

BUSINESS STUDIES

Paper 0450/12 Short Answer/Data Response

Key messages

- Greater precision is needed when providing definitions. They do not need to match the coursebook word for word, if the meaning is clear.
- Candidates are 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.
- 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. It should build on the analysis 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 overall standard was high with most candidates demonstrating good subject knowledge. Weaker responses did not include relevant application or analysis. Most candidates struggled to access the evaluation marks.

It is pleasing to see many candidates using application in their answers. Application does not have to be difficult – any appropriate reference from the scenario can be used to support the point being made. A different point of application is required for each answer given within the same question.

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

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

Comments on specific questions

Question 1

- (a) This question was poorly answered by some candidates. The best responses correctly identified relevant motivators including recognition and achievement. Typical wrong answers confused motivators with hygiene factors. Others identified levels from Maslow's theory of motivation.
- (b) This question produced a range of answers. The best responses gained marks for identifying relevant features such as quick communication and a short chain of command. Many answers lacked precision. For example, using words such as 'higher' instead of 'wide' when referring to span of control. Others made vague statements about communication being easier or effective when they needed to highlight the speed of communication.
- (c) Good knowledge was evident in most responses. Correct answers recognised a niche market would have less competition, and higher prices were possible. Application was often awarded for appropriate references to hotel or recognising it was a luxury service. A common mistake was

repetition as some candidates reused the same application for both answers. There was a common misconception that a niche market would allow for higher revenue or greater profit. This is not necessarily the case.

- (d) This was a well answered question. Most candidates could identify appropriate sources of finance including retained profit or bank loans. Better responses were able to explain an advantage of the named source. Application was frequently awarded for an appropriate reference to hotel or partners. A common mistake was to identify short-term sources of finance such as overdraft. Some discussed options including sale of shares which are only available to limited companies, not a partnership. Others identified disadvantages of the sources, which the question did not require.
- (e) It was clear that most candidates were familiar with the two main types of market research, and many gained all the available marks for knowledge and analysis. Evaluation was limited or not attempted. Instead of providing a supported decision, most candidates offered a summary of earlier points made. A common mistake was to explain the role of market research rather than focus on the advantages and disadvantages of primary or secondary market research. Others defined the terms or identified examples such as questionnaires, which was unnecessary. Instead of analysis, additional points of knowledge were often identified. Candidates also need to avoid providing mirror answers for example secondary market research may be out of date whilst primary is up to date, as this will only be awarded once.

Question 2

- (a) Many candidates understood that a sole trader referred to an individual running the business. The best answers were able to provide a precise definition. A common mistake was to repeat the word 'sole' without mentioning that this referred to a single individual.
- (b) Most candidates could identify at least one way with grants, and lower taxes being typical correct answers. A common mistake was to identify reasons why a government might help start-ups. There were vague comments about finance, location and workers which could not be credited. Others repeated similar points for both ways.
- (c) Good knowledge was evident in most responses with lower prices and increased advertising being popular answers. Application was often awarded for an appropriate reference to chocolate or being in a competitive market. A common mistake was to repeat the same application for both answers. Others repeated the words from the question, referring to best-selling product without realising words in the question do not count as application.
- (d) This question was well answered. Most candidates gained knowledge marks for identifying reasons such as improved brand image or customer loyalty. The best responses were then able to explain how these could allow a business to increase sales, revenue or market share respectively. Some focused on what would happen if there was poor quality. Such answers were credited, but it is better to answer the question set to avoid confusion. Application marks were often awarded for appropriate references to chocolate, sole trader or its best-selling product. Weaker responses struggled to develop points and jumped straight to profit, without explaining why this would increase.
- (e) This question produced a range of responses. Good knowledge was evident in many responses. Better responses developed points, for example recognising that a high-quality image could lead to additional sales. Evaluation was rare. The best responses discussed other pricing methods and used the comparison between the methods as the basis for evaluation. Instead of development, many identified additional knowledge points. A common mistake was to confuse price skimming with penetration pricing. Others misunderstood the question so wrongly focused on possible issues when selling a new product rather than discuss whether price skimming was the best pricing method to use.

Question 3

- (a) This question was generally well attempted. The best answers were able to provide a precise definition. A common mistake was to assume working capital is the day-to-day costs rather than the funds used to pay them. Others confused the term with capital expenditure.

- (b) Those candidates who knew the formula for profit margin generally gained full marks. A common mistake was to omit the $\times 100$ from the formula or the % sign from the final answer. Others wrongly expressed the answer in dollars. Candidates must include the relevant units in calculation questions.
- (c) This question was well answered, with most candidates gaining at least two marks. A common mistake was to repeat the same point for different benefits. For example, increase sales and access to more customers. Others identified advantages to the country rather than the business itself. Many assumed that a multinational company (MNC) would have higher profits, which is not necessarily true.
- (d) Candidates were clearly familiar with the concept of sustainable development, and many gained full marks on this question. The best answers included relevant references to candles and factory which linked their answers to the context. However, some candidates struggled to develop the points. Instead of explaining how the way would contribute to sustainable development, they focused on the advantages of being sustainable including better brand image and sales. These were answers to a different question. Others made vague comments about protecting the environment without saying how this would be achieved.
- (e) Most candidates showed good knowledge of production methods. Better responses developed points, for example explaining how batch production allowed for a variety of products which could increase sales, and flow production allowed for high output. Evaluation was limited with most candidates tended to provide a summary of earlier points made. A small number of candidates confused the different methods suggesting batch production allowed for continuous production while flow production provided flexibility. Instead of analysis, many identified new points of knowledge. Some defined the terms which was unnecessary.

Question 4

- (a) This question was generally well answered with most candidates identifying at least one example of a service. A common mistake was to repeat the same point for both answers. Other responses lacked precision. For example, many made vague statements about selling or customer service which could not be awarded.
- (b) This question produced a range of responses. Correct answers recognised that any profit made was reinvested in the business and recognised a social enterprise might want to provide social benefits. The most common mistake was to identify government objectives.
- (c) Most candidates could identify at least one benefit of having part-time workers with flexible hours and lower wage costs being typical correct responses. Only the best answers gained both application marks. A common mistake was to use the same point of application for both answers. Others did not attempt to link their answers to the context, so missed the opportunity to gain application. Any suitable reference to 10 employees or the business selling books could have been awarded.
- (d) Most candidates clearly understood the concept of training and as such there were many good answers to this question. For example, training could ensure better quality service which leads to a better reputation or improved customer loyalty. Such responses used the information provided to link answers to the context of the social enterprise business. A common mistake was to refer to production or output, which was irrelevant as the question was about a service sector business.
- (e) Good knowledge was evident in most responses. Better answers understood that an increase in the minimum wage could increase motivation leading to greater efficiency or if the business had to pay employees higher wages this would increase costs. The best answers used the contrast between these two points as the basis for evaluation. For example, the increased costs could be minimised by the additional efficiency of its motivated employees. A common mistake was to confuse minimum wage, which is a legal control with ethical considerations. Others wrongly assumed that if employees were paid more than the minimum wage they would be paid less.

BUSINESS STUDIES

Paper 0450/22 Case Study

Key messages

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

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

General comments

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 CR, a new start up manufacturing luxury rugs, provided an accessible scenario for candidates. Those who applied their skills to the context of CR boosted their marks much further. The majority of candidates seemed to have time to complete the paper and attempt 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 majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood, such as the functions of management. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by using business terms confidently.

Candidates should be reminded to contextualise their answers and not provide generic textbook responses. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 3(a)** a number of candidates just listed and then explained an advantage and a disadvantage of holding inventory without any application of the answer to CR. Better responses interpreted the advantage and disadvantage and explained how they would be relevant to this business, such as to ensure there was sufficient inventory to meet sudden increases in demand for luxury rugs keeping customers satisfied.

Overall, the standard was good with few very weak scripts. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and conclusions/recommendations should also be 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 to secure level 2 and level 3 marks in conclusions and recommendations.

Comments on specific questions

Question 1

- (a) Many candidates demonstrated sound knowledge of reasons why a new business is at greater risk of failing than existing businesses. Lack of finance, lack of experience, lack of demand, difficulties entering a new market especially one dominated by large successful business were the most popular. The majority of candidates gave at least two or three valid reasons although weaker answers repeated the reason as explanation, hence restricting the marks that could be awarded. Stronger responses explained that for example a lack of experience may have resulted in poor planning and poor decisions being made.
- (b) This question was not as well answered as might have been expected. Better answers fully explained the advantages and disadvantages of the two types of business ownership and then went on to not only explain their choice but also justify why the alternative was rejected. Both types of business organisation could have been chosen with suitable justification given and indeed were given. The main reason for not accessing the higher levels were that advantages and disadvantages were listed and the consequences of the advantage or disadvantage for the business were not explained. There were many answers that remained generic, and this also limited the marks that could be awarded. Another common mistake was to list an advantage of a sole trader e.g., keep all the profits and then give the mirror of this point for private limited companies e.g., had to share the profit, again this limited the marks that could be awarded.

Question 2

- (a) Many candidates were able to give the names of two functions of management. The two that were most common were planning and organising. However, the explanation did not always match the function. Weaker responses confused the explanation with a different function. Some candidates could not name a function but could gain some credit for explaining the function. Weak responses gave the role of a manager instead of the function.
- (b) Many candidates were able to compare the two locations, such as Location A has a lower electricity cost than Location B. Many candidates were also able to calculate the total cost for both locations, \$1000 for Location A and \$2200 for Location B. Better responses calculated the reduction in output due to power cuts, average/unit cost before and/or after power cuts. Only strong responses moved to level 3 in the recommendation as answers needed to contain level 2 analysis for each location, before moving to level 3. As the selling price was not provided in the data candidates could not justify the choice of one location based on profits. Weaker answers simply repeated the figures given in Appendix 2 and used such words as high/low/cheap/expensive which do not reflect any comparison of the locations.

Question 3

- (a) The majority of candidates could outline an advantage and a disadvantage of holding inventory. The most popular advantage was to meet unexpected demand and therefore build good customer relationships. The most popular disadvantage was higher warehouse or storage costs. However, weaker responses gave higher cost, without being specific as to the details of this cost. This was often explained in the response but candidates do need to be specific about which costs are affected.
- (b) Good responses were produced by many candidates in this question to demonstrate their knowledge and understanding. What continues to remain lacking is detailed discussion of the points raised. Popular answers identified that selling through their own shop could allow customers to physically check the quality of rugs before purchasing, therefore making sales more likely. Selling online could reach a wider/global market although there is a high level of competition on the internet. There were also many comments regarding the lack of trust of the internet and potential scams. Selling through wholesalers would mean CR could sell in bulk, could carry out marketing and reduce the need for CR to store goods. Better answers identified one or two advantages and/or disadvantages for each option and were able to provide detailed discussions that led to level 2 and then level 3 in the recommendation. Weaker conclusions tended to just repeat the previous points made earlier in the answer.

Question 4

- (a) This question was answered well by the majority of candidates with many of references to revenue and bank loans as inflows and raw materials/rent/wages/electricity as outflows. However, being unable to provide different application for each inflow/outflow reduced marks. Rugs was the main application seen in answers but it was often repeated in every response. The bank loan often did not include the amount of \$20 000 and so missed out on application. Weaker responses confused cash with profit and therefore incorrectly identified retained profit or profits as sources of cash inflows.
- (b) This was well answered by many candidates. It was often identified that when taxes on income were reduced, it led to higher disposable income which could mean there was higher demand for luxury rugs. Also, when the tax on business profits reduced, it was likely to lead to higher retained profit which could be a source of capital to the business. The majority of candidates could identify that an increase in interest rates would mean higher cost of borrowing and possibly less profits for the business or that consumers would be less likely to take out bank loans to make purchases. Weaker responses remained with basic statements and did not develop their answers to explain the implications for CR, hence remaining in the level 1 mark band. This also often meant that the conclusion did not include sufficient analysis to move to level 2.