

BUSINESS STUDIES

Paper 0450/11
Short Answer/Data Response 11

Key messages

- Questions which require application, such as **parts (c) and (d)** of each question, refer to the business in the scenario by name. Candidates should be reminded to use information from the stem to help answer such questions as this provides the basis for application.
- Analysis and effective evaluation are areas which require further development. Candidates should be reminded that analysis should show the effect of the knowledge. 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 analysis or 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 found this paper to be accessible and most were able to achieve marks on the majority of questions. However, **Questions 2(a), 3(e) and 4(c)** did cause candidates some issues. A noticeable number of candidates did not attempt **Questions 2(a), 2(d) and 3(b)**.

Some candidates needed to be more precise when defining the requested terms. This was a particular issue in **Question 1(a)**. Weak understanding of business terminology was also a factor in the low marks awarded for **Questions 2(a), and 3(e)**.

There was some evidence this session that more candidates were reading the questions thoroughly before starting to write. Although, within **Question 1(d) and 2(b)** some candidates did not carefully read the instructions given.

Application continues to be an issue for a number of candidates. Many repeated the same point of application in each section of an answer. Others simply stated 'product' rather than naming the product or service that the business offered.

Evaluation continues to be a weak area for many candidates. A common error being to restate the points of knowledge as a conclusion. Candidates should be reminded that points can only be credited once within an answer, there is no benefit to be gained by repetition.

Comments on specific questions

Question 1

- (a) This term was not well understood by the majority of candidates. A mark of one was common as many responses offered a feature of unincorporated businesses such as unlimited liability. Weaker responses confused this with a sole trader enterprise and gained zero marks.
- (b) This question was well answered by many candidates with a range of suitable objectives being suggested. A small number of candidates confused objectives with barriers. Such candidates thought that objectives prohibited success.
- (c) This **part (c)** question required no application to the business stated in the stem. A wide variety of different characteristics were correctly stated. Many responses achieved full marks. Responses

which did not gain full marks often stated that entrepreneurs must be charismatic or skilled. Such answers were too vague to be credited.

- (d) The potential reasons for failure were not well understood by the majority of candidates. Strong responses often provided only one suitable reason. The most common correct answers being lack of experience or failure to attract customers. Many candidates did not carefully read the instruction within the question and discussed a lack of finance. Candidates struggled to provide two different points of application for this question, often repeating gardening or related words.
- (e) The strongest answers for this question recognised that owner's savings may not be sufficient for a successful start-up but has the advantage of no interest being paid. A mistake made by many candidates was to state *it saves time* with no elaboration. Such answers were too vague to be credited. Very few candidates attempted an effective evaluation for this question.

Question 2

- (a) This concept was not well understood by many candidates. Better responses identified the points listed in the mark scheme. Weaker responses described the information presented in the chart and did not answer the question set.
- (b) The strongest candidates illustrated how they had achieved their correct answer by providing their workings. Some candidates did not carefully read the information in the question and calculated profit at a different level of output. Such responses were able to gain one mark if a method of calculation was outlined. A significant number of candidates were unclear on this calculation.
- (c) For this question, better responses recognised the benefit of gaining new customers and retaining loyalty for this cooking pot manufacturer. As with other questions, candidates often repeated the same point of application in each benefit. The weakest responses stated that having a good brand image means having a good reputation and gained zero marks.
- (d) A noticeable number of candidates did not attempt this question. The weakest candidates were confused by this topic. Often these answers discussed lowering price, which would increase the output required to achieve break even. As with part(c) even better responses were unable to provide two separate points of application in this part of the question.
- (e) Many candidates had a good general understanding of social media. Stronger responses explained the benefits of reaching a large group of people and compared this to an alternative method of advertising. Weaker responses gained two marks by stating points with no development. Very few candidates attempted evaluative comments, those that did often simply repeated the points of knowledge.

Question 3

- (a) This topic was generally well understood with many candidates gaining both marks. An error made by some candidates was to identify internal users such as managers or workers.
- (b) A significant number of candidates did not attempt this part of the question. Some candidates incorrectly stated liquidity ratios rather than the profitability ones required.
- (c) Correct answers produced for this question focused on the potential for lower prices and higher quality for this computer manufacturer. The same point of application, computers, was often repeated in each reason. Weaker responses thought that the business was selling rather than buying raw materials abroad.
- (d) Many candidates understood the benefits of being ethical in attracting customers to the business. Such answers often gained the knowledge and application marks available. Limitations were less well understood. Very few candidates were able to develop their answers fully to show analysis. The mark scheme provides examples of the most appropriate impacts that were credited. A significant number of candidates confused being ethical with following laws.
- (e) Candidates found this to be the most challenging question on the examination paper. Although many had a general understanding of the terms, responses were unable to explain why these are important in a business. The strongest answers explained that profit could potentially be reinvested

to increase growth while cash is vital for paying day to day costs. A mistake made by the weakest answers was to state that profit was used to pay wages and raw materials.

Question 4

- (a) Very few candidates provided clear and precise definitions of this term. A mark of one was common as responses identified that this involved some sharing of tasks or authority. The weakest responses stated that this meant *delegating tasks* which was considered too vague for credit.
- (b) Many candidates provided two correct answers, most frequently such candidates identified controls over dismissal and discrimination. Weaker responses lost marks by providing unclear general answers related to paying wages rather than minimum wages.
- (c) This **part (c)** question was one of the most challenging for candidates. The strongest responses identified two of the four key functions of management which were then clearly applied to the context. Many candidates provided descriptive answers which failed to clearly name these functions. Such answers could not be credited.
- (d) Strong answers to this question focused on profitability, sales, or costs. Such answers frequently did not make effective use of the information provided in the question stem, gaining only one of the application marks available. A mark of three was common as the answers were not fully developed to show analysis.
- (e) For this question candidates demonstrated appropriate knowledge but were unable to fully develop this to show analysis and evaluation. Most commonly the knowledge shown was that the business could reduce prices or improve the quality of the products. Weaker responses discussed the *production* rather than *selling of new items*, for this retail business. Candidates struggled to provide effective evaluation in this question.

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Paper 0450/12
Short Answer/Data Response 12

Key messages

- Definitions need to be clear and precise.
- 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. Different points of application are needed to access both application marks within the same question.
- Candidates cannot gain credit for using the same analysis for both points within the same question.
- Evaluation skills need more practice. 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

This was an accessible paper with most candidates demonstrating good subject knowledge. However, some candidates found the application, analysis and evaluation marks more challenging to access.

Parts (a) and **(b)** of each question were generally well attempted. However, definitions often lacked the necessary precision to gain full marks.

Candidates should be reminded that questions can be set on any area of the syllabus. It was clear that some candidates were not familiar with topics such as economies of scale and hygiene factors.

Most **part (c)** questions (excluding **3c** which only assessed knowledge) and all **part (d)** questions assess application. To access these marks, candidates need to use the information provided to support points made. Application requires candidates to use appropriate references from the scenario. Please note, candidates cannot use the same application for both points within a given question.

Candidates must understand which skills are being assessed in each question. For example, the **part (c)** questions only assess knowledge or knowledge and application while **part (e)** questions assess knowledge, analysis and evaluation. Some candidates included analysis in **part (c)** questions or application in **part (e)** questions which is unnecessary and cannot gain credit.

Developing evaluation skills is important. The School Support Hub provides skills exercises which candidates might find helpful. Many responses still need to include a decision in **part (e)** questions. Of those candidates 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 discussed.

Comments on specific questions

Question 1

- (a) Some candidates understood that working capital is used to pay costs or expenses. Better responses were able to provide a precise definition. Some responses confused the term with start-up capital or capital expenditure. Comments about being the 'lifeblood of the business' or 'keep the business running' were not credited as they do not define the term.

- (b) Well answered by many candidates who correctly calculate average revenue per day of \$300. A common mistake was to calculate profit or total contribution instead of revenue.
- (c) There were many excellent answers to this question. These responses outlined how packaging could help protect or promote brand image and used the information provided to link the points to the scenario. A common mistake was to reuse the same application for both answers. Other candidates repeated the same knowledge for both points which can only be credited once.
- (d) This question was poorly answered by many candidates. Those who gained knowledge marks understood that the finance gained from crowdfunding did not need to be repaid but there was no guarantee the business would raise the full amount. Better responses were able to access the application marks by recognising this was a start-up business, or that it would make cakes. However, most candidates struggled to develop their points. Some answers lacked precision. For example, answers about easy to arrange, large amount or low cost were too vague. Another common mistake was to compare crowdfunding to other sources of finance which was unnecessary.
- (e) Most candidates showed some knowledge of distribution channels. Better answers explained how wholesalers could help a start-up business as they were likely to buy in large quantities which could increase revenue or that they provided the promotion which could lower costs. The best responses discussed the merits of alternative channels including selling direct to customers and used the comparison as the basis for evaluation. Instead of development, weaker responses identified additional knowledge points. Without analysis candidates are not able to access the evaluation marks.

Question 2

- (a) Well answered by most candidates. A common mistake was repetition. For example, air pollution and noise pollution are both examples of pollution. Candidate must identify different ways to access both marks.
- (b) Many candidates could identify two ways. A common mistake was repetition. There were vague answers about lower pollution or not harming the environment, without identifying what the business could do to achieve this. Some candidates confused sustainable development with being ethical.
- (c) This question produced a range of responses. Those candidates who understood economies of scale often gained full marks. However, some candidates forgot to link their answers to the context. For example, they could have mentioned purchasing economies might be gained when buying the iron ore. Weaker responses struggled to provide any relevant knowledge. A common mistake was to refer to methods of production. Some candidates did not attempt this question.
- (d) Most candidates could identify at least one problem with space and risk of damage typical responses. The best responses developed the points made in the context of this steel manufacturer. For example, the extra space to hold iron ore could increase its costs. Application does not have to be complex to award, it simply needs to make sense in relation to the point being made. A common mistake was to identify reasons why the business might hold high levels of inventory.
- (e) Good knowledge of quality control was evident in most responses. Better candidates were able to develop their points. Instead of analysis weaker responses identified additional knowledge. Without analysis candidates cannot access the evaluation marks. A common mistake was to discuss why quality is important. Other candidates confused quality control and quality assurance. For example, suggesting that quality control was done at every stage of production. These answers were not awarded.

Question 3

- (a) Well answered by most candidates with many candidates knowing the public sector was owned by the government. A common mistake was to confuse the term with a public limited company, which is an organisation in the private sector.

- (b) This question was poorly answered. Gross domestic product is a technical term, so precision was essential. As a result, most candidates gained either full marks or no marks. Gross domestic product is a measure of the value of goods produced in a country within a specified time period. A common mistake was to refer to amount of goods produced. Other candidates missed the time element which was needed for the second mark. Some referred to the value of goods produced by a business.
- (c) Well answered by most candidates. The most common mistake was to provide examples of business activity or individual business names.
- (d) This was a very challenging question. Some candidates could identify reasons including fewer natural resources or better education. Stronger responses were able to develop these points to show why the primary sector had declined in importance. Instead of analysis, many repeated the knowledge point. To access the application marks, candidates needed to use the data in Table 3.1 which most did not attempt to do. Other candidates commented on the data without including the numbers which the question required. Weaker responses struggled to interpret the data. There were many general statements about the economy developing or other sectors increasing in importance, but without a clear reason for the changes these comments could not be credited.
- (e) Good knowledge was evident in most responses. Better answers were then able to develop points by explaining how more jobs could lower unemployment and increased competition could mean fewer sales for local businesses. A common mistake was to list many knowledge points without developing any of them. Other candidates made vague statements about economic growth but did not indicate which benefit would enable this to happen. Some misread the question so discussed the benefits and drawbacks to the multinational company. Evaluation was rare. Where attempted, candidates tended to either repeat earlier points or identified new knowledge rather than providing a supported reason for the decision made. Others simply stated there were more advantages than disadvantages or vice versa. A decision alone is not evaluation.

Question 4

- (a) Well answered by most candidates. A common mistake was repetition. For example, being able to benefit from repeat customers and maintaining sales are alternative ways of the same point, so were only credited once.
- (b) This question produced a range of responses. Those who knew Herzberg's theory correctly identified two hygiene factors. A common mistake was to identify ways to be hygienic rather than the factor itself. Others identified motivators which were incorrect. Many candidates did not attempt this question.
- (c) This question was poorly answered by most candidates. Better candidates were able to identify at least one reason with measure of success and help attract investors typical correct answers. The most common mistake was to assume profit is used to day-to-day costs. Other candidates had a partial understanding that profit could be used to help grow the business but without recognising profit was a source of finance these comments could not be credited.
- (d) There were many weak answers to this question. Correct responses tended to focus on the fact that a wide span of control would allow for faster communication which could speed up decision-making or for explaining how less control could lead to mistakes. Application was often awarded for relevant references to the travel business or recognising there were 1000 employees or 37 shops. A common mistake was to offer vague statements about communication and motivation which needed further clarification to gain credit. For example, employee motivation might improve because there is less supervision. Other candidates focused on advantages or disadvantages to employees instead of the business.
- (e) It was clear that most candidates understood the concept of off-the-job training. Better responses developed points including up-to-date skills and using specialist trainers to show how they represented an advantage or disadvantage to the business. Some candidates discussed alternative methods such as on-the-job training. This was a good approach as the comparison between the two methods could provide a basis for a justified decision. A common mistake was to discuss the general benefits of training employees. Other candidates repeated the advantages of one method as the disadvantage of the other. These points are only awarded once. Where a decision was made, this was usually not supported so could not count as evaluation.

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Paper 0450/13
Short Answer/Data Response 13

Key messages

- Greater precision is necessary when defining terms or stating points.
- Candidates need to be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application. Different points of application are required to access both application marks within the same question.
- Candidates should not use the same analysis for both points within the same question.
- Evaluation remains rare. This requires candidates to make a supported judgement which should follow on from points raised in the answer, and clearly answer the question set. A decision alone or summary of points made is not evaluation. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

General comments

This paper produced a wide range of marks. Overall, candidates showed good knowledge of 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, many candidates lacked the necessary precision in definitions or range of knowledge to access all the marks available.

For most **part (c)** questions (excluding **4c** 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.

Candidates must understand which skills are assessed in each question. Some included analysis in **part (c)** questions and application in **part (e)** questions which is unnecessary. **Part (c)** questions only assess knowledge or knowledge and application, while **part (e)** questions assess knowledge, analysis and evaluation. No other skills are awardable in these questions.

Some candidates wrote unnecessary information when answering the **part (e)** questions. For example, repeating the question and defining key terms, which the question did not ask for. This wastes time which candidates could use more productively on answering the question set.

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) Candidates who understood specialisation often gained full marks. A common mistake was to repeat the same point for both benefits using different words. References to the effect on sales or reputation could not be credited as these are not advantages of specialisation.
- (b) Most candidates could identify at least one way with increasing sales or taking over other businesses typical responses. Common incorrect answers included employing more workers or increasing output. Other candidates repeated the same point for both ways which can only be credited once.

- (c) Candidates generally performed better on the advantage, recognising that a public limited company could raise funds by selling shares to the public. However, most missed out on application marks as there was no attempt to link points to the context. For example, it can raise a large amount of finance so this mining business could continue to grow. Application does not have to be complex to award, it simply needs to make sense in relation to the point being made. Many candidates struggled to outline a disadvantage. Some made vague comments about control or conflict, which needed further clarification to be credited. Others wrongly assumed a public limited company is owned by the government.
- (d) This question was poorly answered by most candidates. Better responses identified at least one diseconomy of scale. Only the best responses were able to develop the points made. There were two common mistakes. Many candidates had the wrong focus so identified economies of scale or general factors such as finance that a business should consider when growing the business. Others repeated the same analysis for both points which can only be awarded once. A significant number of candidates did not attempt this question.
- (e) Most candidates could identify at least one way to measure the size of a business but then struggled to develop their points. For example, they could have explained that the number of employees is easy to calculate but it may be misleading if the business uses a lot of machinery. Instead of analysis most candidates identified additional knowledge. Without analysis candidates are not able to access the evaluation marks. A common mistake was to assume that profit is used to measure business size.

Question 2

- (a) Most candidates understood that current liabilities are debts owed by the business. Better responses were able to provide a precise definition. A common mistake was to forget to mention that the debts had to be paid within 12 months. Some candidates repeated the word liabilities instead of defining it. Others confused the term with current assets.
- (b) Those who understood the formula generally gained both marks for calculating the correct answer which was 20%. A common mistake was to use the value for gross profit or revenue instead of profit. Other candidates placed the values in the wrong order. These answers could not be credited.
- (c) Many candidates could outline one benefit with increased productivity and lower absenteeism typical answers. Unfortunately, most did not attempt to link their points to the context so missed the opportunity to gain application marks. Any appropriate reference to pizza, restaurant or 35 employees could have enabled candidates to access the application marks. Other candidates developed their points which was unnecessary as **part (c)** questions do not assess analysis.
- (d) Good knowledge of methods of motivation was demonstrated by most candidates. However, the analysis was generally not awardable as candidates simply repeated the working of the question, namely that it would increase motivation. Other candidates said that workers would work harder, without explaining how the named method would encourage them to do this, which prevented them from accessing the analysis marks. Another common mistake was to confuse job rotation with job enrichment. Some candidates explained a disadvantage of each method which the question did not require.
- (e) Most candidates understood the concept of variable costs. Better responses were able to explain how buying cheaper materials could lower quality and sales respectively. Some candidates also considered alternative ways to increase profit, including increasing prices, which was another valid way to access the knowledge and analysis marks. A common mistake was to define variable costs or identify examples. Weaker responses had the wrong focus so discussed the potential benefits of increasing profit rather than discussing the best way to achieve this. All candidates struggled to make a justified decision about whether reducing variable cost was the best way for a business to increase profit.

Question 3

- (a) Many candidates understood that brand image is the impression of the business or product held by others. Only the best responses were able to provide a full definition. A common mistake was to reuse words from the term without defining what they meant.
- (b) Well answered by most candidates. A common mistake was to identify advantages to customers instead of the business. Some candidates made vague comments about sales which could not be credited.
- (c) Most candidates outlined one reason with protecting its reputation or maintaining sales typical correct answers. The best responses used the information in the stem to provide clear contextual references to access the application marks. Some candidates misinterpreted the question and outlined ways a business might create or prevent environmental problems rather than reasons why it should respond to them. Others confused environmental issues with ethical issues.
- (d) This question proved challenging for most candidates. Better responses recognised that there is likely to be a high level of advertising at the introduction stage and less promotion at the maturity stage of the product life cycle. The best answers then developed the points made. For example, higher spending could help increase awareness and sales. Application marks were often gained for recognising that this business made food products or that the products were sold directly to retailers. A common mistake was to identify methods of promotion or pricing.
- (e) This question produced a range of responses. The best answers understood that the advantages of retailers included providing wider distribution and advertising which could lead to higher sales or lower costs respectively. Most candidates demonstrated some knowledge of distribution channels but struggled to develop their points. Without analysis, candidates cannot access evaluation. Some candidates had the wrong focus as they discussed the advantages to retailers or customers rather than the manufacturer. It is important that candidates read questions carefully.

Question 4

- (a) Most candidates understood that a quota would place a physical limit on the number of goods that could be imported. Better responses were able to provide a precise definition. A common mistake was to confuse quotas with a tariff.
- (b) Many candidates were able to identify at least one advantage, for example an increase in income or higher tax receipts. A common mistake was to offer vague comments about the improving economy without indicating how the economy would improve.
- (c) Most candidates could identify one or two drawbacks for a country of having a multinational company locating there but found it difficult to identify four different points. A common mistake was to focus on what it would mean for the multinational company. Other candidates repeated points, notably about competition or provided alternative examples of environmental damage.
- (d) Good knowledge of location factors was evident in most responses. Better candidates made appropriate reference to phones or number of employees to access the application marks. However, most struggled to develop the points made. Instead of analysis many repeated the knowledge point. Other candidates explained the benefits to stakeholders including employees or suppliers rather than the business.
- (e) This question was generally poorly answered. Many candidates gained knowledge marks for identifying either an advantage or disadvantage of using a recruitment website, but then found it difficult to develop their points. Better responses considered alternative methods including newspapers and recruitment agencies. Explaining the advantages or disadvantages of these alternative methods allowed candidates to access the analysis marks. A common mistake was repetition. Candidates must ensure each point made is clearly different as the same answer will only be credited once. Other responses lacked precision. Words such as 'easy' or 'quick' could not be credited on their own as they needed to show how or why this might be the case when using a specified method. Some candidates confused recruitment with the selection process and discussed the merits of interviewing employees face to face rather than online. These answers could not be credited.

BUSINESS STUDIES

<p>Paper 0450/21 Case Study 21</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 large, public limited company that produces a range of protective hats for construction and mining workers. 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 PH, a large business manufacturing high-quality protective hats, provided an accessible scenario for candidates. Those who applied their answers to the context of PH boosted their marks much further. 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. 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 it was clear that certain topics were not as well understood. The weakest understanding was of the analysis of company accounts and the concepts of quality control and quality assurance.

Overall, the standard was good with very few 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 **2(a)** on this 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) Most candidates could identify two advantages and two disadvantages of PH being a public limited company. Many responses mentioned the advantages of raising a large amount of capital by selling shares to the public and providing continuity of the business as shareholders die and pass on their shares to others. However, there was a tendency to overlook the need to apply these points to the context of PH. For example, raising large amounts of capital would specifically help PH with their plan to expand and open factories in other countries. Similarly, the disadvantages of PH having to publish their accounts and being at risk of a takeover should have been explained in the context of PH being a manufacturer of protective hats and currently being the market leader. Some responses demonstrated good knowledge but scored only half of the available marks without relevant application.
- (b) This question required candidates to consider quality control and quality assurance as ways to ensure quality production at PH. Some candidates seemed confused about the difference in these approaches and mixed up the explanations. In the discussion about quality control, strong responses outlined the benefit of checking the protective hats at the end of the production line so that any faults could be eliminated, and customer satisfaction would be achieved. This would maintain the reputation that PH has for producing high-quality hats. However, it would mean recruiting quality control inspectors which would raise costs of training and wages for PH. This kind of developed explanation earned Level 2 reward. Simple statements which mentioned that the hats would be checked carefully at the last stage of production to ensure there were no errors earned only Level 1 reward. Consideration of the quality assurance option focused on the benefit of reducing waste because checking at each stage of production would mean that errors could be sorted out quickly and productivity would be high. In the recommendation at the end of the response candidates need to balance the two options and justify which would be the most appropriate way to ensure the highest quality of production to earn level 3 reward. Candidates may have reasoned that quality assurance would be preferable because the 100 production workers would feel more trusted and motivated by having responsibility for the highest quality standard in their own particular work. Quality control would take that responsibility away from the production workers and would only emphasise the low level of job satisfaction that has been identified at PH recently.

Question 2

- (a) This question required candidates to consider the limitations and benefits of a business developing new products. It 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 PH. Some good answers pointed out the limitation of undertaking extensive market research which would be time consuming and expensive. Others identified the risk that a business may damage its reputation if a new product is not properly tested and trialled before it is put into production. The benefit of developing a product which would attract a different market segment and boost sales to new customers was explained by many candidates. Some responses did not focus on product development and consequently did not earn credit. Production and sales take place after the product has been developed not during the process.
- (b) Many candidates demonstrated sound subject knowledge in their response to this question. Three methods of market research were discussed, and a recommendation made about which method would ensure accurate data would be collected. The option of using a focus group of existing customers would allow in-depth questioning of customers who already had first-hand experience of using the protective hats. Useful and specific feedback could be recorded in a discussion group that would encourage interaction and honest opinions. However, this would not be a way of gathering information about competitors and may not result in many new ideas. The online survey would be a quicker and cheaper way of gathering data which could be collated and analysed effectively. However, response levels from this type of research are quite poor and no extra explanation of the questions would be possible without an interviewer present. Merely asking five questions would produce too small a range of data. Most responses mentioned that secondary research would be out of date and more general, thus having limited use and accuracy. To earn Level 3 credit in the conclusion, 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 research would result in more accurate data and the other two less accurate data for PH.

Question 3

- (a) This was a well-answered question. Many candidates were able to outline two reasons why training is important to PH. The benefit of employees learning new skills to improve their efficiency was often discussed by candidates. This would lead to more protective hats being made than before. Other strong responses explained that understanding how to correctly use the machinery was an important point of safety which would also reduce accidents on the flow production line. To gain the highest number of marks on this question it was necessary to make a clear point, offer additional explanation and reasoning, and ensuring that this was in the context of factory production at PH. Some responses briefly mentioned several reasons for training instead of developing the explanation of just two points, whilst others repeated themselves.
- (b) Some candidates found this question quite challenging. Not all responses showed good knowledge of how different stakeholder groups might use financial information. The wording of the question directed candidates to use the data in Appendix 3 to support their answer. Comparison of data from 2021 and 2022 allowed a judgement to be made of how it might impact on PH employees, shareholders and competitors. The possibility of employees seeking a wage rise, as a result of OH maintaining a healthy level of \$20 m profit, could have been discussed. Employees might feel empowered to argue for a rate of pay above their current minimum wage with strong financial data to support them. Shareholders may note that a fall of 4 per cent in PH's profit margin is an indication of poor financial management and may question this at the next AGM. The competitors of PH will be able to use the financial data to compare their own performance in the protective hat market and may see that the 25 per cent increase in revenue indicates the strengthening position of PH as market leader is too significant for them to consider a takeover. Responses that made clear points and developed reasoning, making relevant use of the data, were likely to access Level 2 reward. A supported justification of which stakeholder group would find the data most useful would have possibly earned Level 3 credit.

Question 4

- (a) This question required candidates to explain two benefits of becoming members of a trade union. Strong responses made clear points, developed the explanation and made good use of the context. PH are paying their employees just the minimum wage and there have been complaints about working conditions. If employees join a trade union, they could speak with one voice and negotiate a pay rise with PH management. There is more likelihood they will be listened to, since there are 100 workers, and more chance they will get higher wages. Some responses quite rightly mentioned the benefit of trade unions offering advice and support if members feel they have been unfairly treated by PH. For example, if they had an accident on the production line the union could help the member get proper medical attention and compensation. Some responses demonstrated knowledge and understanding of trade unions but did not always focus on the benefits in the context of PH.
- (b) The discussion about three possible benefits for PH of becoming a multinational company resulted in some varied responses. It was often mentioned that expanding into new markets would allow PH to substantially increase sales revenue and profit, especially where mining and construction industries were strong. Currently PH sell their hats around the world but production in other countries might bring a benefit of reduced transport costs, increasing profit margins and boosting profit overall. Many candidates pointed out the benefit of choosing a location where labour costs would be lower, also increasing profit margins. In the last year, the data shows that the profit margin at PH has fallen by 4 per cent so a decision to produce more cheaply in another country would be a wise decision. Some governments in other countries might offer grants to PH if they set up in an area of high unemployment. A grant might lower start-up costs for the new factories and reduce the amount that PH would need to borrow. Lower interest payments on smaller loans would reduce expenses. The responses that offered good recommendations did more than offer repeated earlier points – they weighed up the benefits, large or small, which might result from PH becoming a multinational company. The best answers justified their decision with reasoned argument about which would benefit PH the most.

BUSINESS STUDIES

<p>Paper 0450/22 Case Study 22</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 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 **part (a)** and **part (b)** questions for application. In this particular case study, candidates were expected to refer to a business that manufactures sports safety equipment. It is advisable for candidates to ask themselves about the size of the business, what it produces, and the type of business organisation.
- 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 a linked chain of argument or 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

Many candidates had been well prepared for this examination and clearly understood what was expected of them. However, other candidates had business knowledge but were unable to do more than make simple statements which limited their marks, particularly for the **(b)** questions. The context of SSE, a manufacturer of sports safety equipment, provided an accessible scenario for candidates. Those who applied their answer to the context of SSE achieved higher marks. The majority of candidates seemed to have time to complete the paper and attempt all questions.

Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed. However, there was an increased number of candidates where it was clear that some topics were not well understood, these included factors affecting which source of finance to use, barriers to communication and how they might be overcome, how break-even charts might be helpful to a business and the effects of depreciation, tariffs and quotas. Candidates should ensure they are prepared to respond to answer questions on the whole syllabus, as they could gain some marks by using business terms confidently.

Overall, there were a number of good scripts but there were a significant number of weaker ones. Application marks were often gained but candidates need to make sure that different examples of application are included in the **(a)** questions, and that the conclusion/recommendation in **(b)** questions is also applied to the case. Many responses to **(b)** questions had a lack of analysis and evaluation which 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 made to secure Level 2 and Level 3 marks in conclusions and recommendations.

Comments on specific questions

Question 1

- (a) The majority of candidates were able to identify two appropriate advantages of using specialisation when producing products. The most popular advantages were increased efficiency, increased output, increased quality and time saved. Many candidates were able to develop their explanation of why this was an advantage to the business. However, some candidates focused on the advantages of the business specialising in one product rather than the benefits of specialisation by workers doing specific tasks. Candidates could have increased their marks by explaining why specialisation resulted in this advantage, the consequences for the business, and by applying their answer to the business in the case, with different examples of application for each advantage.
- (b) Generally, most candidates had sound knowledge of the advantages and disadvantages of both market research methods. However, only stronger candidates were able to do more than simply list them. These candidates developed their points and provided chains of analysis enabling them to move into the higher level mark bands. Some weaker candidates got the two methods the wrong way round or did not read the question and gave examples of primary and secondary research which limited their marks. Many candidates included good answers for one type of research but then gave mirror answers for the second type. For example, primary research is time consuming and expensive, and secondary research is quick and cheap. Stronger candidates were able to include comments such as primary research is up to date, and although it is more expensive, it would enable the company to produce a product that was more likely to sell as they understood the tastes and preferences of potential customers. Few candidates accessed the Level 3 mark band due to repetition of previous explanation in the conclusion. Many candidates managed to include some application in their answers, usually for reference to the various sorts of helmets.

Question 2

- (a) This question was not well answered as many candidates attempted to suggest four sources of finance instead of four factors that need to be considered before making a choice about which source of finance to use. Candidates who answered this question correctly often referred to the legal form of the business, amount required, purpose for the finance, interest rate/cost of the finance, duration for payment, size of the business and existing debt. There were no application marks available for this question so the explanation should have been about how the factor affected the decision when choosing between different sources.
- (b) The majority of candidates demonstrated good knowledge of the two different channels for the business to use to distribute its products in other countries. Candidates clearly understood the difference between ecommerce and selling to a large retailer and were able to include developed chains of reasoning as to why the channel may have an advantage or a disadvantage. Stronger candidates referred to the availability of ecommerce 24/7 but said that customers could not try on the helmets. They discussed SSE being able to establish a relationship with their customers directly through ecommerce. Some candidates included mirror points regarding the trying on of helmets such as a website does not allow customers to try on the helmet, but a retailer can. Many candidates included statements about transport costs but did not consider whether the customer might pay for delivery, or that it might increase costs for SSE if delivering to many different individual customers. Stronger candidates considered that SSE had to find retailers to buy their products and that they would be able to sell large quantities of helmets to these retailers. Many candidates discussed the price of the helmets that might be charged online or in the shops, but the reasoning was not always clear that this was about the retailer's mark-up. Weaker candidates thought that the website would mean SSE did not have to open their own shop which was not what was suggested by the question. Better responses often recommended that being able to try on a helmet to ensure a good fit would make large sports retailers the better choice, even though they would mark-up the price of the products, as they would buy in bulk and provide marketing support, possibly making it easier to enter these new markets.

Question 3

- (a) This question was well answered, and the majority of candidates had a good understanding of the advantages and disadvantages of internal recruitment. Popular advantages included: the person is already well known to the business, no induction training will be required as the person is already aware of SSE's operations, it is cheaper, and that the appointment can be motivating so other staff may work hard to gain a future promotion. Popular disadvantages included: jealousy amongst colleagues, a lack of new ideas, and that internal applicants may not have the required skills for management. A minority of stronger candidates realised that internal recruitment would create another vacancy which had to be filled externally. To gain higher marks candidates needed to develop their explanations, in particular the disadvantage, and provide different examples of application in the advantage and disadvantage sections.
- (b) This question proved to be the most challenging on the paper for candidates, with 'problems with the medium used' the hardest of the three barriers. It was relatively easy for candidates to identify the use of jargon or messages being sent to the wrong person as a problem with the sender, or different time zones and different languages for the receiver, and not giving feedback to the sender was a common barrier. The point in the question about being in different countries was often overlooked by weaker candidates with suggestions of noticeboards and face-to-face meetings being both problem areas and possible solutions. The majority of answers given by candidates remained as simple statements, such as lack of feedback or language barriers, meaning few candidates moved out of the lowest level mark band. To move to a higher mark band candidates needed to develop their explanation of why the barrier arose, and why the barrier resulted in less effective communication. Solutions were offered in the main body of the answer but not always in the conclusion. Many conclusions were just a repeat of the information previously given or did not discuss how the barrier identified was the easiest to overcome beyond just making short statements, such as change the media used, or the sender should use simple language. An error by a few weaker candidates was that the sender and receiver referred to the delivery of products and not to communication.

Question 4

- (a) The majority of candidates found this question difficult. Better responses focused on what the break-even chart showed in terms of margin of safety, whether SSE was making a profit or loss at different levels of output, and the output required to cover all costs beyond which profit was made. Weaker candidates stated it showed total cost or total revenue but kept this as a simple statement rather than adding why it might be helpful. Only a few stronger candidates took advantage of the numerical data from the chart to include in their answers, such as the break-even level of output was 750 units, or the margin of safety was 250 units. The explanation for each way needed to be applied and this was often limited to one of the ways and rarely for all four ways.
- (b) Many candidates did not read the case study carefully and therefore made incorrect assumptions about the effects of the three changes on the business, leading to many low scoring answers. Candidates did not always realise that SSE manufactures and sells in Country Z and imports raw materials into Country Z for the purpose of making helmets in that country. The effect of quotas was the best answered of the three changes, with candidates realising it was a limit on how many helmets SSE could export to other countries. Stronger candidates developed their explanation to suggest that demand was unlikely to be satisfied by the restriction on the quantity of imported helmets, revenue would fall as sales would be limited and hence profit was likely to be lower. A minority of candidates thought a quota was a tax on imports. Stronger candidates understood that the depreciation in the currency would lead to an increase in the cost of imported raw materials which would mean either prices may be increased, or profits would fall. Weaker responses did not make it clear which country was being referred to, such as 'prices would fall' which could be true if the candidate was referring to exports but incorrect if they were referring to imports. Only stronger candidates realised that SSE would not be directly affected by the introduction of an import tariff, but that it would make them more competitive against imported helmets as the tariff only affected imported helmets therefore leading to higher sales for SSE. A minority of candidates thought the tariff applied to imported raw materials. As reference to helmets was in the question some candidates did not apply their answers as they just repeated helmets. Only stronger candidates were able to develop their discussion of the effects of the changes and then make a judgement as to which change would have the greatest effect on profit, as well as why the other two changes were likely to have less effect.

BUSINESS STUDIES

Paper 0450/23
Case Study 23

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 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 **part (a)** and **(b)** questions for application. In this particular case study, candidates were expected to refer to a business that will build specially designed houses for people with disabilities. It is advisable for candidates to ask themselves questions such as the size of the business, whether it is a service business or manufacturer, and the type of business organisation.
- 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 a linked chain of argument or 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 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 BB, a house building business, provided an accessible scenario for candidates. Those who applied their answers to the context of BB achieved higher marks. The majority of candidates seemed to have time to complete the paper and attempted all questions. There were very few examples of no responses to a question.

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 reasons why profit is important to a business was not as well understood.

Overall, the standard was good with 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 apply the conclusion/recommendation to the case in **(b)** questions. A lack of a developed chain of reasoning and justified evaluation resulted in answers remaining in the lower level mark bands. 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 of **(b)** questions.

Comments on specific questions

Question 1

- (a) This question was generally well answered with many candidates identifying differences such as liability, sources of capital, legal formalities and continuity. The explanation did not need to be applied to the context as this was the generic question. The difference needed to be made clear and not just an answer such as a limited company can sell shares and a partnership cannot. Some answers were too vague to score any marks, such as 'has many owners'.
- (b) The majority of candidates could name the three leadership styles and state simple advantages/disadvantages. Better responses then discussed the implications of using a leadership style, for example, higher labour turnover/absenteeism, improved efficiency and the problems of managing the 2 unskilled workers. Some answers included mirror points which should be avoided, such as democratic leadership results in more motivated employees/autocratic leadership style leads to employees being less motivated. Laissez-faire was the least well understood of the three leadership styles. The strongest responses included the implications for the business of each leadership style which enabled candidates to include a justified recommendation of the best style to choose and why the other styles were less suitable. Answers that were applied often included reference to the 8 skilled workers, 2 unskilled workers, people with disabilities or specially designed houses.

Question 2

- (a) The majority of candidates were able to name two or three methods of primary market research with interviews, questionnaires and focus groups being the most popular. The fourth method was sometimes more difficult for candidates to identify, and they incorrectly included sampling or methods of secondary research. The second mark required the explanation to be in the context of the business in the case often. This proved more difficult and if included, often used the same application for each method rather than including different application for each method.
- (b) The majority of candidates gained some credit for stating advantages and/or disadvantages for the three pricing methods. Cost-plus was the best understood of the three methods, but points were often listed rather than developed which kept answers in the lower level mark band. Weaker responses often confused penetration pricing with skimming or thought that penetration pricing was competitive pricing. Better candidates who did understand the three methods developed their explanations in terms of being able to cover costs, increase/decrease sales and the likely impact on profit. Better candidates also recognised that there were no direct competitors and so there was no real need to have low prices by using penetration pricing. Application was most often credited for answers that referred to houses specially designed for people with disabilities.

Question 3

- (a) This question was generally well answered by most candidates as they had a good understanding of job production. However, the benefits of job production were generally better understood than the limitations. The most popular benefit was houses being specifically designed to meet the needs of the customers and the limitation most often listed was slow production/time consuming. Generally, the explanations of the benefit and the limitation were relevant and within the context of people with disabilities and building houses. A few candidates were not familiar with job production and answered from the perspective of mass/flow production. Application marks were often gained by those candidates offering correct explanations.
- (b) This was a high scoring question for those who were able to calculate the profit for the 2 houses being built and then justify which house should be chosen to be built. Better candidates also recognised that house B had more potential customers or if choosing house A they realised that BB could build it without a loan or further finance whereas house B would need more finance than the \$90 000 invested to start the business which would not cover the total cost. Weaker candidates misread the figures in Appendix 1 and assumed the 10 per cent and 30 per cent were from the whole population, so some calculations were incorrect, but this did not usually make any difference to the marks as there were other statements that were correct. Weaker responses did not go beyond simple comparisons of the figures in Appendix 2. A few very weak candidates copied out the figures without any comment to show understanding and consequently achieved no marks.

Answers that achieved at least some marks generally gained application for use of the figures in Appendix 2.

Question 4

- (a) This question was generally well answered by candidates. They recognised that imported raw materials would cost more and that demand for BB's houses may fall as the cost of other essential imported items of equipment, such as wheelchairs, would cost more leaving less income to spend on a house. A minority of candidates mentioned that exports would be cheaper but, given the nature of the product produced by BB, this was not relevant. A few weaker candidates confused depreciation and thought it meant imports would be cheaper or answers were vague and did not make it clear which product the candidate was referring to, for example 'it will become more expensive'.
- (b) Candidates found this question difficult. There was limited understanding of the reasons why profit is important. A few candidates mixed up the reasons, for example providing answers for measuring success as the reward for risk taking. The first option also had repetition of the question with candidates saying profit was a reward for risk taking as they had taken a risk and therefore deserved a reward. Weaker candidates also seemed to be confused over who was getting the reward and spoke of the reward for employees. Some candidates discussed the reason for profit itself, which is not what the question was asking. Source of finance was often described as necessary to pay operating costs rather than to finance investment. Some alternative ways of measuring success were given, recognising this was a new business. Because few responses moved into the Level 2 mark band there were few examples of answers that moved up into Level 3.