

BUSINESS STUDIES

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| <p>Paper 0450/11 Short Answer/Data Response</p> |
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Key messages

- Definitions of key terms need to be precise.
- Candidates should use distinctly different application and analysis for each point of knowledge as the same point can only be credited once within a given answer.
- Candidates should also be reminded that there are no application marks in part **(e)** of each question.
- Effective evaluation is an area which continues to require development. Evaluation must include a justified decision that follows on from, but does not simply repeat, the points made earlier in the answer. The mark scheme for each part **(e)** question includes an example of how evaluation may be demonstrated in the answer.

General comments

Candidates found many of the topic areas in the paper challenging. This was particularly true of questions **3** and **4**. Candidates had quite limited knowledge of some topics such as how an increase in non-current liabilities might affect a business, providing a clear definition of a social enterprise, and often confused being ethical with being environmentally friendly.

A noticeable proportion of candidates lost marks in questions **2(c)**, **3(c)** and **4(c)** by not applying their answer to the business stated in the question stem.

Candidates continue to state as an analytical point that profit will rise or fall following a change in costs or price. This is not necessarily true as profit depends upon the number of sales as well as costs and price. Candidate who recognised that it is the profit margin that would alter scored more highly with this sort of point.

Comments on specific questions

Question 1

- (a)** Many candidates were aware of the term economies of scale but were not familiar with the term tested, diseconomies. A mark of one was often awarded for recognising that costs rise as a business grows without identifying average or unit cost specifically. A number of candidates did not attempt this question.
- (b)** The most frequently given correct answers were to set prices or decide if costs required adjusting. Some candidates misread the question or did not realise that they needed to talk about decisions. These candidates explained how costs led to a rise or fall in profit which did not answer the question.
- (c)** Candidates found this to be one of the most straightforward questions on the paper. Many candidates gained three or four marks. An error made in weaker responses was to identify the item bought rather than the cost, for example stating building rather than rent or mortgage payments.
- (d)** This topic was generally well understood. The strongest answers explained the benefit of being able to respond quickly to unexpected rises in demand and the disadvantage of paying for extra storage space. Even the strongest candidates struggled to develop their answers fully to gain both

analysis marks. Candidates who identified the benefit of being able to meet rising demand then often explained that this would improve customer satisfaction rather than the benefit to FBM of customer loyalty. Disadvantages were often better explained than advantages. Candidates often struggled to identify two distinct points of application.

- (e) A mark of two was common as candidates were aware that customers purchase items and employees produce them. The strongest candidates developed these points to show the positive effects on revenue and brand image. Very few candidates attempted an evaluative conclusion. The most successful conclusions focused on the ease of replacing workers with machines and the difficulty of attracting customers.

Question 2

- (a) There were many precise definitions of this term. A common error was to confuse span of control with chain of command or hierarchy. A number of candidates incorrectly stated that this is 'the level of control a leader has', with no reference to the number of people.
- (b) Autocratic leadership was well understood by most candidates. Weaker responses focused on the workers rather than the managers/leaders and stated that workers have no say.
- (c) The strongest answers focused on the loyalty of full-time workers and the ease of communication. Even the strongest candidates struggled to achieve all the marks available as they did not offer two separate points of application. Many candidates incorrectly thought that full-time workers would be more productive or focused which is not a defining feature and may not be true.
- (d) Candidates were confident in their understanding of this topic. A broad range of points were correctly made and applied effectively to the information in the stem. The strongest responses often explained the limitation of the high cost to this business aiming to expand. Weaker candidates lost analysis marks by explaining the effect on the worker rather than to the business. A common error was to confuse off-the-job and on-the-job training.
- (e) Candidates found this to be the most challenging question on the paper. A mark of one or two was common amongst even the strongest candidates who identified speed of growth and cost. Very few candidates were able to develop their points to gain the analysis and evaluation marks. Many candidates confused growth with recruitment and discussed the benefits of new ideas and skills which could not be credited.

Question 3

- (a) This term was not well understood by the majority of candidates. Often one mark was awarded for identifying this involves a lot of sales. The weakest candidates confused this with a supermarket or shopping mall by explaining that it is a place where many different products are available for sale.
- (b) Many correct answers lost a mark on this question by not recognising that the total was in millions.
- (c) Candidates who understood that short-term finance is used for day-to-day expenses and long-term finance is used for larger purchases scored highly. A number of candidates misread the question and provided examples of each type of finance. Another common error was to state that short-term finance was used to pay short-term debts and long-term finance was used to pay long-term debts.
- (d) A number of candidates did not attempt this question. Candidates who did attempt to answer often struggled to focus on the question set. The strongest answers recognised that higher debt may lead to banks refusing further loans therefore limiting working capital. The majority of answers gained knowledge marks only for identifying that interest would be paid and that there is a requirement to pay back borrowing. A common error was to state that this would cause the business to increase prices or buy cheaper materials which is not necessarily the case.
- (e) This question produced a range of answers. The strongest responses identified that increased sales would improve revenue and a strong brand image would lead to customer loyalty and success. Evaluations following from these points often explained the benefits of spreading risk or economies of scale further improving profitability. Weaker candidates often repeated similar points such as these companies would have more customers and more sales which could only be

credited once. A common misconception was that a multinational company would have increased market share rather than a share in a number of different markets.

Question 4

- (a) Candidates found the concept of social enterprise challenging to define and some did not attempt this question. Candidates who did attempt a definition often confused social enterprise with a business being ethical or environmentally aware. A number of candidates attempted to use the question stem to construct an answer, for example by incorrectly stating that social enterprise means purchasing locally.
- (b) The strongest candidates recognised that controls over marketing would impact the 4 Ps. A significant number of candidates misread the question and explained other laws such as the minimum wage or gave general answers which were too vague to credit such as 'this will lead to closure of the business'.
- (c) Candidates who recognised that skimming involved a high price often achieved three marks. The most frequently given correct answers were a high-quality image as an advantage and the disadvantage of the high price discouraging customers. Some candidates incorrectly stated that skimming would lead to higher revenue rather than higher revenue per item. A number of candidates incorrectly thought that skimming is a low or competitive pricing method. Application was often limited to mention of chocolate bars in both parts of the answer which could only be credited once.
- (d) Candidates found this to be the relatively straightforward questions. Strong answers focused on the advantage of retailers promoting the product or increased sales and the disadvantage of a lack of direct contact with consumers or higher costs. Weaker candidates were able to identify a knowledge point but could not apply this to the business in the stem or explain why this was a benefit or disadvantage. These candidates often stated that the effect would be a rise or fall in profit rather than profit margin.
- (e) Many candidates confused being ethical with being environmentally friendly. The strongest answers explained why the costs of a business being ethical might be higher, often due to fair wages or limited availability of resources. These candidates often then explained how strong customer loyalty may mean higher demand and a willingness to pay a higher price for such products. Weaker candidates simply stated that costs would be higher with no explanation. These answers were too general to be credited.

BUSINESS STUDIES

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| <p>Paper 0450/12 Short Answer/Data Response</p> |
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Key messages

- Definitions need to be precise. They do not need to match the coursebook word for word, as long as the meaning is clear.
- 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. A different contextual reference is needed for each point made.
- Candidates cannot gain credit for using the same analysis for both points within the same question.
- Evaluation continues to be a skill that needs improving. Evaluation requires candidates to make a supported judgement. This should build on the analysis points made and clearly answer the question set. A decision alone or summary of earlier points is not evaluation. The mark scheme includes an example of an answer which includes evaluation for each part **(e)** question.

General comments

Candidates found this to be an accessible paper with most candidates demonstrating good subject knowledge. However, some candidates did not include relevant application or analysis. Most candidates struggled to access the evaluation marks.

It is important that candidates read each question carefully to ensure they have the correct focus and are answering the question set. For example, some candidates misread **3(e)** which resulted in low marks for these candidates on this question.

It is pleasing to see a significant improvement in the number of candidates using application in their answers. To gain application, candidates need to use the information provided in the stem to support the points made. Application does not have to be difficult – simply using appropriate references from the scenario to support the point being made should allow candidates to access these marks. A different point of application is required for each answer given within the same question.

Analysis involves developing the points made. Some candidates repeated the knowledge point rather than explaining how or why the initial point was relevant. Others identified new points of knowledge which is unnecessary.

Evaluation continues to be challenging for most candidates. Many responses still do not include a decision in part **(e)**. Of those candidates who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. Candidates should be encouraged to include a clear decision, provide a supporting reason for the decision, and then explain why it is better than the alternative discussed.

Comments on specific questions

Question 1

- (a)** This question was well answered by most candidates with many gaining two marks. A common mistake was to identify ways a government could support businesses. Other candidates made statements about 'helping the economy' which were too vague. Had they linked this point to GDP, it could have been awarded.
- (b)** This question produced a range of responses. Better candidates identified two valid ways with good service and asking for feedback being typical responses. A common mistake was to repeat

similar points for both answers which could only be awarded once. Other candidates misread the question so identified ways to increase sales for example by offering lower prices.

- (c) Good knowledge of niche markets was evident in most responses with less competition and fewer customers being typical answers. A common mistake was to make no reference to the context so many candidates missed the opportunity to access application marks. For example, mentioning that this was a new business or that the business would offer walking holidays.
- (d) This question required candidates to explain the usefulness of two different elements of a business plan, namely business objectives and data about the market. Some candidates struggled with the first part as they identified objectives rather than explaining how objectives might be helpful. Most correct answers recognised objectives could provide a sense of direction or target which could help make decisions or motivate the entrepreneur. For the second part, data about the market, better responses explained how understanding customer demand or the level of competition could help increase revenue or make pricing decisions. A common mistake was repetition. For example, by repeating the knowledge point instead of offering analysis.
- (e) Most candidates were able to identify two characteristics of a successful entrepreneur. Better responses were able to explain how being creative would lead to new ideas whilst being hardworking could mean they would have to miss out on holidays and work long hours to help the business be successful. The best responses did access at least one evaluation mark for comparing and explaining why one characteristic was likely to be more important than the alternative. Instead of analysis, weaker responses tended to repeat the knowledge points. Other candidates offered a decision, but the evaluation simply repeated points made earlier in the answer.

Question 2

- (a) Most candidates understood that a tertiary sector business provides services. Better responses provided a full definition. The most common mistake was to identify examples of individual businesses including retailers and banks.
- (b) Those candidates who understood ROCE tended to gain both marks. A common mistake was to use the value for revenue instead of profit. Some candidates omitted the % sign which suggests limited understanding of the concept. Others added or subtracted the numbers together randomly or used the wrong values.
- (c) This question produced a range of answers. Better responses understood that profit margin could be improved by increasing price, lowering variable costs or lowering fixed costs. Application was often awarded for appropriate references to food or cafe. Weaker candidates gained the knowledge marks but there was no attempt at application. The most common mistake was to identify ways to increase sales. Other candidates confused price with cost, and lost marks unnecessarily. Candidates need to be careful to use the correct terminology as price and cost are different concepts.
- (d) Most candidates showed excellent knowledge of social media. Better responses were then able to explain how a wider reach could help increase sales, and how the low cost of social media could help lower expenses. The best responses linked points to the context of GTB's cafes. A common mistake was to suggest social media was quicker or easier, but this was too vague on its own. To be credited, candidates needed to explain why it was quicker, for example quick to update. Other candidates had the wrong focus so explained possible advantages to customers rather than to the business.
- (e) Many candidates found this question challenging. Candidates were required to explain how different external groups, including banks, use the financial accounts of a business. For example, banks might be interested in the level of profit to decide whether to offer loans. Better responses also considered how other users, including suppliers or governments, might use the accounts which was another valid way to access the knowledge and analysis marks. The best responses then used the comparison between the different external users to decide whether banks were the main users of accounts. The most common incorrect answer was shareholders. Some misread the question so discussed why businesses use banks. Other candidates assumed the question was about sources of finance so wrongly discussed different ways a business could raise finance. It is important that candidates read the question carefully.

Question 3

- (a) The concept of laissez-faire leadership was well understood by most candidates. Some knew that managers do not tell employees what to do. Better answers recognised that it involved allowing employees to make decisions. A common mistake was to confuse laissez-faire with democratic leadership.
- (b) Most candidates gained at least one mark for identifying roles such as making decisions or planning. A common mistake was to repeat the word 'manage' which was in the question. Other candidates repeated similar points for both roles which could only be credited once.
- (c) This question produced a ranged of responses. Most candidates showed good knowledge of external costs, but many struggled to identify an external benefit. A common mistake was to state they would provide oil, but this simply described the business activity. Some reused 'oil' as the application for both answers. Others wrongly identified costs and benefits to the business.
- (d) This question was well answered by most candidates by recognising that emails could be referred to whilst online meetings allowed for instant feedback. Such responses tended to link their answers to the context. A common mistake was to explain advantages without identifying a communication method. Other candidates made no reference to the context. For example, they could have mentioned that the business had operations in 6 countries or needed to communicate with 2000 employees. Some candidates included disadvantages of each method which was unnecessary.
- (e) This question produced a range of responses. Some candidates showed good knowledge of pressure groups and were able to explain how methods such as boycotts and protests would work to influence business decisions. The best responses included a supported decision which explained why one of the named ways was better than the alternative. Weaker responses identified ways but struggled to develop the points made. Some candidates misread the question so focused on why a pressure group might want to influence decisions. Others simply repeated the word 'pressure' or said it would influence business without identifying how this would be achieved. Instead of evaluation most candidates repeated points already made.

Question 4

- (a) Most candidates understood that an import quota was intended to limit the number of imports. Better responses were able to provide a precise definition. The most common mistake was to confuse an import quota with an import tariff.
- (b) Most candidates understood that lower tax rates could lower costs or increase profit. A common mistake was to repeat the question by stating that the business would pay less taxes. Some candidates confused taxes with interest rates. Others thought lower taxes would result in employees being paid more wages which is not necessarily true.
- (c) Many candidates could identify at least three legal controls with minimum wage, unfair dismissal and discrimination being typical answers. A common mistake was to identify ethical issues. For example, fair wages are an ethical consideration not a legal requirement. Some candidates listed different elements of an employment contract which could only be credited once. Others misread the question so focused on factors to consider when recruiting employees.
- (d) The most common correct answer for suppliers was distance. Better responses then explained how being close or far away from suppliers could help reduce or increase transport costs respectively. Application was often awarded for appropriate references to materials needed to make cups or plates. A common mistake was to define suppliers rather than explain why suppliers might be a factor that needed to be considered.

For suitability of land many candidates discussed factors such as rent, space and electricity recognising that high rent would increase fixed costs or that lack of electricity could prevent production. Mentioning factory or flow production showed good application. Points about access to customers were not credited as this is not classed as a significant factor for a manufacturer. Other candidates simply repeated the question saying the land needed to be suitable with no further development.

- (e) Most candidates understood the concept of flow production. This meant candidates often gained the knowledge marks, but many struggled to develop their points effectively. Without analysis answers cannot access the evaluation marks. Instead of analysis, many candidates identified additional knowledge. There were many misconceptions. For example, economies of scale leads to lower average costs not simply lower costs and high output does not automatically means high sales. Some responses discussed quality which is a different concept. Candidates also need to ensure they have the correct focus. For example, the impact on a business of tasks being repetitive is demotivating for employees. Several candidates confused the concept with batch or job production. Others discussed whether flow production was better than job or batch which was a different question.

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| <p>Paper 0450/13 Short Answer/Data Response</p> |
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Key messages

- Definitions need to be precise. They do not need to match the coursebook word for word if the meaning is clear.
- Candidates should use information from the stem to help answer part **(c)** and part **(d)** questions as this provides the basis for application. A different contextual reference is needed for each point made.
- Candidates must try to develop the points made rather than repeating their knowledge. Analysis requires candidates to show the effect or consequence of the point made.
- Evaluation is a skill that needs improving. Evaluation requires candidates to make a supported judgement. This should build on the analysis points made and clearly answer the question set. A decision alone or summary of earlier points is not evaluation. The mark scheme includes an example of an answer which includes evaluation for each part **(e)** question.

General comments

The paper produced a wide range of marks. Overall, candidates showed reasonable knowledge of business concepts, but most found accessing the application, analysis and evaluation marks more challenging.

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

For most part **(c)** (excluding **4(c)** which only assessed knowledge) and all **part (d)** questions, candidates should use information from the stem to link their answers to the scenario to access application marks. A different reference must be used for each point made within a given question.

Analysis involves developing the points made. For example, an increase in demand could increase revenue. Many candidates repeated their knowledge point rather than explain how or why their initial point was relevant. Other candidates identified new points of knowledge which is unnecessary.

Candidates need to develop their evaluative skills. Of those candidates who did attempt an evaluative comment most were unable to provide a reasoned statement to support their decision. One approach is to make a choice, provide a reason for this decision, and then explain why it is better than the alternative.

Comments on specific questions

Question 1

- (a)** Many candidates could identify a non-current asset or a non-current liability. Only the best candidates were able to identify a relevant example for both parts. Common mistakes included identifying factors of production or copying the values from Table 1.1.
- (b)** This question produced a range of responses. Candidates who understood the concept of a current ratio tended to gain full marks. Many found this question difficult as they did not know the correct formula. For example, some candidates added all four values from Table 1.1 together or combined total assets and total liabilities. Others calculated working capital. A significant number of candidates did not attempt this question.
- (c)** Good knowledge was evident in most responses. Typical correct answers focused on ways such as limiting output or having to change the equipment used to help protect the environment. A

common mistake was to repeat the same application for both answers. A common misconception was to automatically assume the business would have to close.

- (d) Many candidates were able to identify factors such as amount required or cost of interest but struggled to explain why these factors might be important when deciding on a source of finance. Application was rarely awarded. To access these marks, candidates needed to include appropriate references from the stem. For example, mentioning that the business uses a lot of technology or that it harvested wood. A common mistake was to identify sources of finance which was unnecessary. Other candidates made vague comments about the ability to repay – without making it clear why this might be an issue that needed to be considered.
- (e) Most candidates showed good knowledge of ways to increase added value, namely increasing price and lowering the cost of materials. Analysis was often limited as candidates tended to discuss the impact on sales or profit rather than how the chosen way would increase added value. Other candidates simply stated it would increase added value, without explaining how the chosen way would help to achieve this. For example, cheaper materials would lower costs while excellent service could allow the business to increase prices. A common mistake was to reuse the same analysis twice. Evaluation was limited or not awarded.

Question 2

- (a) This question was poorly answered by most candidates. Only better responses were able to provide a precise definition of profit. A common mistake was a lack of precision as candidates referred to costs or expenses instead of total costs. Others confused profit with revenue or gross profit.
- (b) This question produced a range of responses. Better candidates identified two relevant reasons notably age, tastes and income. A common mistake was to focus on why people might no longer want to visit Alana's restaurant. Other candidates included economic factors such as inflation which were too vague.
- (c) Most candidates could identify at least one method of primary market research. Better responses used information from the stem to link their answers to the context. Some candidates did not attempt to do this so missed the opportunity to gain application marks. Others repeated the same application for both answers. Another common mistake was to provide vague descriptions rather than name the method of research. Wrong answers included sampling and taste testing. Other candidates had the wrong focus so outlined the type of information a business might gather.
- (d) This question produced a range of responses. Some candidates correctly identified points such as increased costs and less demand as effects of an increase in interest rates. Only the best responses were able to develop these points in context. Instead of analysis some repeated the knowledge point. Application was rarely awarded. Had candidates linked points such as less demand to Alana's restaurant they could have accessed the application marks.
- (e) Most candidates found this question challenging. Most marks were gained for identification of alternative ways to segment a market. Only the best responses were able to develop the points made to gain analysis marks. Without analysis it is not possible to access the evaluation marks. A common misconception was to confuse income with revenue. This led to candidates discussing the importance of revenue or possible pricing methods a business could use to increase revenue. Other candidates wrongly assumed the question was about business size so discussed different ways to measure this.

Question 3

- (a) This question was well answered by many candidates. Most understood that a public limited company would sell shares and better responses recognised these shares would be sold to the public. A common mistake was to assume this type of business was owned by the government.
- (b) Most candidates could identify at least one reason for globalisation, with improved communication and a reduction in trade barriers being typical answers. A common mistake was to identify a similar point for both reasons. Other candidates used a single word such as technology which could not be accepted as they needed to show that globalisation was due to an improvement in technology.

- (c) Candidates who understood the concept of economies of scale tended to do well on this question. Better responses linked their answers to the context. For example, recognising purchasing economies might be gained when buying materials to make paint. Weaker responses struggled to provide any relevant knowledge. A common mistake was to refer to methods of production. A significant number of candidates did not attempt this question.
- (d) This question was poorly answered by many candidates. Those who gained knowledge marks understood that flow production was inflexible or demotivating for employees. Better responses were able to access the application marks for recognising the business made paint, or that it had 50 employees. However, most candidates struggled to develop the points made. A common mistake was to focus on quality which is a different concept. Other candidates confused flow production with batch production. Some made vague statements about the process being expensive without explaining why.
- (e) Good knowledge of relocation factors was shown by most candidates. Better responses then explained why factors such as access to employees and finding a suitable space could increase recruitment costs and fixed costs, respectively. Instead of analysis, many candidates listed additional factors. Others made vague statements about costs without naming them. Evaluation was rarely awarded as candidates tended to summarise points made. Others did not offer a recommendation about which factor was likely to be the most important.

Question 4

- (a) Most candidates could identify at least one advantage with flexibility and lower labour cost being typical responses. Many wrongly assumed that all part-time employees are likely to be more skilled, motivated or productive.
- (b) This question was poorly answered. Some candidates understood it showed the levels of hierarchy in an organisation. Most candidates were unable to provide a full definition of the term. A common mistake was to reorder the words organisation and structure. Other candidates defined different concepts such as span of control or chain of command.
- (c) This question was poorly answered by many candidates. A common mistake was to identify features of effective communication instead of the benefits of communication being effective. For example, fewer mistakes are a benefit whereas knowing what to do simply explains why communication happens.
- (d) There were some good answers to this question. Correct responses tended to focus on factors such as experience which could lead to fewer mistakes or how knowledge could result in less training being required. Application was often awarded for relevant references to 3 months experience as a manager or mentioning that he had a degree in business. Instead of analysis some candidates repeated their knowledge rather than developing the point made.
- (e) Good knowledge of reasons why a business might want to grow was evident in most responses. Better responses developed the points made, including increased sales and economies of scale, to explain why these reasons were important. A common mistake was to discuss ways a business might grow rather than why it might want to grow. Evaluation was rare. Where a decision was made the statement was not supported so could not count as evaluation.

BUSINESS STUDIES

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| <p>Paper 0450/21 Case Study</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 part **(a)** questions which will be generic. Applying answers to the case will ensure responses are appropriate for the 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 EP, a well-established private limited company that manufactures high-quality pottery products in Country Y. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or manufacturer, and what type of business organisation it is. This may add to the quality of their answers.
- Candidates should try to give a full explanation of both 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 achieve 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 a 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 EP, set up forty years ago, producing pottery including plates, cups and bowls, provided an accessible scenario for candidates. Those who applied their answers to the context of EP achieved higher marks. Most of the 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. 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 it was clear that certain topics were not as well understood. The weakest understanding was of the analysis of company accounts and sources of business finance.

Overall, the standard was good with some weaker 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 3a on this paper). 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 their decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

- (a) Most candidates could identify two drawbacks for EP of having a tall organisational structure. Many responses mentioned that communication might be slower and that senior managers would be more remote from lower levels in the hierarchy. However, there was a tendency to overlook the need to apply these points to the context of EP. For example, messages would have to pass through five levels of the organisation before reaching the 50 production employees working in the factory. Similarly, the Managing Director would be unlikely to communicate regularly with the 7 marketing employees because there are three levels of management between them. The strongest responses went on to explain the consequences of slow communication and remote management so that all the available marks could be awarded.
- (b) This question required candidates to consider two ways EP could increase added value. Some candidates confused the concepts of added value and profit. Discussion about increasing prices for the pottery was often well presented. EP has a strong reputation for high-quality plates and bowls so by increasing prices their image might be further improved and many customers would be willing to pay the higher price. This would increase revenue and add value to EP's pottery. However, it would depend on the price and quality of competitors' pottery. This kind of developed explanation earned Level 2 reward. Simple statements which mentioned that the prices would increase revenue earned only Level 1 reward. Consideration of reducing raw material costs focused on the benefit of sourcing cheaper raw materials from outside country Y. This would reduce the total costs of production which would add value. However, if the imported materials were poorer quality, it might mean the pottery would lose EP its good reputation and sales may fall. Customers would choose other pottery instead. In the recommendation at the end of the response candidates needed to balance the two options and justify which would be the most appropriate way to increase the added value to achieve Level 3. Candidates could have reasoned that increasing prices is least likely to result in falling sales because the reputation of good quality pottery is EP's unique selling point. The risk of losing their reputation by switching to cheaper, inferior materials is too great. It would be more likely to have a negative impact on added value for EP.

Question 2

- (a) This question required candidates to explain two advantages and two disadvantages of using external recruitment to find EP's new manager. It was noticeable that candidates had stronger knowledge of the advantages of external recruitment compared to the disadvantages. Stronger answers pointed out the benefit of introducing new ideas into the business. Others identified the experience that a new marketing manager might bring to setting up a new website for EP. Making good use of the context was important here so that application marks could be achieved. The fact that the process of external recruitment might take longer, and existing employees might feel demotivated because they were not able to be promoted, were often mentioned as disadvantages.
- (b) Many candidates offered simple statements in their response to this question and so limited their marks to Level 1. The three methods of sales promotion needed to be discussed, and a recommendation made about which method would best ensure increased sales of pottery. For example, the option of advertising using social media would allow EP to target specific demographic groups. This might include higher income earners setting up homes. Social media could remind potential customers to look for EP pottery in retail outlets when they go to shopping malls which would increase sales. However, many competitors might also advertise in this way, and it could be difficult to develop a strong brand awareness. Emailing special offers to existing customers might build brand loyalty and result in extra sales from customers who already know the quality of the plates and bowls. However, pottery is not bought very frequently so repeat sales may not be very likely. Setting up a website has the possibility of presenting potential customers with detailed product information and even online ordering. The broader market would probably increase sales, but this would need to off-set against the cost of creating and maintaining an up-to-date website. To achieve Level 3 in the recommendation, responses needed to make a justified judgement about which option would be the ideal choice. The best answers avoided repeating points made earlier in the response and related to why one method of promotion would result in more sales than the other two options.

Question 3

- (a) This was a generic question, and the available marks were awarded for making a relevant point with additional explanation. This was the only response where candidates did not need to reference EP. Candidates were asked to explain why consumer spending patterns for a product might change. Changes in consumer taste or fashion, or changes in the price of a product were frequently offered as answers. A change in consumer fashion would lead to consumers seeking to buy the latest branded product that had been promoted by social influencers, whilst an increase in the price of a product would encourage consumers to buy a substitute item at a cheaper price. Some responses discussed spending on all products and referred to macro-economic factors. However, this was a question making specific reference to changes in spending for a single product.
- (b) Most responses showed sound understanding of improving labour skills and introducing more automation and technology as ways of increasing efficiency. Candidates who made simple statements that improving labour skills or introducing technology would make output higher were awarded Level 1. Offering a more developed explanation, using the context of manufacturing pottery, could have accessed Level 2. Stronger responses discussed the possibility of training the 50 production workers so that they could work more quickly and produce more pottery in a shorter time. Employees might feel more valued and motivated to speed up their pace of work to increase efficiency. A possible negative outcome of the extra training might be that production employees might leave to work for another pottery manufacturer so the cost of the training would be wasted. The capital investment need for new technology would be considerable but could have cost savings if fewer workers were needed in the production process. Fewer errors would be made in making the plates and non-stop production could be introduced which would greatly increase efficiency. A supported recommendation of which method would be more likely to increase efficiency could achieve Level 3.

Question 4

- (a) This question required candidates to explain two factors that EP should consider when choosing a source of finance. There appeared to be sound knowledge of various types of business finance, such as loans and trade credit, but responses did not always successfully explain the factors that would influence the decision to choose one method of finance rather than another. Some responses quite rightly mentioned the importance of identifying how long the finance was needed for. For example, if EP aims to introduce more automation, they will need to consider long term finance because this would require raising a large amount of capital. Since EP is a private limited company, issuing more shares to their friends and family is a possibility, encouraging more commitment to the business and its future. This would avoid paying large interest charges on loans. In fact, the capital raised from a share issue would not need to be repaid.
- (b) Some candidates found this question quite challenging. Many responses copied data from Appendix 3 about sales, costs and profit, without any financial analysis. Comparative statements, such as the total cost for Product A is \$210 000 lower than for Product B, achieved Level 1 marks. Stronger responses used the data in Appendix 3 to calculate gross profit, unit cost and break-even output or developed reasoning about financial performance based on meaningful interpretation of the data. Further comparison of data for Product A and Product B for 2023 allowed a judgement to be made about which product EP should stop making. Demand for Product A is forecast to grow at only 10 per cent whereas for Product B it is forecast to grow by 20 per cent. The revenue for Product B will increase at a faster rate so it is likely that the future profit of Product B will be larger than the \$60 000 profit made from Product A. Responses that made clear points and developed reasoning, making relevant use of the data, were likely to access Level 2. A supported justification of which product should no longer be produced could have achieved Level 3.

BUSINESS STUDIES

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| <p>Paper 0450/22 Case Study</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 part **(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 large manufacturer of jewellery set up 25 years ago in country X. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or manufacturer, and what type of business organisation it is. This may add to the quality of their answers.
- Candidates should try to give a full explanation of both 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 achieve 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 a 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 JJ, a large jewellery manufacturer, provided an accessible scenario for candidates. Those who applied their answers to the context of JJ 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. 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 the 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 limitations of employing part-time workers, break-even calculations and the effects of environmental issues on a business.

Overall, the standard was good with some weaker scripts, which was comparable with previous years. 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 3a on this paper). 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 their 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 identifying valid reasons, such as to provide a clear aim or target to work towards, to motivate employees, to assist decision-making and to obtain finance from investors/banks. When these reasons were stated then the explanation was generally good. However, some explanations led to the same development for each reason which reduced the marks that could be gained. Weaker responses focused on explaining business objectives and how the objectives can be achieved instead of showing understanding of why the objective is important. Application was most often achieved by identifying the objectives of the business in the case, which were to expand and to increase profit each year.
- (b) The majority of candidates could make simple comparative statements between Product A and Product B. For example, the selling price of Product B is \$70 more than Product A. Better candidates could calculate gross profit, profit, break-even output and sometimes the margin of safety. There was confusion between gross profit and profit in some answers and candidates mislabelled their answers. For example, revenue was called profit or profit was called gross profit. Another error was to add a \$ to the break-even output, not understanding that it should be a physical amount. Better responses that did calculate break-even output for Product A and Product B, often went on to discuss profit and not break even in the recommendation, whilst others lacked the understanding to interpret the break-even results for a sound judgment in the recommendation. For example, choosing Product A because it had a higher break-even output. Candidates should be reminded to pay careful attention to the question, so they provide accurate responses that answer the question in order to achieve the highest marks. In this question candidates were clearly instructed to use break-even calculations to justify their answer.

Question 2

- (a) Candidates generally provided correct benefits for employing part-time workers, such as it is cheaper to employ part-time workers and they have flexible working hours. However, fewer candidates achieved the same marks on limitations. Weaker candidates thought that part-time workers get less work done as employees work fewer hours, part-time workers do not have contracts, or they could leave anytime. There were many assumptions and personal views included in answers and where statements were made about limitations there was no explanation as to why this applied to just part-time employees and not full-time employees as well. A common misconception was that part time workers give information to competitors; they were less skilled or would be less motivated. Others mixed up part-time workers and temporary workers such as the idea that they were easy to get rid of. Application was often missing, or the same application was repeated, for example that there were 25 part-time employees. Each benefit and limitation needed to be explained with different examples of application to gain the highest marks.
- (b) The majority of candidates gained at least the top of Level 1 with simple statements in context. For example, the fashion magazine was more expensive but able to reach the target audience, leaflets were often ignored or thrown away but can reach a wider number of people and were easy to keep for reference in the future. Point of sale is less effective because only customers who visit the jewellery shops will see it. However, some candidates confused point of sale with reducing the price of jewellery. Many candidates listed advantages and disadvantages of these methods but did not develop them to move into Level 2. Better responses that moved into Level 2 usually went on to move to Level 3 in the recommendation. Answers were often well applied to the case study by making reference to jewellery, it being beautiful but not expensive, and 70 per cent sold through jewellery shops. To earn Level 3 credit in the recommendation, responses needed to make a justified judgement about which way would be the ideal choice for JJ to promote the new product in country X. The best answers avoided repeating points made earlier in the response and related to why one method of promotion would result in more sales than the alternatives.

Question 3

- (a) This was a generic question, and the available marks were rewarded for making a relevant point with additional explanation. This was the only response which did not need to reference JJ.

It was one of the most accessible questions, with popular answers being as a source of finance to expand, as a reward for risk taking, as an indicator of success, to attract new investors or to use for

profit sharing with employees. However, the common misunderstanding among weaker responses was that profit is used as working capital to pay for day-to-day expenses. There was some repetition by giving several examples of the use for retained profit and some confused profit with cash flow thinking that when profit is high it implied that the business could not experience cash flow problems.

- (b) The majority of candidates identified opportunities and threats to the business of using ecommerce. The most popular opportunity was the ability to access a wider market that enabled an increase in sales, whilst the most popular threats included being expensive to set up and maintain the website, threats of online fraud and hacking, competition and customers not being able to see and feel the bracelets and rings before buying, so being put off. Some weaker candidates talked about it being cheaper than having a shop as they had not read the case study carefully. Many statements were made about opportunities and threats, but these answers often remained in the Level 1 mark band as the statement was not explained in relation to the business. Hence the best these answers could achieve is Level 2 in the conclusion. Where a decision about whether the opportunities or threats would have the most impact was given, candidates did not always justify the choice as to why that would have the most impact the business. To earn Level 3 credit in the conclusion answers needed to avoid repeating earlier points.

Question 4

- (a) The majority of candidates answered this question well. They identified that the increase in unemployment would lead to a decrease in demand for more luxury products, such as jewellery, as people wanted to satisfy their needs first due to lower disposable income. Secondly, the business could find more employees easily and they would be cheaper to employ as the unemployed would be willing to accept lower wages, so helping JJ to reduce labour costs. Common errors from weaker candidates were that JJ may not be able to expand because they would not have enough employees, there will be low competition, employees will demand higher pay, and the government will demand more taxes. Some candidates incorrectly assumed that anyone who was unemployed would be unskilled.
- (b) The majority of candidates focused on the effects of the environmental issues themselves rather than the effects on the business and largely repeated the case study without showing any understanding of how the two environmental issues might affect JJ. Better candidates recognised that all manufacturers use coal and so either it meant there was no need for JJ to change or that it could give them a USP if they changed to solar panels. Many recognised that increased costs for coal increased costs of production for the business but did not go any further than stating that costs would increase. Candidates also recognised that transportation costs would increase if the other mines were used. Pressure group intervention was a common point discussed by candidates for both issues. Some candidates identified the second issue as the first to be solved as the use of coal is not a JJ issue alone but something affecting all manufacturers. Others thought that JJ standing out from other jewellery manufacturers was more important and so by JJ solving the first issue it would have a competitive advantage. Application was often awarded for referencing the increasing price of coal, the Government's 25 per cent grant and for the other gem mines being further away. Only strong candidates included sufficient analysis earlier in the answer to be able to move into the Level 3 mark band. The majority of candidates remained in Level 1 or the lower end of Level 2. Closer attention to the focus of the question would have raised the level that most answers were in.

BUSINESS STUDIES

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| <p>Paper 0450/23 Case Study</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 part **(a)** questions which will be generic. Applying answers to the case will ensure responses are appropriate for the 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 repairs and recycles furniture. It is advisable for candidates to ask themselves about the size of the business, what type of product it offers, and what type of business organisation it is. This may add to the quality of their answers.
- Candidates should try to give a full explanation of both 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 in **(b)** questions whereas an explanation of a point could move the answer to Level 2. A few well developed points will achieve 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 a 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 quite well prepared for this examination and understood what was expected of them. The context of RF, a business that repaired and recycled furniture, provided an accessible scenario for candidates. Those who applied their answers to the context of RF achieved higher marks. Most of the 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. 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 it was clear that certain topics were not as well understood. The weakest understanding was of sources of finance, uses of break-even analysis and the effects of a recession on a business.

Overall, the standard was good with some weaker scripts, which was comparable with previous years. Candidates often provided answers in context which enabled them to access the application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not 1a on this paper). 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 their decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

- (a) This was a generic question, and the available marks were awarded for making relevant points with additional explanation. It proved to be an accessible question for the majority of candidates, with many identifying four appropriate characteristics of an entrepreneur. The most popular characteristics were hard-working, risk taker, creative, determined, innovative, effective communicator and self-confident. The explanations of why these characteristics made the entrepreneur successful were not always accurate, with some candidates just rewording the characteristics they had identified such as a risk taker who takes risks. Weaker candidates gave examples which were not characteristics.
- (b) Whilst the majority of candidates listed awardable answers such as the 10 per cent discount will encourage potential customers to try RF's products and if they like them they may return to make further purchases. However, offering the discount reduced the revenue received by RF and there was no guarantee that these customers would return and pay the full price for products in the future. Some candidates thought that free delivery meant that the customer was purchasing online and so made comments related to convenience or saving time as they are not going to the workshop. Another error was giving advantages and disadvantages to the customer and not to RF. To move the answer to higher levels the recommendation needed to justify the choice of one method of promotion without repeating earlier points and explain why the alternative method was seen as less suitable.

Question 2

- (a) The majority of candidates were able to provide business objectives and apply them to RF. However, several candidates stated expansion as the objective, but this business had not even been set up, so it is not in a position to expand. Weaker candidates simply stated a business objective without making it clear why it was set by this business, such as to gain profit instead of explaining that it can be used to reward the entrepreneur for taking risks.
- (b) This question was not a well answered. The majority of candidates could explain owners' savings but crowdfunding and microfinance were not well understood. Where a candidate did understand the source there were often just lists of advantages and disadvantages which limited answers to Level 1. For example, it does not have to be repaid but it may not be enough, rather than giving an explanation of why these were an advantage and a disadvantage of the source. Also, application was often not evident, and this resulted in answers gaining less than full marks. Better candidates had sufficient understanding of at least two of the three sources to enable their answer to move out of Level 1 or even out of Level 2.

Question 3

- (a) Generally this question was not answered well as weaker candidates seemed to lack an understanding of the purpose of a break-even forecast. The benefits of break-even analysis were better understood than the limitations. Most candidates could give one benefit, such as it provides a target or goal to work towards, and many could give one limitation, such as the break-even chart is drawn assuming all goods are sold at a constant price. However, most of these candidates did not apply their answers to the business in the case or even use figures from the break-even chart in Appendix 2. Only better candidates achieved high marks due to their answers being applied.
- (b) Candidates generally seemed to find this question accessible, and application was more readily included in responses. The majority of candidates realised that RF's sales were likely to go down, but only better answers developed the explanation in detail as to why this would happen during a recession. Stronger candidates realised that as RF's furniture was targeted at low-income families then sales may actually increase as unemployed people switched to buying cheaper furniture. Weaker candidates thought that RF would get rid of employees whereas in fact they would find it easier to recruit them when unemployment was increasing. They did not recognise that RF was a new business and wanted to recruit employees. Some weaker candidates seemed to address the question of how the recession may impact employees rather than RF. Only better candidates moved into Level 3 by justifying which would have the most effect on RF and justifying why the alternative was rejected, without repeating earlier points.

Question 4

- (a) The majority of candidates identified at least one benefit of having a well-motivated workforce. The most popular benefits were that labour turnover would be lower, productivity/efficiency would increase, and the quality of goods produced would be higher/fewer mistakes made. Application was gained by answers making reference to the product being furniture, 9 or 10 employees and starting up a small business. To gain full marks many answers needed to explain in greater detail why it was that each was a benefit for the business.
- (b) Many candidates gained some credit for listing advantages and disadvantages for each method of communication and each method seemed to be clearly understood. Weaker candidates often repeated mirror arguments for texts and telephone calls, for example, a written record can be kept for future reference/no written record to refer to in the future. Telephone calls was the best answered of the three methods and candidates assumed this was the use of mobile phones, so disadvantages often related to a lack of signal which was acceptable. A minority of candidates assumed that the face-to-face meetings were taking place individually and so discussed things like taking time to meet with all employees. Better candidates recognised that this was a small business with only 9 employees, so it may not take so long to telephone employees, or it was not difficult to arrange meetings, but arranging a meeting everyday could be difficult. The majority of answers were generic, and this prevented answers moving to the top of whichever level the answer was in. Only better responses developed the earlier part of the answer to move from Level 2 to Level 3, so it was rare to see the highest marks.