do well on these questions as they often lead on to another part of a question. If you have answered the first wrong, the next is also likely to be wrong. For example, the first part of a question might be 'Identify **one** method of motivating employees.' The second part of the question could be 'Explain how this method could increase motivation.' If you do not get the first part correct, it might be difficult to answer the second part correctly. For example, if you answered correctly that 'Paying a bonus when target is reached' could be a method of motivating employees, then you might explain that 'Paying a bonus will encourage workers to work harder, so that they reach the target and they earn more income'

Explanation questions

Explain means give a reason for something ('explain' is often in bold in the question, meaning it is important). Explain questions usually have what is called a 'stem' – a short introduction to set the scene.

For example: 'A UK business that creates computer games software sells most of its products abroad.'

A question could be: 'Explain how the business would be affected by the rise in the value of the pound.'

Your answer could be: 'Because the business sells most of its goods abroad a rise in the value of the pound will mean that overseas buyers will have to give up more of their currency to get the same amount of pounds. This effectively increases the price they have to pay and as price rises the quantity demanded is likely to fall. The business, therefore, could end up by losing sales as it is now less competitive.'

Note how this answer sets the scene by using information provided by the evidence and then makes it clear how a rising pound affects exporters. The understanding is clear and the candidate uses appropriate terms such as 'demand'. The answer is rounded off by stating how the business might be affected. Also note that the answer does not give extremes – it states that sales might fall rather than stating that the business will have to close or go bust.

Examiner's tip: A good way of revising is to methodically learn the key definitions but also to practise using them to explain by inventing your own 'stems' like the one above.

Knowledge and application questions

Questions targeting these assessment objectives tend to be worth fewer marks, but it is important that you pick up marks on these types of questions. Knowledge questions may ask you to give a definition or a short explanation. They rely on you remembering the meaning of key terms but also being able to understand what those terms mean and to be able to apply them to different contexts – situations. It may be that a rise in interest rates by half a percent, for example, would affect a business with a high level of loans far more than one which had no loans. The stem will give you the context to help you apply your knowledge appropriately. You are not expected to have detailed knowledge of every business used but do try and think about the context. It will usually be something that you are familiar with and so you can try and think about how that particular type of business would be affected as opposed to other types of businesses.

For example:

'Peter runs his own independent bakery and sells his bread through local shops.

Explain one effect of a rise in the price of wheat on Peter's business. (3 marks)'

This is a question about commodity prices and the effect on small businesses. Before you answer think about the context of the business. Peter is a baker. He is likely to use lots of wheat in production. If the price of wheat goes up then his costs will rise. If his costs rise he may have to put up the price of his bread or keep price the same but accept lower profit margins.

In your answer you need to show that you understand the effect of a rise in commodity prices on a small business. You will also need to place your answer in the context of a baker – not just any business. You will gain marks for developing links to show the effects of the rise in price. Here is how an answer might gain full marks:

'If the price of wheat rises, Peter will face higher production costs (1 mark). He may have to pass on this higher cost in the form of higher prices to his customers (1 mark) however, if he does this he might risk losing sales especially if his rivals do not increase their price (1 mark).'

Analysis and evaluation questions

These questions tend to have a higher mark reward than knowledge questions. Typically they will be worth 6, 8 and 10 marks. They are more complex than the short answer questions, but you can learn how to perform well at even these questions.

- Analysis means breaking a complex topic down into smaller parts to help make it clear what is happening.
- Evaluation means making judgements, assigning a value or level of importance/significance to an issue, statement or event.

These are called 'high level skills' and they are crucial if you want to access the top grades. Remember they require a great deal of thinking and care in dealing with these types of questions.

For example, you will get some questions that will give you two options, such as:

'Do you think that a business should increase prices or carry out a promotion campaign as a means of boosting revenue? Justify your answer.'

You will be asked to state which you think will be the most effective for the particular business in the scenario you will be given. You will also be asked to justify your answer.

Remember, there is not one correct answer here – it makes no difference to the examiner which you choose. What they are looking for is the demonstration of the skills. The important thing is to make sure that you offer some analysis of both points, for example, show how increasing prices might lead to a rise in revenue.

To evaluate this, however, you need to ask how far it will increase revenue, whether it would work given the type of business and the type of market they are working in. To do this you might need to employ the '**it depends**' rule. Whether the rise in price would increase revenue would depend on:

- How big the price increase was – if it was too large it might put people off buying it or turn them to their competitors.
- What competitors did.
- The type of product – if it was a product with lots of substitutes then it might be less successful than if the business was one of the few suppliers.

It is important when evaluating to show the examiner that you have understood the issues and that you can relate them to the scenario. Your choice, judgment or justification should be based on the evidence.

Take the following question as an example.

Jake owns a video and DVD rental store. In recent months business has been very slow and he has run into cash flow problems. He has been thinking about whether to ask his bank to extend his overdraft to £5,000 from the current £1,000 or ask it for a loan of £10,000 payable over three years at a fixed rate of interest.

In your opinion, which option should Jake choose? Justify your answer.

To answer this question, you need to know about the difference between an overdraft and a bank loan as a source of finance and also about cash flow. This is the knowledge element of the question. You need to be able to think about whether a small business such as a DVD rental store would finance a cash flow problem with a loan or an overdraft. You need to explain what the issues are that Jake needs to think about in each case – the pros and cons of each option. This is the analysis part of the question. You then have to make a judgement about which option he should choose and be able to offer some justification for the choice you have made. This is the evaluation part of the question.

A possible answer might look something like this:

This paragraph shows that the student understands what a loan is. It gives some advantages to Jake and also balances this by giving some disadvantages.

'If Jake decided to take out a loan from the bank then he would know what the monthly payments would be because it has a fixed rate of interest. The fixed payments plus the fact that he has the money available to use may allow him to plan more effectively.

The next two paragraphs show that the student understands what an overdraft is and again gives some advantages and disadvantages of this option.

However, the repayments would be spread over three years and this could be expensive putting additional pressure on his business. He may not need to have a loan over this period because he might not have cash flow problems next year.

An overdraft allows Jake to withdraw money from his account to an agreed limit even though he might not have funds in his account at that time. He will only pay interest on the amount borrowed not the full amount as would be the case with a loan.

For a small business like Jake's, an overdraft provides a flexible means of financing cash flow problems. He may not need to use all the overdraft each month and so may pay a lower rate of interest. However, one problem is that Jake may not know how much he will have to pay each month in advance even if he has tried to forecast his cash flow. This makes planning more difficult. It is also possible that the rate of interest on an overdraft can be quite high for a small business like Jake's where the risk is seen as being high by the bank.

Given that Jake's is a small business, it is likely to be more appropriate for him to try to arrange an overdraft. This is more flexible and could be cheaper in the long-run. A loan would mean that he has debt for at least three years and usually loans of this kind would not be used to finance possible short-term cash flow problems. Jake can then use the overdraft to help him cover cash flow problems as they arise and only pay interest on the amount he is overdrawn. The DVD rental business is likely to be small so he does not want to have a large debt hanging over his business for three years.'

The final paragraph draws the answer together and makes a clear judgement about which option would be better for Jake. It gives a number of reasons including the fact that Jake's business is small, that he might not get a loan to cover cash flow problems from a bank, and that it is more flexible and possibly cheaper. It includes a justification for choosing this option rather than a

This type of answer covers all the assessment objectives. The student shows some evidence of knowledge of these two sources of finance, is able to apply it to a small business like a DVD rental firm and is able to offer some explanation of the main features of each. The answer contains a number of judgements which are supported. The answer has a final conclusion which is also justified. This answer would get into the top level and be at or near maximum marks.