

# BUSINESS STUDIES

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Paper 0450/11  
Short Answer/Data Response

## Key messages

- Centres should be reminded that all aspects of the syllabus will be assessed at some stage.
- As in previous sessions candidates should be reminded to learn precise definitions for all key terms and to use a different point of application and analysis for each point of knowledge. A point can only be credited once within a given answer.
- Effective evaluation is an area which continues to require development. Candidates should be reminded that evaluation must include a justified decision that follows on from the points raised in the answer. A repetition of points already explained in the answer will not gain evaluation marks. The mark scheme for each **part (e)** question includes one example of how evaluation may be demonstrated in the answer.

## General comments

Candidates this session found some of the topic areas assessed quite challenging. This was particularly true of the topics assessed in **Questions 2** and **4**. Candidates had quite limited knowledge of some aspects of these topics. This led to candidates trying to alter the questions asked to fit with their knowledge base. This was most noticeable in **Questions 3(d)** and **4(c)**.

Candidates would benefit from a greater knowledge of topics 1.5.3, 2.1.1, 2.4.2 and 6.2.

## Comments on specific questions

### Question 1

- (a) Candidates were generally aware of this term. Weaker responses lost marks by stating that prices would be lower than competitors. Such answers were too vague to be credited as predatory and penetration pricing methods set price below competitors. The key point of difference is that competitive pricing is set in line or slightly below the competitor's price.
- (b) The precise meaning of this term was not well understood. The strongest candidates were aware that this was a future financial plan for the promotional activities of the business. Many candidates gained one mark for some understanding that this is money spent on marketing.
- (c) Candidates clearly understood this topic, and many gained both knowledge marks available. Some candidates struggled to apply their knowledge to the question set or the business in the stem of the question. Weaker responses described the benefits of e-commerce not the threats.
- (d) This question produced a range of responses. The best answers explained how loyalty cards and communicating with customers could be used in a small gift shop. Some candidates lost marks by suggesting general promotional activities, or sales, which were not related to existing customers. Even the strongest candidates struggled to develop their answers fully to gain both explanation marks available. Candidates who simply stated that customers would be loyal gained no analysis marks.

- (e) This was a challenging question for candidates and a mark of one or two was common as many candidates were not able to provide effective evaluations. The strongest answers recognised that risk taking is essential for enterprise but that successful enterprises also require the new ideas generated by creativity. The weakest responses described other entrepreneurial characteristics which were not rewardable.

### Question 2

- (a) Well answered by many candidates. A common error was to confuse a public sector (government owned) business with a public limited company.
- (b) This calculation was not well understood. Many candidates thought incorrectly that the margin of safety was the difference between maximum output and break-even output. Some candidates did not attempt this question.
- (c) This question required application to the business in the question stem. The strongest candidates recognised that inflation would increase manufacturing costs, lower sales, and therefore impact upon the break-even output for this bed manufacturer. A mark of three was common as many candidates struggled to find a second point of application. The weakest responses stated that inflation would increase revenues and profit for the business as prices would rise.
- (d) Candidates found this to be one of the more challenging questions on the examination paper. The strongest candidates were able to explain how the flexibility and staff motivation benefits of batch production could assist this bed producer. Candidates who were able to explain why batch is cheaper than job production gained marks. However, candidates who simply stated that batch is cheaper or quicker were not rewarded.
- (e) Candidates showed strong knowledge of environmental issues, but many did not focus their answers correctly on the question set. Frequently answers lacked the required business perspective. The strongest candidates explained the benefit of improved reputation on sales and the cost of buying new equipment or materials. Very few were able to make effective evaluative comments such as those suggested in the mark scheme. A significant number of candidates applied their answers to the business outlined in the question stem although application marks are not available in **part (e)** questions.

### Question 3

- (a) Candidates showed strong understanding of shareholders, but many were unaware of this term. Many candidates confused this with dividends.
- (b) A wide variety of suitable financial statements were given in answer to this question. Some candidates however, provided financial words which could be part of a statement such as profit or revenue. These answers were not rewardable.
- (c) This question was well answered.
- (d) This question produced a range of responses. Candidates had a stronger understanding of the use of accounts to shareholders than to suppliers. Candidates frequently repeated the same application point in both parts of the question which could only be rewarded once. Some candidates thought that accounts meant the bank account of the business. Such candidates often explained in detail how money could be transferred between stakeholders and gained zero marks. Several candidates did not attempt this question.
- (e) Candidates struggled to gain the analysis and evaluation marks available in this question, many simply identified two other factors that should be considered when making a location decision. The strongest answers focussed on the view that a labour-intensive manufacturer would not produce without suitable labour, but that this would be less important for capital intensive production.

#### Question 4

- (a) Candidates frequently identified general objectives which could apply to any organisation, such as gaining profit or government objectives, such as economic growth. Only the strongest candidates provided the objectives as stated in the mark scheme.
- (b) Very few candidates provided precise definitions of this term. Many gained one mark by showing some awareness that it concerns how information is passed in an organisation. Some candidates incorrectly defined other aspects of the organisation chart such as span of control or hierarchy.
- (c) This was the most difficult question on the exam paper for many candidates. Very few candidates showed clear understanding of Herzberg's motivators. The best responses identified an action, such as promotion of doctors, which linked to Herzberg's recognition or achievement. Many candidates either attempted to use Maslow's hierarchy or described hygiene factors such as improved pay. These responses gained zero marks. A noticeable number of candidates did not attempt this part of the question.
- (d) There were few good answers to this question. Candidates who explained the need for feedback or delaying often scored highly. Such candidates were able to clearly apply their answers to the situation described in the question stem. A significant number of candidates repeated similar solutions when discussing both messages lost and the use of jargon, this limited their ability to gain marks. A small but significant number of candidates did not attempt this question.
- (e) A mark of 2 or 3 was common on this question. Candidates were aware that external recruitment would provide a wider choice of applicants and new skills. Very few candidates could explain why these would be beneficial to a firm and therefore gain the analysis marks available. Those that did often gained a mark by explaining the potential to recruit the best person for the job. Some candidates stated that costs would be higher when recruiting externally but could not explain why this would be the case. Many candidates stated that internal recruits would not require training, showing a lack of understanding that promotion usually requires some form of training.

# BUSINESS STUDIES

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Paper 0450/12  
Short Answer/Data Response

## Key messages

- Candidates need to be able to provide clear and precise definitions of business terms.
- Many candidates missed application marks. Candidates should be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application.
- Candidates should use a different point of application for each point made. The same analysis point should not be used for both points within the same question.
- Evaluation is more than a decision, or a summary of earlier points made. Evaluation requires candidates to make a supported judgement which should follow on from points raised in the answer. It should clearly answer the question set. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

## General comments

This paper included some topics which candidates found challenging. It is important to remember that any area of the syllabus can be assessed. Many candidates showed good knowledge of concepts but found accessing the application, analysis and evaluation marks more difficult.

**Parts (a)** and **(b)** of each question were generally well attempted. However, many candidates lacked the necessary precision in their definitions or range of knowledge to access all the marks available.

For most **part (c)** (excluding **4c** which only assessed knowledge) and all **part (d)** questions, it is important candidates use the information from the stem to link their answers to the context. This helps ensure that any point raised are appropriate to the business. Candidates should use a different point of application for each point made.

Candidates need to be aware of which skills are being assessed in each question. Many continue to include analysis in **part (c)** questions and application in **part (e)** questions. However, the questions do not assess these skills so marks cannot be awarded. **Part (c)** questions either assess knowledge or knowledge and application whilst **part (e)** assesses knowledge, analysis and evaluation.

Candidates need to develop their evaluative skills. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. One approach is to make a choice, provide a reason for this decision and then explain why it is better than the alternative option or viewpoint discussed.

## Comments on specific questions

### Question 1

- (a) Most candidates understood that current liabilities were debts that needed to be repaid. Stronger responses were able to provide a precise definition. A common mistake was to refer to 'short-term' which was too vague as candidates needed to specify that repayment had to be made in less than 12 months. Some candidates confused the term with non-current liabilities or current assets.
- (b) This question was well answered by most candidates. A common error was to identify examples of current assets. Some candidates repeated similar points for both answers which could only be awarded once.

- (c) Most responses identified at least one reason, with pay day-to-day expenses being a typical response. Better responses then linked points to the context to access application marks. A common mistake was to select similar points which had been classified together in the mark scheme. For example, paying wages and paying suppliers are both examples of day-to-day costs so this is classed as repetition. Some candidates wrongly assumed that liquidity is used to measure profit.
- (d) This question produced a range of responses. Stronger responses recognised that delegation might increase employee motivation or allow managers time to focus on other tasks. These points were then developed to show how they could benefit the business in terms of higher productivity or better decision making. Good application was evident in many answers, as candidates correctly mentioned the business had 4 managers, 30 employees or that it sold gardening products. Weaker responses tended to lack precision. For example, some recognised motivation could increase but forgot to say whether this referred to the manager or employees. Others ignored the fact that the business was a retailer, therefore any references to increased production could not be awarded as analysis.
- (e) This was one of the most challenging questions on the paper. Even the best responses struggled to gain more than two or three marks. Those who did well often focused on the advantages of other methods that an established business might use, such as cost-plus or promotional pricing. These answers recognised cost-plus pricing may allow the business to cover costs which may not be possible using competitive pricing. However, many candidates struggled to access the knowledge marks. A common mistake was to assume that competitive pricing involved setting lower prices or it would automatically attract customers. Other candidates defined the terms which was unnecessary. Many discussed methods such as price skimming and penetration pricing which were not appropriate. There were also vague statements about higher or low prices. Some candidates attempted to link points to the context but this is a general question so there are no marks available for application.

## Question 2

- (a) Many candidates understood that 'off-the-job' training was training away from the workplace. The second mark was often not achieved as the candidate did not mention 'who' provided the training or 'where' it would happen. Some candidates wrongly interpreted 'off-the-job' as 'outside of working hours' whilst others identified reasons why training was given. A common mistake was to confuse the term with induction training.
- (b) Well answered by most candidates. A common mistake was to identify two reasons from the same category on the mark scheme. Others identified financial reasons such as provide for basic needs, which the question did not allow. Candidates should be reminded to read the question carefully.
- (c) Methods of motivation was a strong topic for many candidates with a significant number of responses gaining full marks. A common wrong answer was promotion. This, or points linked to it, were not accepted as it is classed as a non-financial method. Others offered descriptions of methods without naming them as the question required. Some candidates missed the opportunity to gain application marks as they either did not link points to the context or tried to use the same application for both answers.
- (d) This question produced a range of responses. Stronger responses recognised that legal controls over the environment could result in the business having to reduce the level of production or having to pay fines. They were then able to develop these points to show the impact on the business in terms of fewer sales or higher costs. Application to the business was generally good but analysis was often limited. A common mistake was to misread the question and discuss the impact on the environment or to focus on other areas of legal controls not related to the environment such as Health and Safety or minimum wage. References to ethics were not awarded as this is a different concept. Some discussed the impact on reputation or brand image, but as legal controls affect all businesses these answers were not accepted.
- (e) This question was poorly answered by most candidates. The best responses recognised that a reduction in unemployment could result in higher demand or that it might be difficult to recruit employees. Better responses were able to develop these points to show the positive and negative impacts on businesses in terms of increased revenue and higher costs. However, many misunderstood this question and discussed the impact on businesses of recruiting or having more

employees. Assumptions such as more people employed means all businesses have more employees and therefore increased output were common. Evaluation, where attempted, tended to be a decision without a clear reason to support it.

### Question 3

- (a) Most candidates could identify a benefit but then found it difficult to identify a cost of developing new products. Many simply repeated it would be expensive or would cost money to develop which was stated in the question. Others made vague statements about failure, losses or customers might not like the product.
- (b) Those candidates who knew the formula for break-even output did well on this question. Some made a mistake by representing the answer as a financial value, by adding the dollar sign (\$) so could not be awarded the second mark. Candidates should be reminded to include formulas in their answers as often method marks can still be awarded when the final answer is wrong. Other candidates did not understand the formula, leading to many incorrect answers.
- (c) Some candidates clearly understood the concept of margin of safety and correctly outlined ways to improve it. Application was often awarded for quoting relevant information from the table or by recognising that the business made cameras. Sometimes the increase or decrease was the wrong way round while common wrong answers included more advertising or increase production. A few candidates clearly did not understand the term so outlined ways safety of products or workers could be improved.
- (d) This was one of the most challenging questions on the paper. To access the knowledge marks, candidates needed to identify both the stage and either the level or purpose of promotion. For example, at introduction there is likely to be a high level of promotion or promotion is used to raise awareness. There were many common mistakes. Many candidates did not identify the stage or simply referred to start, end, peak or declining which were inaccurate. Some identified the stage but then discussed the impact on pricing or sales, not promotion. Others identified methods of promotion which the question did not require. One misconception was to assume saturation is a stage when it is a point in the maturity stage. Others confused the product life cycle with the business cycle, so used terms such as boom and slump. A small number of candidates did not understand the concept so discussed whether promotion was the best way to motivate employees.
- (e) Good knowledge of production methods was evident in most responses. Stronger answers were able to develop the points made. Many candidates discussed the merits of other methods, such as batch production, which opened another way to gain analysis marks. However, all candidates struggled to access evaluation marks. Weaker answers tended to list points, without developing them. A common misconception was to assume that high output will automatically lead to an increase in sales. Others made assumptions about quality which were not credited.

### Question 4

- (a) This question was well attempted by most candidates. A common mistake was a lack of precision. This resulted in answers which confused an entrepreneur with a sole trader, investor, or manager. Many forgot to mention the entrepreneur is responsible for starting the business and not simply someone who manages, invests or owns it.
- (b) It was pleasing to see that many candidates were able to provide a precise definition of opportunity cost. A common mistake was to mix up which option was being given up so wrongly stated that it was the alternative which was chosen. Others simply wrote it was the next best alternative without stating that it was being given up. This was a key omission.
- (c) This question only assessed knowledge. Those who did well often achieved three or four marks on this question. A common mistake was repetition. Many candidates were unable to differentiate similar points such as lack of finance or liquidity. These are alternative ways of saying the same thing and not different reasons so can only be awarded once. Candidates need to ensure points made are clearly distinct from each other.
- (d) It was clear that most candidates were familiar with sources of finance. Many candidates also gained application for references to \$700 or that Tom planned to start a window cleaning business, possibly with his sister. The most popular answers were owner's savings and bank loans. Stronger

candidates recognised that owner's savings did not need to be repaid but most found it difficult to explain the benefits of other sources. A common mistake was to focus on the negative aspects such as bank loans need to be repaid, which did not answer the question. Others identified sources such as debentures or retained profit which are not options for a start-up business. Some misread the question so discussed what the business might want to buy rather than how the purchases would be financed.

- (e) Good knowledge was evident in most responses. However, most candidates focused on knowledge and did not offer any development to show why points such as more ideas or risk of disagreements would represent an advantage or disadvantage for a new business. Where analysis marks were gained it was often for an advantage or disadvantage of another form of ownership such as sole trader. Instead of development most candidates identified additional points, which restricted answers to two marks as this is the maximum available for knowledge. Some candidates confused unlimited and limited liability in relation to partnerships and private limited companies. Attempts at evaluation were rarely successful as if candidates included a decision, they tended to summarise points already made which does not constitute justification.

# BUSINESS STUDIES

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Paper 0450/13  
Short Answer/Data Response

## Key messages

- Many candidates would benefit from being more precise when answering questions requiring a definition.
- Most candidates missed some application marks. Candidates should be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application.
- Candidates should not use the same point of application twice in the same question. The same analysis point should not be used for both points within the same question.
- The lack of effective evaluation is an area which requires attention. Evaluation requires candidates to make a supported judgement which should follow on from the points raised in the answer but not simply repeat points already made. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

## General comments

Overall, many candidates showed reasonable knowledge but found application, analysis and evaluation marks more challenging to obtain. It was clear that candidates were not familiar with some areas of the syllabus including responsibilities of directors, selection methods, quality assurance and external costs.

**Part (a)** and **(b)** of each question were generally well attempted. Stronger responses were able to show knowledge of many of the concepts covered. However, most candidates lacked the necessary precision in their definitions or understanding of different factors to gain both the knowledge marks available.

For most **part (c)** (excluding **4c** which only assessed knowledge) and all **part (d)** questions, it is important candidates use the information from the stem to link their answers to the context. This helps ensure that any point raised are appropriate to the business. Candidates should use a different point of application for each point made.

It is important to understand which skills are being assessed in each question. Many continue to include analysis in **part (c)** questions and application in **part (e)** questions. However, the questions do not assess these skills so marks cannot be awarded. Most **part (c)** questions assess knowledge and application whilst **part (e)** assesses knowledge, analysis and evaluation.

Candidates need to develop their evaluative skills. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. One approach is to make a choice, provide a reason for this decision and then explain why it is better than the alternative option or viewpoint discussed.

## Comments on specific questions

### Question 1

- (a) Most candidates were unable to give a precise definition of a pressure group. Some understood that it involved trying to influence or change business decisions but struggled to explain who these people were. A common mistake was to define different terms such as stakeholder or shareholder. Others repeated the word 'pressure' which showed no understanding. A few candidates did not attempt this question.

- (b) This question was poorly answered by most candidates. Some correctly identified groups/sets or variety as features of batch production. A common error was to identify features of flow production or job production. Other candidates stated that it was production in batches which simply reordered the question.
- (c) This question was well attempted by all candidates. Most responses identified at least one factor with protection and promoting the brand being popular choices. The best responses used different pieces of information from the scenario to gain both application marks. A common error was to outline similar points for knowledge or application. These answers could only be awarded once.
- (d) It was clear that many candidates were unfamiliar with the concept of just-in-time inventory control. Although some knew it could lower the amount of storage, most struggled to develop their points sufficiently to gain any analysis marks. Instead of development, many repeated the knowledge point. There were vague statements about cost, efficiency and time which needed further explanation to be awarded. A common misconception was to confuse just-in-time inventory control with just-in-time production.
- (e) Many candidates found this question difficult. Although many candidates were able to identify points such as 'seen by many people,' most were not able to develop their points to show analysis or evaluation. Instead of development, many simply repeated the knowledge point using different words without extending the point. For example, more customers so more demand is the same point. The impact on the business is an increase in revenue. Weaker responses tended to list additional points which could only gain a maximum of two knowledge marks. Others made vague statements about the relative cost of different methods which it was not possible to comment on. Of those that attempted an evaluative comment, most simply restated knowledge already awarded for the justification, which is not evaluation.

## Question 2

- (a) Most candidates recognised that revenue was money from sales, but many responses lacked the necessary precision needed for the second mark. A common mistake was to confuse revenue with profit.
- (b) Those candidates who knew the formula for working capital generally gained both marks. Some omitted the millions, which was necessary for the second mark. Others added, multiplied or subtracted random numbers from the table, which showed no understanding of the concept.
- (c) There were some good answers to this question. The best responses recognised possible advantages of private limited companies included limited liability and the ability to sell shares, and then made good use of the information in the stem to contextualise their answers. Many responses offered points of analysis, which could not be credited as this question only assesses knowledge and application. Others wrongly assumed that private limited companies are government-owned or controlled.
- (d) This question was poorly answered by most candidates. The best responses recognised profit was a source of finance that this private limited company did not need to repay. A common mistake was to simply jump to what it could be used for by stating 'to expand' without explaining how profit could help achieve this. For example, it is a low cost/readily available source of funds which can be used to finance growth. Some wrongly assume profit is used to pay day-to-day expenses.
- (e) This was one of the most challenging questions on the paper. Good knowledge was evident in some responses, but most candidates struggled to answer this question effectively. The best responses recognised that interviews allowed for in-depth questions to be asked or that it could be time-consuming as a large business may have to interview many people. Weaker responses made vague statements about meeting potential employees, time or cost but these points needed further clarification to be awarded. Some candidates identified general points about recruitment which could be true for any method of selecting employees. Others misread the question so discussed different stages of the recruitment process, why it is important to select the right person or compared interviews in relation to other methods of market research.

### Question 3

- (a) Most candidates understood that objectives could provide targets for a business to work towards. A common mistake was to identify objectives rather than state reasons for having them. Other candidates made vague statements about motivation or helping organise/manage but did not state how objectives would help achieve this. Some repeated similar points for both reasons which could only be awarded once.
- (b) Well answered by most candidates. Typical responses focused on access to capital and personal preference. The most common error was to offer alternative answers rather than two different reasons.
- (c) Most candidates could identify at least one way, with lower demand and increased costs being typical answers. Application was often awarded for recognising Gareth owned a car wash business. A common error was that many candidates did not attempt to link their answer to the scenario. Those that did often reused the same application for both points so missed possible application marks.
- (d) This question was answered well by most candidates. The strongest answers were able to explain what each set of data showed and how this might be helpful for the car wash business. Weaker responses tended to repeat the knowledge point rather than offer any relevant development. A small number of candidates misunderstood the context so assumed that the business sold cars rather than washed them.
- (e) This question was poorly answered. Some candidates understood that new businesses may have access to fewer sources of finance so interest free finance would be helpful. Even those who gained knowledge marks found it difficult to develop their points effectively. For example, not having to pay interest should mean fewer cash outflows. Any evaluation tended to be a decision, but it usually lacked a supporting reason. Other candidates misread the question so focused on whether the government should support start-ups rather than discussing whether offering grants is the best way to support these businesses. Others discussed possible sources of finance which did not answer the question set.

### Question 4

- (a) It was clear that a significant proportion of candidates were not familiar with the concept of external costs. A common error was to reword the term, for example 'costs outside the business' which showed no understanding. Others made vague statements about protecting the environment which were not awarded.
- (b) This question was poorly answered. Candidates frequently described functions of a manager rather than the specific responsibilities of a director.
- (c) This question only assessed knowledge. Those who did well often achieved two or three marks by identifying advantages such as higher taxes and more jobs. A common mistake was to identify advantages to individual business while other candidates identified disadvantages to an economy. Weaker responses referred to boosting the economy or exports, which on their own were too vague to be credited.
- (d) There were many good answers to this question. Most candidates understood that fewer hours could lead to less output and less pay for employees. Better responses make good use of data, recognising workers could now only work for 35 hours or that the business made cement which showed good application. Only the strongest responses gained analysis for explaining the possible impact on sales or costs for the business and lower living standards for employees. Common mistakes were to reword the question, for example stating employees would 'work less time' which is another way for expressing fewer hours. Other candidates repeated the knowledge point instead of offering any effective development.
- (e) This was a challenging question. Even the strongest candidates struggled to achieve more than two or three marks. Those candidates who did well understood that quality assurance helped spot errors earlier in the process rather than waiting until the end of the production process, which is when quality control is usually carried out. This could help reduce the amount of rework. Weaker responses were unable to differentiate between the two concepts. There were many common

errors. Some candidates defined the terms, which was unnecessary. Mirror arguments were common, but these can only be awarded once. Others made statements about reputation which could apply to both methods. Several candidates misunderstood the question so discussed why quality is important rather than focusing on which was the better way to achieve this. A common misconception about quality assurance was to assume workers are constantly watched, when in fact, they are encouraged to take responsibility for quality throughout the process.

# BUSINESS STUDIES

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<p><b>Paper 0450/21</b> <b>Case Study</b></p>
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## 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 is apart from one **(a)** question that will usually be generic. Applying answers to the case 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 small bakery that produces bread. It is advisable for candidates to ask themselves about the size of the business, is it a service or manufacturer and what is the type of business organisation? This may add to the quality of their answers.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked for. 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. Few well developed points will score higher marks than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and make reference to why the alternative option(s) was rejected.

## General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of MB, a small bakery producing bread, provided an accessible scenario for candidates. Those who applied their answers to the context of MB boosted their marks much further. The majority of candidates seemed to have time to complete the paper and attempted all questions.

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 explanation that is required for each answer. Also the question should be read carefully to ensure answers are appropriate and clearly address the question asked, such as answering from the point of view of a business rather than its employees. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in some cases it was clear that certain topics were not as well understood, the weakest understanding was of lean production methods and business ethics.

Overall, the standard was good with very few weak scripts. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not **1(a)** on this particular paper) and the conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower-level mark band. Candidates should aim to consider the consequences/implications/long term/short term/balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

### Comments on specific questions

#### Question 1

- (a) The majority of candidates could name and explain four ways in which governments might support business start-ups. Many responses mentioned lowering unemployment, increasing GDP and raising tax revenue. Some candidates found it difficult to develop their answer by including extra reasoning or detail. For example, supporting a business start-up might be a way of reducing unemployment so that the government had fewer welfare benefits to pay or increasing GDP would bring about a raise in living standards for households.
- (b) This question required careful reading. It asked for benefits of two specific sections of a business plan. A significant number of candidates also discussed the drawbacks of sections about market research and resources which did not answer the question. Consideration of the negative impact of market research or resources was only given credit in the conclusion to the response. The benefit of market research was that MB could identify a target market for eating bread and could respond to the findings by producing baked items which seemed to be popular in the survey. Stronger responses supported their answer by referring to the 70 per cent of customers who wanted to purchase cakes as well as bread from the bakery. This research data would help Yasin to confirm the idea of widening his product range and would help him to devise a marketing plan for his new launch. The section of the business plan covering details of the resources would help Yasin to identify the start-up costs of the bakery. Only a few candidates went on to link this to judging whether he would need some external source of capital. This meant conclusions generally did not go beyond the lower-level mark band.

#### Question 2

- (a) Knowledge of break-even charts was quite weak amongst many candidates. Many candidates did not appreciate it was a predictive rather than an analytical tool. However, some of the stronger responses explained that the chart would help Yasin identify how much bread he would need to produce and sell to reach the break-even point where there would be no loss but no profit either. This would allow him to plan effectively to ensure that the minimum quantity was produced to ensure business survival. The disadvantages of using a break-even chart were not as confidently explained. There would need to be a separate chart for each product made. Since Yasin was planning to produce cakes as well as bread this would require more calculations and careful forecasting of how many cakes he would need to make and sell to reach a different break-even point.
- (b) The majority of candidates found this to be the most challenging question on the paper. There appeared to be quite weak knowledge of lean production and of Kaizen particularly. Stronger candidates explained that the two bakery employees might be able to offer suggestions of how small continuous changes in the bread production might improve the efficiency of the bakery. Further development pointed out that the flow-through on the production line would reduce the wastage of time and ingredients so that bread would be produced as quickly as possible and be as fresh as possible. The disadvantage of using Kaizen would be that the bakery was only small so only limited changes could be introduced and there would be disruption to production whilst any reorganisation took place. Candidates had better knowledge of JIT principles. Control of JIT inventory required that the response was focused on ingredients rather than storage of bread. Some good responses mentioned that there would be less need for storage space which would cut wastage of stale flour and yeast, resulting in lower costs of production.

#### Question 3

- (a) Questions about marketing are popular and often well-answered. This question proved accessible for the majority candidates with many being able to identify billboards, social media, local radio and posters as suitable methods of advertising the bakery. Some candidates confused advertising with promotion and suggested free samples, competitions, and food fairs. Application was awarded for linking the advertising method to the context of a small bakery such as using posters where large images of the new cake range could tempt customers to buy.
- (b) Candidates displayed strong numeracy skills. Many candidates were able to make good use of the data in Appendix 2 to calculate levels of profit, margin of safety and units of breakeven for both options of developing the business. Correct calculations of this nature earned Level 2 credit with

additional application marks for referring to the appropriate data in the case study and providing evidence to support a justified decision by the candidate. The best answers earned Level 3 credit by using the calculated data to explain which option would be a better plan for development and why the other option would not be such a good choice. Weaker responses simply copied data about monthly sales, fixed costs and gross profit margin which did not earn any credit.

#### Question 4

- (a) This question was well answered by many candidates. Sound knowledge of democratic leadership was developed into an explanation of the advantage of employees welcoming the opportunity to offer ideas and opinions in running the business, making them feel valued and increasing their motivation. The disadvantage of democratic leadership was less well answered. Some responses offered mirror image arguments or suggested that Yasin would lose complete control over his business. A minority of candidates did not score marks because they confused democratic with autocratic leadership.
- (b) The topic of business ethics was not widely known. Some responses offered a general discussion of the three ways that Yasin could improve the ethical image of MB without referring to ethics at all. Their focus centred on the impact on profitability rather than a strong moral code and positive concern for the environment. The discussion about increasing wage rates to 20 per cent above the legal minimum wage was well covered by some candidates who were able to suggest that MB would be seen as a caring employer, attracting more applications to join the business whilst possibly not affecting their ethical image at all if the news about increased wages did not spread outside the business. Better recommendations did more than offer repeated earlier points and weighed up the benefits against the drawbacks of each possible action as part of the justification for the decision made. Their choice took into account the one that would have the most positive impact on the reputation of the bakery in caring for the environment, community and employees.

# BUSINESS STUDIES

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<p><b>Paper 0450/22</b> <b>Case Study</b></p>
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## 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 is apart from one of the **(a)** questions which will be generic. Applying answers to the case 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 business that manufactures toys for young children. It is advisable for candidates to ask themselves about the size of the business, is it a service or a manufacturer, and what is the type of business organisation. This may add to the quality of their answers.
- Candidates should try to give a full explanation of the positive and negative consequences of a business decision when this is asked for. 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. A few well developed points will score higher marks than a long list of simple statements.
- Several questions on this paper asked candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and make reference to why the alternative option(s) were rejected.

## General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of TT, a manufacturer of toys for young children, provided an accessible scenario for candidates. Those who applied their answers to the context of TT achieved higher marks. The majority of candidates seemed to have time to complete the paper and attempted all questions.

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 explanation that is required for each answer. They should read each question carefully to ensure answers are appropriate and clearly address the question asked, such as answering from the point of view of a business rather than its employees. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in some cases it was clear that certain topics were not as well understood, the weakest understanding was of economies of scale, lean production methods and statement of financial position.

Overall, the standard was good with very few weak scripts. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions, and that the conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower level mark band. Candidates should consider the consequences/implications / long-term / short-term / balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

### Comments on specific questions

#### Question 1

- (a) The majority of candidates could name and explain two ways the business could grow. Popular ways were internal and external growth as listed in the syllabus but there were also examples of internal growth, such as developing a new product and entering new markets, and examples of external growth, such as merger or takeover of another toy manufacturer. Weaker candidates found it difficult to explain how the way resulted in growth for TT and provided the benefits of growth such as increased revenue or profit. Application was often present with answers being in the context of a new toy being developed or by taking over a toy manufacturer in another country.
- (b) This proved to be the most challenging question on the paper. The question asked for benefits of three specific economies of scale. The majority of candidates could not explain that each of the economies lead to lower average cost. Vague comments such as costs are lower were often present when in fact total costs are likely to be higher with the increased output and it is average or unit costs that are lower. The question asked for benefits and therefore drawbacks were only appropriate for the conclusion not the main body of the answer. Purchasing economy was the best understood of the three, but answers often did not go beyond stating that raw materials would be purchased in bulk leading to discounts. The final link to lower average or unit costs was rarely made. Technical economy was about increased use of specialised equipment, but the link was rarely made to increased speed of production leading to lower unit costs. Financial economy was often just seen as easier to obtain loans at a lower interest rate, but few candidates went on to link this to a lower cost of borrowing. This meant conclusions generally did not go beyond the lower level mark band.

#### Question 2

- (a) Just-in-time (JIT), as an example of lean production, was better understood than kaizen by the majority of candidates. Many candidates gave a generic explanation. Reduced cost of storage was the most popular explanation for JIT, but answers did not always make it clear why this was the result. There were vague answers about reduced waste and continuous improvement for kaizen, but answers did not specify why production was improved. Candidates that did have a clear understanding of lean production could explain that JIT resulted in raw materials arriving just before the production of toys which meant that warehouse space was not required for the raw materials and hence storage costs were saved. Kaizen was explained in several ways such as consulting employees as to how wasted movement may be saved during the production process to reduce the time to produce toys, hence efficiency improved. A small number of weaker candidates focused on the benefits to employees and not to TT. Occasionally there was some confusion between lean production and flow production.
- (b) The majority of candidates could answer this question, but weaker answers did not go beyond referring to the figures being higher or lower than the previous year, therefore limiting answers to the lower mark band. Many candidates calculated the current ratio and acid test ratio for 2022 and gave some explanation of what the figures showed achieving the Level 2 mark band. However, one error was to write the ratios as a monetary value and another error was to express the ratio as total assets and liabilities rather than current assets and liabilities. Stronger candidates went on to include a conclusion that did more than just repeat the earlier statements about the liquidity and financial position being better or worse than the previous year. Simple copying of the figures without any comparison between the years or comments on what the figures showed did not gain any credit.

#### Question 3

- (a) This question proved accessible for the majority candidates with many being able to make it clear how the information provided in the charts might be useful to TT. The first two charts were most likely to be answered well for recognising that chart one provided information about the potential market in the new country while chart two indicated the ease with which TT might be able to recruit employees for its new factory or the disposable income of potential customers and hence potential demand. Weaker candidates confused chart three with that of competitors in the market rather than indicating which distribution channels TT should use and chart four occasionally saw confusion around the market share with selling shares in a business. Application was awarded for use of the

information in the appendix as part of the explanation. However, some weaker candidates just repeated what the chart showed rather than how it was useful for TT.

- (b) Many candidates found this question easy to write an extensive answer to, but often it just referred to the same response for each applicant, such as speaks 2 languages so can communicate well, speaks 1 language so communication might be difficult. Many candidates thought more IGCSEs, and A levels made Labiba better educated than Shahin who had a degree. Weaker responses made statements, such as Samihah speaks 6 languages so she will be good at communication but there was no other explanation as to how this might have affected the decision to employ her or not. Stronger answers included explanation, such as Shahin only had experience in a different industry which was likely to make her less successful in the new market as although she may be familiar with the culture in that country she was not familiar with the toy industry. However, TT could pay for her to have training to provide her with this knowledge. Application was achieved easily by the majority of candidates by making reference to information in Appendix 3. Many candidates did move into Level 2 by including a conclusion which had a decision that justified the chosen applicant and reasons why the other two applicants were less suitable. Lack of analysis of the applicants in the earlier part of the answer meant that only the strongest candidates achieved the highest mark band for the conclusion as it built on earlier analysis of the applicants in justifying the choice. Good answers discussed the time and money element of training due of lack of experience, new ideas brought in by the applicants or the need to replace an internal applicant.

#### Question 4

- (a) This question was well answered by the majority of candidates. A wide range of answers covering both positive and negative effects were rewarded, such as providing the employees with skills, increased productivity, fewer errors made, improved quality, increased motivation, output lost whilst training was taking place, cost of training, employees expecting higher pay. Errors were to repeat explanation such as leads to higher productivity as explanation for several effects or writing about the effects of training for employees and not the business.
- (b) Many candidates could list benefits and drawbacks for a country of having a business build a new factory there. The most popular benefits were increased employment/decreased unemployment, increased GDP/economic growth and tax revenue for the government. The most popular drawbacks were pollution, increased competition for local businesses, depletion of natural resources and repatriation of profits. However, only stronger candidates developed an explanation of the benefits or drawbacks, such as increased tax revenue from income tax due to higher employment may provide the government with funds to improve health, education and infrastructure in the country leading to growth/development of the country. The error from a minority of candidates was to write about the benefits and drawbacks for TT rather than the country. Better recommendations did more than just repeating earlier points and weighed up the benefits against the drawbacks as part of the justification for the decision made. Answers were often generic although some candidates recognised that as unemployment was increasing (Appendix 1) it would be a beneficial to allow the business to build a factory to provide employment.

# BUSINESS STUDIES

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<p><b>Paper 0450/23</b> <b>Case Study</b></p>
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## 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 is apart from one of the **(a)** questions which will be generic. Applying answers to the case 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 business that operates three sandwich shops. It is advisable for candidates to ask themselves about the size of the business, what type of service does it offer, and what is the type of business organisation. This may add to the quality of their answers.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 in **(b)** questions 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 or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and make reference to why the alternative option(s) was rejected.

## General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of BB, a chain of sandwich shops, provided an accessible scenario for candidates. Those who applied their answers to the context of BB achieved higher marks.

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 explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in some cases, it was clear that certain topics were not as well understood. The weakest understanding was of reasons for cash-flow problems and how the marketing used by a business could be affected by changes in the market.

Overall, there were some good scripts seen and a number of weaker ones. Application marks were often gained but candidates should make sure that different examples of application are included in each section of an **(a)** question. The conclusion/recommendation should also be applied to the case in **(b)** questions. Candidates should aim to consider the consequences / implications / long-term / short-term / balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

### **Comments on specific questions**

#### **Question 1**

- (a) This question proved accessible for the majority of candidates, with many of them being able to correctly name two leadership styles and then explain how each leadership style is used. The most common errors in this question came from candidates confusing democratic leadership with delegation. Weaker candidates included explanations that were too vague, for example it was not always clear if an explanation was for democratic or laissez-faire. Answers were often generic and hence application marks were not gained, even if the response was a good explanation of each leadership style.
- (b) Whilst the majority of candidates gave rewardable answers, such as job rotation made the job less boring or increasing wages made workers feel better rewarded for the work they did, weaker candidates found it difficult to develop these advantages and disadvantages sufficiently to move to a higher mark band. Opportunities for promotion proved the more difficult of the three for candidates to explain advantages and disadvantages. Weaker candidates used vague comments to explain the advantages, such as this method will make them work harder, or this method will motivate them. These answers could equally have been applicable to one or all of the three methods. To gain higher marks for this question candidates needed to ensure that the development they gave had clear context to the method they were referring to. Job rotation provided the greatest opportunity for gaining application marks as many candidates recognised there were only two jobs the employees could do.

#### **Question 2**

- (a) Stronger responses identified growth, increased profit, increased market share and survival as the most popular answers. Weaker candidates seemed to focus on problems at BB and turned these into objectives (such as increasing motivation or improving cash flow) rather than using business theory for recognised objectives of a business and then applying these to the case study. To gain higher marks all four objectives needed to be applied to BB and therefore generic responses limited the marks that could be awarded.
- (b) Many answers simply listed the differences between the two locations, such as more competition from the café or more/less customers from offices, rather than explaining the significance of these points to the location decision. Weaker candidates focused on the fact that 40 per cent of BB's customers were business customers and used this as a justification for their decision by stating that the majority of customers came from offices. When in fact, if 40 per cent came from offices, that would leave 60 per cent coming from other customers – hence making these customers the main source of income. This resulted in some of the conclusions and justifications of the location choice being unsuitable for this business. Other errors were for saying that if BB was in the shopping centre, then it would lose the office customers, but failed to recognise that BB delivers to these customers, so it is unlikely to affect the demand from these customers as their orders could still be delivered. Stronger candidates gave a clear justification applied to this business with a recommendation that did not just repeat the earlier points in the answer and included why the alternative location was less suitable.

#### **Question 3**

- (a) The majority of candidates could identify at least two ways to measure the size of a business. Many also recognised this as the generic question, and only a minority of candidates tried to gain the second mark by application to BB. The most popular answers were number of employees, value of capital employed, value of output/sales and number of outlets/shops. Weaker candidates only offered the way and then a definition of that way. However, for the second mark development was required to link each way to the measurement of size. Profit was the most common incorrect answer given. Weaker responses did not make clear if the answer was referring to value or volume of output/sales/capital employed. Some candidates used the word 'amount,' but this does not clearly differentiate between volume and value.

- (b) The majority of candidates gained marks for simple calculations of sales revenue and costs, with the calculation of profit moving answers into the higher mark band. Candidates should make clear what the answer to a calculation refers to. Weaker candidates referred to the profit figure calculated as revenue or gross profit – or simply did not name the answer at all. Better candidates used the data in Appendix 3 to calculate break-even as well as profit. Application was readily gained by use of the figures from the Appendix. Candidates also used other reasons to justify their choices such as elimination of a competitor and recognising the impact on BB's already poor cash flow. The highest marks were gained for recommendations that were based around more than just which option gave more profit. The weakest candidates did not use Appendix 3 at all in their answers.

#### Question 4

- (a) Cash flow continued to be a challenging topic with many candidates clearly not understanding the concept or confusing it with profit. This question was not even attempted by a small minority of candidates. Marks awarded were most often for recognising the time lapse between cash leaving the business to pay suppliers immediately whilst receiving payment from business customers at the end of the month. Application was easily gained for those candidates that understood the concept by referring to 40 per cent of business customers paying on credit and suppliers being paid straight away.
- (b) Many candidates did not appear to have read this question carefully. They did not include a link in their arguments to marketing and instead considered generic effects on BB, such as changes in demand or revenue. This meant that higher marks were less often awarded, and some conclusions did not receive any marks as they did not address the question asked or refer to the effects on the marketing used by BB. Better candidates generally recognised the impact of BB needing to change its products to meet the demand for a healthier lifestyle and also by adjusting its current delivery to include delivery to homes. A popular development of marketing for people working from home tended to be a need to promote the service using an online option.