

BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key messages

A lack of precise understanding of key business terminology is limiting the ability of some candidates to achieve well in this paper. This is an area, which must be addressed by centres when preparing candidates for this examination

Application within answers was an improved area of candidate responses, but a number of candidates still struggle to demonstrate this aspect in their work.

The lack of effective evaluation continues to be a problem within many scripts. Candidates should be reminded that an evaluation must be a justified decision that follows the points raised in the answer, not a repetition of points already explained. Candidates would benefit from greater guidance on how to produce an evaluative answer to part (e) questions.

General comments

There was some evidence that candidates did not fully understand some aspects of the syllabus. This was shown in **Questions 1, 2(d) and 3(a)** of the paper. Centres would do well to spend time ensuring that candidates are fully aware of all elements of the syllabus.

Candidates should be encouraged to:

Learn precise definitions for key terms.

Refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate for that organisation.

Ensure that within parts (c) and (d) of each question a different point of application is used for each separate point made.

In parts (d) and (e) of each question it is important to explain the impact of points identified on the business described in the stem of the question.

Provide a conclusion in each part (e) justifying this conclusion with a point that has not been discussed earlier in the answer.

Comments on specific questions

Question 1

- (a) Candidates were generally not secure in their knowledge of this term. The majority of candidates showed some understanding of the term but very few were able to gain both of the marks available. Weaker candidates identified this as a small market rather than a small segment of a larger market.
- (b) A well-answered question. Weaker candidates lost marks by repeating the same advantage using slightly different language for example higher sales and a wider number of customers.
- (c) This question differentiated well between candidates. Only the most successful candidates gained both of the application marks available by using two different points from the material provided. A common error was to state that quality control occurred throughout the processes and quality assurance at the end rather than the other way round.

- (d) Candidates who had a clearly understood of the calculation of 'cost plus pricing' scored highly on this part of the question. For many candidates however this was the most challenging question on the examination paper. A significant number of candidates were clearly not aware of the meaning of this term and many struggled to find answers that went beyond 'would be able to cover their costs'.
- (e) This area of the syllabus was well understood by many candidates who were able to display a large amount of knowledge of methods of production. A mark of four was common as many candidates were also able to identify correct points of application from the material. Only the very strongest candidates provided a justified conclusion and gained evaluation marks. Weaker candidates gained only the knowledge mark by producing a list of general statements covering the advantages and disadvantages of the methods suggested. A small but significant number of candidates discussed flow production, which was not referred to in the material. These answers could not be rewarded

Question 2

- (a) Generally well answered by many candidates. A small, but significant, number of candidates wrongly defined an objective as an aim. Such candidates often gained one mark for awareness that these are goals to work towards.
- (b) The majority of candidates were aware of the calculation required and gained both marks. A small number of candidates put the correct answers next to the wrong letter for example X = 40 000 and lost both of the marks.
- (c) This question clearly differentiated between candidates. Only the most able gained all of the marks available by using two different pieces of application. The most common advantages stated were that importing would be cheaper or provide a greater variety of products. Disadvantages stated tended to focus on the likely tariff barriers. Less successful candidates simply stated that it could be cheaper or more expensive with no explanation as to why either would occur. Such answers could not be rewarded, as they did not clearly link to importing.
- (d) The most successful candidates made use of the information provided and explained how financial documents would be used by a bank, explaining points such as those in the mark scheme. Many answers however were repetitive, stating only that documents would be used to 'repay the loan' or, incorrectly, 'to calculate interest'.
- (e) Candidates generally displayed very strong knowledge of sources of finance, giving detailed lists of the various sources available for a business. Only the most successful candidates were able to apply that knowledge to consider the advantages and disadvantages of a bank loan to the business in the question. Successful answers considered the amount of interest that would be payable and Vince's ability to afford the loan. Evaluation for the majority of candidates was generally unsuccessful and was a repeat of the points stated earlier in the answer. The least successful candidates gained one mark only by ignoring the bank loan and discussing potential investors.

Question 3

- (a) Precise definitions were rarely provided. The majority of candidates gained one mark for some understanding that this, 'makes the business stand out'. Some candidates confused brand name with logos.
- (b) Generally well answered. The majority of candidates focused their answers upon poor management and financial problems.
- (c) Candidates showed a good understanding of the concept of motivation. Marks were often lost because candidates chose answers which were essentially the same such as, 'improved productivity and 'improved efficiency'. Application was a problem on this question; a number of candidates forgot that the business was a restaurant and explained the benefits of production.

- (d) As with part (c) of the question, candidates clearly had a good understanding of the concept of on-the-job training. A significant number of candidates defined the term rather than focusing on the advantages. Strong candidates explained why this may be cheaper than off-the-job training using the data to show the significant costs for this number of restaurants. The weakest candidates simply stated that this would be cheap with no explanation of why. Such answers were too vague to be credited. A small number of candidates confused induction with on-the-job training.
- (e) The concept of franchising was clearly understood, but very few candidates were able to effectively evaluate the benefits and costs of this method of expansion. The strongest answers analysed the risk of loss of brand image and compared this to the benefits of lower costs and higher royalties when opening 10 more restaurants. The weakest candidates focused either upon the benefits to a business of expanding or ways a business could gain customers in a new market. Such answers could not be rewarded.

Question 4

- (a) This term was well understood by many. A significant minority stated that this was a business 'that sells in many countries.' This could be a definition of an exporter and therefore was considered as an answer too vague for credit.
- (b) Generally very well answered. The majority of correct responses identified the opportunity for increased sales opportunities or improved brand image. A number of candidates lost marks by providing imprecise answers such as 'gaining economies of scale' or 'increase market share'. Such answers are the advantages of growth in general and not specifically of being a multinational company.
- (c) The majority of candidates identified two different examples of possible pollution by this producer. Such answers gained a maximum of two marks as they identified one impact – pollution. The strongest candidates were able to provide two distinctly different impacts such as those listed in the mark scheme. The weakest candidates simply identified that they would 'destroy the environment' and gained zero marks.
- (d) Candidates were not always able to fully develop their answers to this question. The best candidates gained the majority of the marks available by providing analysis of the impact on the cost of borrowing and consumers spending. Even the most successful candidates often struggled to provide two distinctly different points of application. A common mistake made by less successful candidates was to state that costs of production would rise. This may be true, but candidates would need to explain how higher interest rates affect business costs in order to gain credit for this point.
- (e) A number of candidates found this question very challenging. The question stated that this was a 'low-cost country' so a knowledge mark could not be awarded for simply restating this. The strongest candidates recognised the huge cost of moving a factory to another country, especially when raw materials are such a long distance away. Evaluation was frequently awarded to candidates who recognised that the market for the product would remain in Europe. An error seen in many scripts was to assume that sales would move to Asia rather than production.

BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

Information contained in the stem of each question will prove helpful in answering the questions set, especially as this provides the basis for application.

Centres should be reminded that the examination will test all aspects of the syllabus and candidates should prepare accordingly. It was clear that some candidates were not familiar with a number of concepts including social enterprises, microfinance, the advantages of part-time employees and factors affecting the accuracy of market research.

Candidates would benefit from greater guidance in how to produce an evaluative answer to part **(e)** questions. Candidates should be reminded that an evaluation must be a justified decision that follows from the points raised in the answer not a repetition of points already explained.

General comments

The questions requiring definitions and knowledge such as part **(a)** and **(b)** of each question were generally not as well answered as in previous sessions. A number of candidates struggled to provide precise definitions to **Questions 1(a), 2(a), 2(b)** and **4(a)**. There was also evidence to suggest that some candidates did not fully understand other aspects of the syllabus. This was shown in **Questions 1(c), 3(c), 3(e)** and **4(e)**.

At times, the application marks could not be awarded because some candidates did not refer to information in the stem. This would help ensure the answer is appropriate for the scenario. Candidates must also ensure that within parts **(c)** and **(d)** of each question, a different point of application is used for each separate point made.

When a question stem contains numerical data, candidates should be encouraged, where relevant, to make use of this data within their answers to show clear understanding of the information provided. In parts **(d)** and **(e)** of each question, candidates can often be awarded application and analysis marks for correct calculations using information provided.

Part **(e)** of all questions continues to be the most challenging for all candidates. Many candidates struggled to suggest and justify decisions successfully. Other candidates provided a simple list of knowledge points. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up their choice.

Comments on specific questions

Question 1

- (a)** This question produced a range of responses. Stronger candidates were able to give a clear and precise definition of added value. Common errors were to repeat the words 'add or increases value' rather than explain the term. Others confused the term with profit and revenue or identified ways to increase added value.
- (b)** Well answered by most candidates.
- (c)** The concept of selection was not generally well understood by many candidates. Better candidates did attempt to identify methods such as interview and tests. Only the best responses were able to

use the information in the stem to apply their answer to the context to show how these methods could help in the selection process. A number of candidates had the wrong focus as they identified ways a business could advertise job vacancies.

- (d) Most candidates could identify relevant factors with access to customer or cost of site being typical choices. Stronger candidates were able to correctly explain why such factors were relevant when making a location decision. Only the best responses used the source material to support the points being made. There were two common errors; Some used the same analysis point for both answers. Instead of development others repeated the knowledge point. For example answers that referred to demand needed to make the link to the impact on revenue rather than simply restating that it could increase sales.
- (e) Good knowledge of ways to advertise a job was evident in most responses. The best answers developed points made and attempted to make an appropriate decision based on their argument. These candidates made good use of the source material to support their answer. Instead of development, weaker responses were characterised by simple statements such as 'most people do not read newspapers' without explaining how or why this might be an issue. Others based their answers on unknown assumptions about the relative costs of different methods or mistakenly discussed the lack of colour in job advertisements as a major barrier. Some candidates had the wrong focus and discussed ways to advertise a product. Evaluation was not attempted in most responses.

Question 2

- (a) The concept of social enterprise was not generally well understood by candidates. Some recognised that it involved having social objectives or that profit was not the only objective. Only the strongest candidates were able to give a precise definition of the term. A common error was to confuse the term with a pressure group or public sector organisation.
- (b) Better answers understood that microfinance involved offering small loans to people on a low income. Weaker responses offered alternative words for micro or finance without explaining the term. A number of candidates did not attempt this question.
- (c) This question caused some confusion. The strongest candidates identified appropriate factors such as size of sample or out of date information. Weaker answers were not able to apply points to this situation. A number of candidates misinterpreted the question. Some explained different methods of market research or explained possible ways a business could use the data collected. Others identified reasons why a new product might not be successful. None of these answers could be rewarded.
- (d) Many candidates were able to correctly identify ways that being ethical could help a business. Better candidates did attempt to explain how or why points such as good reputation or higher demand could create an advantage for a business. Only the best responses were linked to the scenario. Weaker answers were characterised by two common errors. Some candidates confused ethical with legal issues, so incorrectly identified legal requirements that a business should follow. Others identified examples of ethical behaviour or assumed that being ethical would automatically result in good quality. A number of candidates did not attempt this question.
- (e) This question proved to be a good discriminator. Most candidates showed good knowledge of appropriate pricing methods. The best answers made good use of the information provided such as the fact it sells high quality coffee and showed why this was a factor to be considered in any pricing decision. These candidates then attempted to make an appropriate conclusion based on the points made. Weaker answers identified points but did not develop them to show why or how they were important. Evaluation in most responses was simple or not attempted. A number of candidates incorrectly assumed that strategies such as competitive pricing and price skimming involved setting low prices.

Question 3

- (a) Well answered by most candidates.
- (b) Well answered by most candidates. A small number of candidates incorrectly assumed that profit is a way to measure the size of a business.

- (c) This question produced a range of responses. Many candidates could identify one method. Stronger candidates were then able to link points made to the context of this computer business. Weaker responses tended to make general statements that could apply to any business. Some candidates misread the question and identified methods of production. A number of candidates did not attempt this question.
- (d) Most candidates could identify one benefit of improving efficiency. Better responses were able to develop points made and attempted to link them to the scenario. Instead of development, weaker answers repeated the knowledge point rather than explain why the business could benefit from having less wastage or higher output. Some candidates had the wrong focus and discussed ways a business could increase efficiency. A number of candidates incorrectly assumed that higher output would automatically result in higher sales.
- (e) This question produced a range of responses. Some candidates could identify points such as access to new markets and were able to link their answer to this computer manufacturing business. Only the most able candidates were able to develop points to show how TRB could or could not benefit from globalisation. Evaluation in most responses was simple or not attempted. A number of candidates did not understand the concept of globalisation and incorrectly assumed it simply involved exporting and importing or becoming a multinational company. A number of candidates did not attempt this question.

Question 4

- (a) Some candidates understood that a limited company offered its shareholders limited liability. A common error was to explain features that only referred to a public limited company or private limited company, which was not the question set.
- (b) A generally well answered question. Some candidates forgot to indicate that one of the numbers was a negative value.
- (c) The advantages of employing part-time workers were not well understood by many candidates. The most common correct answers were 'flexible' and 'only paid for the hours worked'. Application was often not included or the same application was repeated for both advantages. Many candidates incorrectly assumed that part-time workers are paid a lower wage rate or would automatically be less tired or better motivated. A small number of candidates confused part-time workers with seasonal workers.
- (d) Many candidates were able to correctly identify either an advantage or disadvantage of using social media networks for promotion. Better candidates did attempt to link their answer to the context. Only the best responses attempted to explain how or why points such as 'covers a wide area' or 'no internet access' could create an advantage or disadvantage for a business. Weaker answers were characterised by two common errors. Some candidates identified general factors which could apply to any method of promotion. Instead of development, others repeated the knowledge point or explained the effect on customers rather than the business.
- (e) This question proved challenging to many candidates. Some candidates were aware that an overdraft would involve paying interest, but very few were able to apply their knowledge to the context or explain the effect on cash flow. Only the strongest answers were considered alternative solutions. Many incorrectly assumed that long-term sources such as selling shares could be used to solve a short-term cash flow problem. Others confused cash flow with profit. Evaluation in most answers was simple or not attempted.

BUSINESS STUDIES

<p>Paper 0450/13 Short Answer/Structured Response</p>

Key messages

Information contained in the stem of each question will prove helpful in answering the questions set, especially as this provides the basis for application.

Candidates must read the question carefully to ensure they have the correct focus to their answers. The lack of effective evaluation continues to be a problem within most scripts. Candidates would benefit from greater guidance in how to produce an evaluative answer to part **(e)** questions. Candidates should be reminded that an evaluation must be a justified decision that follows from the points raised in the answer not a repetition of points already explained.

General comments

A number of candidates struggled to provide precise definitions to **Questions 1(a), 2(a), 3(a) and 4(a)**. There was also evidence to suggest that some candidates did not fully understand some aspects of the syllabus. This was shown in **Questions 1(c) and 3(c)**.

At times, the application marks could not be awarded because some candidates did not refer to information in the stem. This would help ensure the answer is appropriate for the scenario. Candidates must also ensure that within parts **(c)** and **(d)** of each question, a different point of application is used for each separate point made.

When a question stem contains numerical data, candidates should be encouraged to make use of this data within their answers to show clear understanding of the information provided. In parts **(d)** and **(e)** of each question, candidates can often be awarded application and analysis marks for correct calculations using information provided.

Part **(e)** of all questions continues to be the most challenging for all candidates. Very few candidates were able to suggest and justify decisions successfully. Many candidates provided a simple list of knowledge points. Those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up their choice.

Comments on specific questions

Question 1

- (a)** Most candidates understood that net cash flow involved cash inflows and outflows. Better candidates were able to give a clear and precise definition of this term. A common error was to confuse the term with concepts such as profit, revenue or costs.
- (b)** Most candidates were able to calculate the value for cost of sales but very few understood that expenses were a negative value.
- (c)** This question caused some confusion. Many candidates misread this question and identified the causes of not making a profit. Better responses did attempt to identify possible problems with the lack of funds to reinvest being a typical answer. Only the strongest responses were able to apply their answer to the context. A number of candidates incorrectly assumed that profit is used to pay day-to-day costs such as wages.

- (d) Most candidates could identify relevant ways, with changing suppliers or to hold more inventories being typical suggestions. Better answers correctly explained why such ways could help solve the problem with its current supplier. Only the best responses used the source material to support the points being made. Instead of developing the knowledge point, some candidates just repeated it.
- (e) Good knowledge was evident in most responses. The best answers developed points made and attempted to make an appropriate decision based on their argument. These candidates made good use of the source material to explain why each option was appropriate in this situation. Instead of development, weaker answers were characterised by simple statements such as 'already know how the business works' or 'bring in new ideas' without explaining how or why such points might be significant when deciding whether to use internal or external recruitment. Evaluation was simple or not attempted in most responses.

Question 2

- (a) Many candidates understood that a franchise involved trading under the name of another business. Stronger candidates were able to provide a precise definition.
- (b) Generally attempted by most candidates. A small number of candidates misread the question and identified general factors affecting demand.
- (c) The majority of candidates understood the importance of high quality. The strongest candidates were then able to explain why points such as protecting reputation and attracting customers could be helpful to this bakery. Weaker answers were not able to apply points to this situation.
- (d) The benefit of developing new products was well understood by most candidates. Better responses explained how or why points such as spreading risk and the need to keep up with changing tastes would help this food business. Weaker answers identified benefits but instead of development repeated the knowledge point. For example, attracting new customers and increasing sales are the same point. The benefit of this to a business is increased revenue. Others used the same application for both responses which could only be credited once.
- (e) Most candidates understood the principle of Buy One Get One Free and were able to make effective use of the information provided to link their answer to the context. Only the most able candidates were able to develop points made to show why this or other methods of sales promotion could be appropriate methods to use. Evaluation was limited or not attempted in most responses.

Question 3

- (a) Some candidates understood that break-even output was the point where a business did not make a profit or loss. Better candidates gave a precise definition. A common error was to provide definitions of concepts such as profit, revenue or contribution.
- (b) Most candidates could identify one example with pollution being the most common answer. A number of candidates repeated similar points for both examples, which could only be credited once.
- (c) This question was misread by a number of candidates who focused their answers on other areas of business operations affected by legal controls such as minimum wage or health and safety in the factory. The strongest answers identified relevant ways that legal controls would affect the **marketing** of its cleaning products.
- (d) Good knowledge of relevant points was evident in most responses. Application was often shown through the effect on the 450 employees and the use of chemicals in the production process. The strongest responses were able to develop points to show how changing employment levels and impact on the environment could have implications for the local community. Instead of development, weaker answers repeated the knowledge point. Some candidates had the wrong focus and discussed the impact on other stakeholders such as customers, suppliers or the business itself.

- (e) Most candidates made good use of the data provided to support points made so a mark of four was common. However, evaluation marks were rarely awarded as the candidates simply restated the points made rather than use the data to help develop their answer. In this case, evaluation marks could be awarded. The weakest answers simply noted which costs had increased or decreased.

Question 4

- (a) Generally well answered.
- (b) Well answered by most candidates. A common error was to identify methods of primary research.
- (c) This question produced a range of responses. The strongest answers identified at least one appropriate reason such as improve chances of being successful or set a good example to employees and explained these points in context of this computer start-up business. Weaker candidates struggled to apply their answers and often repeated the same knowledge point for both reasons.
- (d) This question acted as a good discriminator. Many candidates could identify at least one way and better responses were able to link it to the context. Only the best responses were able to explain how points such as carrying out primary research or preparing a business plan would help reduce the risk of starting up a business. Weaker answers were characterised by two common errors. Some were able to identify ways but struggled to explain how the methods identified would be helpful. Other candidates identified financial considerations, which the question clearly excluded.
- (e) Sources of finance were generally well understood. Stronger responses developed points to show their effect such as interest on costs or cash flow. The best answers made good use of the information provided and explained how a new business may find it difficult to obtain bank loans or considered the opportunity cost for an owner of using their own savings. Stronger answers provided a justified conclusion and therefore gained the evaluation marks. Weaker answers identified valid points but did not develop them. Evaluation in most responses was simple or not attempted. Others discussed whether a vehicle was necessary, which was not the question set.

BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This will ensure responses are appropriate for each given situation.

To do well in this paper, candidates must make clear reference, or application, to the accompanying case. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a toy manufacturer, GT, which produces a range of toys for babies and young children.

Candidates should try to give a full explanation of positive and negative consequences of a business decision. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

Several questions on this paper ask candidates to make a justified recommendation. It is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination. It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of GT producing specialist quality toys for babies and young children and selling them to retailers throughout Country Y provided an accessible scenario for candidates. Those who applied their skills to the context of GT were able to access more marks.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their answers. This seems to work well. Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about the extent of developed detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. Candidates should ensure they are prepared to respond to questions on the whole syllabus. They could earn basic marks by defining business terms and using them confidently.

Candidates should be aware of the importance of contextualising their responses and not providing generic textbook answers. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 2(a)** the question asked candidates to identify and explain two roles of the Operations Manager at GT. Information was presented in the case study which highlighted the fact that GT manufactured specialist quality toys such as cars, teddies and building bricks. GT used just-in-time inventory control and batch production because they had many different designs of toys. These were ideal points to refer to in the answer to this question.

Comments on specific questions

Question 1

- (a)** Many candidates made a good start by demonstrating sound knowledge, identifying and explaining two advantages and two disadvantages of GT being a public limited company. Frequently answers mentioned the advantage of selling shares to the general public and having limited liability for shareholders. Candidates were able to earn additional credit by explaining how selling shares to

the public gave GT the opportunity to raise additional capital for further development and that limited liability meant GT shareholders risked the capital they had invested but not personal possessions. Similarly disadvantages, such as the requirements to publish annual accounts and the risk of takeover because a majority of shares could be bought by individuals outside the business, earned credit.

- (b) This question was confidently answered by many candidates. Good responses offered developed discussion of two alternative channels of distribution. The highest marks were awarded to candidates who offered reasoning to weigh up the advantages and disadvantages of the existing method of selling toys to large shops and compared that to a new idea of selling only on-line. It is important not to offer mirror image arguments here by mentioning the advantage of one method as the disadvantage of the other. To earn Level 3 credit candidates were expected to make a clear judgement about the preferred channel of distribution for GT's toys. Good answers related to the nature of the toy market and the appropriateness of children and their parents using either method for buying toys.

Question 2

- (a) This question tested candidates' knowledge of the role of the Operations Manager at GT. Credit was given to answers stating actions such as planning, organising or controlling. It was an opportunity for candidates to relate to the context of controlling the quality of the toy cars being produced by GT or planning how many components to order for the just-in-time inventory system. The responses that made specific reference to the business context earned application as well as knowledge marks.
- (b) In this question candidates were asked to consider three ways that GT could reduce the average cost of products. Many candidates accurately explained that a cheaper supplier would result in lower total cost and therefore average cost would fall but this would not be a wise choice if the quality of supplies was inferior. Balanced discussions about the advantages and disadvantages of using fewer components or changing to flow production were also offered by a good number of candidates. The best answers balanced the advantages and disadvantages of each option and concluded, for example, that option 1 would be more likely to achieve the desired outcome of reducing average cost because it allowed GT to maintain production of 200 toy designs of the original design, as long as there were rigorous quality control checks on the components being delivered to GT.

Question 3

- (a) The most common answers to this question discussed language and competition being important considerations when developing new products for different countries. Good responses recognised that labelling and instructions of how to use the toys might need to be printed in different languages to ensure the safety of the children playing with them. Application marks could be easily gained in this question but not all candidates made use of the case study material. However, it was apparent that many candidates understood that existing toy producers in other countries may already have a major share of the market so GT would have to develop a new car or doll which would have a unique selling point and be top quality if it were to be a successful plan for growth.
- (b) This was a question on the topic of communication issues. A good proportion of candidates did not pay sufficient attention to the wording and did not focus on communication difficulties that GT might have in speaking different languages in different markets, using new suppliers or holding weekly workers meetings. To gain higher marks responses needed to provide some further explanation regarding for example overseas customers and suppliers requiring help with translations, resulting in GT facing costs of employing an interpreter. The option of holding a weekly meeting with workers presents the difficulty of being too infrequent and not a situation where workers could ask for clarification or detail of key messages. To earn level 3 credit in the conclusion candidates were expected to make a clear judgement as to which would be the biggest problem by offering justified reasoning. Sometimes there were weak conclusions which merely repeated earlier points and there was some ambiguity about the size and significance of GT's problem.

Question 4

- (a) Many candidates were keen to demonstrate their knowledge of trade unions and consequently offered strong responses. Strong answers relating to the effect of trade union membership on GT

as employers, explained that GT might face increased costs if the union was successful in negotiating a new wage agreement. This showed how good use can be made of the case study material since mention was made of delays in the current pay discussions. The range of answers which identified and explained the benefits of union membership for the employees often referred to health and safety protection in a factory environment, and employees feeling empowered to stand up for their rights, thus resulting in improved worker motivation.

- (b)** This question presented the opportunity for candidates to use their numeracy skills. Candidates were required to consider GT's accounts from the view point of three stakeholder groups. The responses tended to be weak and contained brief commentaries. The data in Appendix 3 provided the means to calculate gross profit, gross profit margin and net profit for both GT and its main competitor. Level 2 credit was given to answers which contained such calculations. The best answers used the calculations to make clear recommendations about the kind of decisions that would be made by each stakeholder group and justified which user would find the data most useful.

BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a) and (b)** for application. In this particular case study, candidates were expected to refer to a company that manufactures pottery products.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination: It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of PP, a pottery manufacturing business, provided an accessible scenario for candidates. Those who applied their skills to the context of PP boosted their marks much further.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about the extent of developed detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics, such as ways to ensure quality products are produced, delegation and market research methods were not well understood by weaker candidates. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by defining business terms and using them confidently.

The standard of written English was good. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation. A minority of scripts were difficult to read. It would be timely to remind candidates that writing should be large and clear enough to read and should be contained within the frame of each page of the answer booklet.

Candidates should be reminded to contextualise their responses and not provide generic textbook answers. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 4(a)**, a generic response might have said that retained profit is a good source of finance, as it does not require repayment or interest to be paid. However, better candidates applied this type of answer to the case, for example, PP has been in business for 30 years and may have built up large amounts of retained profit from its many years of successful trading. The financial information about the pottery company in Appendix 3 also shows that the business has been profitable and therefore may have sufficient retained profit to fund the expansion rather than having to repay the funds or pay interest on the amount borrowed.

Comments on specific questions

Question 1

- (a) Many candidates made a good start by demonstrating they were familiar with methods of ensuring quality during the production process, such as quality control or quality assurance, but also included other ways such as providing additional training for employees. Many responses contained an explanation of how the method would ensure quality of the final product. Where full marks were not awarded it was often because the answer given was generic and not applied to the business in the case. If answers had referred to the case study such as: products being pottery products; given examples of the products for example vases, plates; included that skilled workers were already employed in the factory; or the company had a high rate of faulty products that were sold at a 50% lower price, then the answers would have been clearly in the context of this business and the marks achieved would have been higher. If there were any marks awarded for application it tended to only be for mention of the products being pottery. Some weaker candidates got the explanation of QA and QC the wrong way round and restricted their marks. TQM was poorly explained by all but strong candidates. Quite a number of weak candidates gave changing the design of products and packaging that had nothing to do with quality and missed the focus of the question.
- (b) This question required candidates to consider three ways the business could cut costs. Stronger responses showed a clear understanding of the advantages and disadvantages of the three ways. However, of the three ways, reducing the marketing budget seemed to be the least well understood and answers often simply stated that advertising would be reduced and fewer people would know about the products. Many candidates did not understand what a marketing budget was and gave bland responses saying costs would fall, which is in the question. Some stronger candidates recognised that as the company had been in business for 30 years, reducing the marketing budget may not be a problem as the company might have loyal customers. The best answers were for explaining that reducing the marketing budget may make it more difficult to expand into a new market abroad as advertising would be needed to launch into a new market otherwise it would not be likely to be successful. The advantage and disadvantage of introducing automated equipment and changing to a cheaper supplier of raw materials were more clearly explained by many candidates. Stronger candidates ended with a justified recommendation of which way was the better one to choose in order to reduce costs. Answers that did not justify why the alternative ways were a less effective way to reduce costs due to the greater disadvantages scored less well. Weaker answers just repeated earlier points without comparing the chosen way to the alternatives, or did not add any further development to their justification of the chosen way, and therefore many candidates did not gain additional credit for the recommendation. A lack of application also resulted in many candidates achieving less than full marks.

Question 2

- (a) This question tested knowledge of primary market research. Many answers identified and explained two methods of primary research with the most popular methods being questionnaires, interviews and focus groups. Answers that made good use of the case material, for example including points such as wanting to find out the price customers were willing to pay for pottery products or what type of food was eaten and the style of plates or bowls required to serve the food, scored well. However, quite a number of answers were generic and only explained how the method could be carried out. Weaker answers incorrectly focused on why primary market research is important rather than how it is carried out or explained secondary research methods instead.
- (b) This question required candidates to consider three ways PP could start selling its products in a new market. Joint venture was the least well understood of the three options and selling online was the best-answered part. Strong candidates recognised that selling to many retailers rather than one retailer, as with the joint venture, would reach a wider number of potential customers and selling online may cause problems with a fragile product being distributed to many customers. Weaker answers gave a vague advantage and/or disadvantage without making it clear why this was a benefit or drawback of each method of selling products in the new market. Answers tended to be generic and could not be identified as being applied to this business in the case. Those that did apply their answers most often referred to pottery products with little reference to anything else from the case. Recommendations often did contain some justification of why the alternative ways

were rejected as less suitable for this business but did not always do much more than repeat earlier points when justifying the chosen way to use.

Question 3

- (a) This question tested knowledge of delegation. Many answers scored well but there were also many answers that confused delegation with external recruitment and incorrectly focused the answer on the advantages and disadvantages of hiring a new Operations manager. Better responses correctly identified an advantage and a disadvantage of delegating to a subordinate. Most popular answers were the MD now having time to carry out more important tasks in running the business and the subordinate feeling trusted and the disadvantages identified as the MD would lose some control and the subordinate may make mistakes or not carry out the tasks as well as Peter. Again full marks needed good application and this was rarely seen.
- (b) This question presented the opportunity for candidates to use their numeracy skills. Candidates were required to consider the financial information for PP and compare it to the main competitor. Weaker candidates could correctly identify the differences in the figures between PP and the main competitor. However, the answers often did not go further than stating that one was higher or lower than the other. There was often good application as the answers did make reference to the case material or the figures in Appendix 3. Better candidates calculated the gross profit, gross profit margin and (net) profit for PP and the competitor. There were then clear concluding comments as to whether or not the Finance manager should be worried about the figures. Recognising that the liquidity of PP enabled it to pay its short-term debts was another route to analysis if profit calculations were not included. Very weak answers just repeated the information provided in the case without any comment and scored no marks for simply copying the figures from the Appendix with no comment at all. Only strong answers contained an evaluation of the figures and went on to fully justify the conclusion. Candidates should be reminded to write calculations down – a small number talked about the GP margin being smaller for PP – even so far as saying 7% lower, but did not show workings and so lost the opportunity to gain further marks.

Question 4

- (a) The majority of responses showed sound knowledge of suitable sources of finance for the expansion of the business. A bank loan, issue of more shares to family members, retained profit and the sale of assets were the most popular answers. The source of finance was often explained by including an advantage and/or a disadvantage of the source of finance. However, answers were rarely applied and there were many totally generic answers leading to half marks being awarded. Some weaker candidates offered short-term sources of finance such as overdrafts rather than long-term sources.
- (b) This question tested knowledge of the advantages and disadvantages to a country from the location of a foreign business in the country. The most common error was to answer from the point of view of PP, which was the wrong stakeholder. Although some of these answers did address the question in the recommendation and therefore gained credit. The majority of answers stated at least some benefits and drawbacks to the country of PP locating a factory there with the most popular benefits being that jobs would be created and unemployment would fall, tax revenue would increase and customers would have more choice. Many answers simply listed the benefits and drawbacks and did not move to higher marks, as no development of the point was included. Strong answers developed these benefits to give a chain of reasoning as to why it was a benefit to the country such as higher tax revenue would allow the government to invest in better infrastructure or more employment would lead to increased incomes in the economy leading to higher spending and a higher standard of living. The most popular drawbacks focused on the impact on local firms possibly facing increased competition for customers and workers leading to these businesses failing due to not being able to compete with the lower costs of larger companies and the higher wages offered. Again only strong answers were applied and included a well justified recommendation.

BUSINESS STUDIES

<p>Paper 0450/23 Case Study</p>

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to the unseen case study or business scenario. This will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a company that provides helicopter flights.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination: It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of a company that provides helicopter flights for business people provided an accessible scenario for the majority of candidates. No question appeared to be too challenging for more than a few candidates. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about how much detail is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. These were, ways to create a brand image, why working capital is important to a business and the contents of a business plan and how this content helps a business. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by defining business terms and using them confidently.

Candidates should be reminded to contextualise their responses and not provide generic textbook responses. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks.

Comments on specific questions

Question 1

- (a) Many candidates correctly identified how this business could create a brand image. Popular suggestions included creating an easily recognised logo, using an easily recognised colour scheme like their competitor in Appendix 1, or advertising. However, weaker answers did not apply their suggested ways to this business and did not always fully explain how the way identified would create the brand image. For example, explaining that using an easily recognised colour on the helicopter would make it easy to identify the business and encourage customers to book flights with this business would gain application marks, rather than an answer that just says using an easily recognised colour would make it easy to identify the business and encourage customers to use them.
- (b) Many candidates showed a good understanding of the advantages and disadvantages of each of these niche markets, such as the advantages of remaining with their existing market that they have experience of and understand the business customer needs. However, these customers may start using video-conferencing instead and therefore in the long term demand for these flights may decrease. Better answers gave the advantages and disadvantages of each niche market and then went on to gain Level 3 marks by going beyond repeating their Level 2 comments. Comparisons with the rejected niche market were made, such as whilst business customers have an inelastic demand which may allow revenue to increase with increased prices, the tourist market has elastic demand and may require prices to be reduced to increase revenue. The tourist market should be chosen because it may provide more long term growth as demand in this market appears to be more stable. Some candidates lost sight of the fact the question was about increasing revenue and focused on profit and reducing costs.

Question 2

- (a) The majority of candidates answered this question well and discussed reasons for the importance of working capital as needing to ensure there was no cash flow problem or that day-to-day expenses can easily be paid. However, weaker candidates focused on the need for capital in general and incorrectly discussed the need for long term investment to finance the expansion. Answers were not well applied to the case and therefore few candidates gained full marks.
- (b) This question was well answered. Most candidates made effective use of the insert material and earned Level 2 credit by analysing the advantages and disadvantages of each of the options. Many responses correctly explained the advantages and disadvantages of each option and then went on to give a basic recommendation of which option to choose and moved the answer into Level 3. Weaker answers just repeated the information provided in the case without any comment, such as option A costs \$2.4 m to purchase. The majority of answers gained application marks as they made good use of the information provided in the case. Strong answers contained recommendations that went on to fully justify the option chosen. These went further than repeating the earlier analysis in justifying the choice of option to explain why the alternative option was less suitable.

Question 3

- (a) The majority of candidates could suggest two ways the company could use the internet, such as setting up a website or using online banking. However, many did not make full use of the case study to answer in the context of helicopter services. Weaker candidates just described the way. Better responses explained how this business could use its website to provide information about flight times for customers so that time would be saved by the brothers not having to answer the queries about the availability of flights. Helicopter bookings could be made online so the brothers could then concentrate on other aspects of the business such as marketing and administration.
- (b) This was very well answered with many candidates identified at least one advantage and disadvantage of each of the three options for employing a new pilot. Application was often gained by referring to the different costs involved with the alternative options. Good answers also included consideration of the time taken by Harry to train a new pilot. Better answers went on to include a

recommendation of which option was the best to use and justify why it is better than the alternative options. Weaker answers just repeated earlier points and therefore did not earn additional credit.

Question 4

- (a) This question was not well answered by many candidates, as they could not correctly identify two contents of a business plan. When contents were listed, there was often no explanation of how they would be useful to the business as it expands. The most popular contents listed were the market, aims or objectives and financial information such as income statement or cash flow forecast. Only better answers could apply the contents to this business and weaker answers tended to be generic.
- (b) There were some good answers to this question and these candidates were able to analyse the effect of these legal changes on the helicopter business. However, quite a number of candidates did not go beyond simple effects such as the risks of flying may put off some passengers, increased minimum wage will raise wage costs and the new environmental tax will put up prices. Unless these answers were explained, such as the increase in the minimum wage is unlikely to have much effect on HH as pilots are paid well above the minimum wage and unless HH employs other workers, this is unlikely to have any effect on costs. Many answers were applied to the case by making reference to helicopter services in their explanation. Better candidates included a recommendation that clearly justified which legal change they thought would have the biggest effect on the profit of HH and why it would have a bigger effect than the other two changes. The new environmental tax was thought to have the biggest effect by many candidates especially as it would increase the price for tourists and this is the market HH may expand into in the future. The risks of flying were probably already known and applied to all helicopter businesses and the minimum wage increase would probably not affect HH as they only employed higher paid employees.