Principal examiner reports for teachers

Principal examiner reports for teachers summarise what candidates did well and what candidates needed to improve for this examination series only.

This report is to be used in conjunction with the question paper and mark scheme.

For guidance on teaching and learning we provide resources for many of our syllabuses.

Resource	**Where to find it**
Grade descriptions – Grade descriptions describe the level of performance typically demonstrated by candidates achieving the different grades awarded for a qualification.	School support hub Select: Subject > Resource finder > Syllabus and specimen materials
Schemes of work – Schemes of work are designed to support you in your teaching and lesson planning.	School support hub Select: Subject > Resource finder > Teaching and learning
Lesson planning – Guidance on how to plan a lesson.	Lesson planning
Resource plus – There may be additional resources such as teaching packs containing lesson plans, resources and worksheets and videos for aspects of your syllabus.	School support hub Select: Subject > Resource finder > Teaching and learning
Teaching tools	Teaching Tools
Exemplar candidate responses	School support hub Select: Subject > Resource finder > Teaching and learning
Learner guide – A guide for students to help them understand what the course involves.	School support hub Select: Subject > Resource finder > Teaching and learning
Community forums – Do you have a question or something to share? Our online forums are great way to keep up to date with your subject and the global Cambridge community.	Community forum on the school support hub
Access to scripts for this series.	Access to scripts service
Results analysis is available for some syllabuses.	Results analysis
Test maker is available for some subjects.	Test maker

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BUSINESS STUDIES

Paper 0450/12
Short Answer and Data Response

Key messages

What candidates did well
- Good subject knowledge was shown in many responses.
- Some candidates did not attempt to link points made to the context. Where included, many reused the same application for both points rather than provide a different contextual reference for each point.

What candidates needed to improve
- Candidates would benefit from including greater precision when defining terms. Responses do not need to match the coursebook word for word, if the meaning is clear.
- Candidates should be reminded that relevant reference from the scenario should be used to support the point being made for part **(c)** and part **(d)** questions.
- Candidates need to develop each point made differently to access the analysis marks.
- Effective evaluation was rare. A decision alone or summary of earlier points is not evaluation. Candidates should be encouraged to include a clear decision and provide a supporting reason for the decision based on the points discussed. For example, explaining why the chosen point of view/option is better than the alternative discussed.

Comments on specific questions

Question 1

(a) **Comprehensive responses**
- These responses included both key elements of the term, namely that a private limited company sold or issued shares and that these shares were sold to friends and family only.

Limited responses
- Candidates tended to describe features such as limited liability rather than define the term.
- Some responses confused private limited company with private sector businesses.
- Some candidates confused selling shares with whom the business sold products to so referred to customers rather than shareholders.

(b) **Comprehensive responses**
- Answers indicated an understanding that sustainable development referred to businesses operating in an environmentally friendly way or included examples such as not causing pollution and conserving resources for future generations.

Limited responses
- Many candidates could not provide a full definition of the term as the responses did not mention who the environment was being protected for, namely future generations.
- Some identified how the business could be sustainable rather than define the term.

(c) **Comprehensive responses**
- Most candidates were familiar with the advantages and disadvantages of primary market research. These responses then accessed the application marks for linking their answers to the context. For example, recognising up-to-date information could be helpful when making toys or it being expensive could add to MCL's cash flow problems.

Limited responses

- Many outlined an advantage and disadvantage without linking their responses to the scenario of this toy manufacturer. Where included, candidates often repeated the same application for both responses.
- Some confused primary market research with secondary market research.

(d) **Comprehensive responses**

- Most candidates were clearly familiar with ways to overcome a cash flow problem.
- These responses then explained how ways such as bank loan and delaying payments to suppliers could help increase cash inflows or reduce cash outflows respectively.
- Good use of the information from the stem was made to link the point to the context, with appropriate references to toys and recycled plastic.

Limited responses

- To access analysis, candidates needed to explain the effect of actions taken on cash inflows or cash outflows which some did not do. For example, many identified advantages of selected methods rather than focus on how it would help overcome the cash flow problem. Some candidates identified ways to increase profit rather than improve cash inflows.
- Some confused the concepts of trade payables with trade receivables.
- A few candidates explained why there might be a cash flow problem rather than explain ways to overcome it. It is important to read the question carefully.

(e) **Comprehensive responses**

- Good knowledge of distribution channels was shown, and these candidates were able to explain how points such as retailers providing promotion could help lower advertising costs or selling to a wider market could increase revenue.
- These responses also considered the advantages and disadvantages of other channels, including how direct selling allows customer contact, while wholesalers buying in bulk can help reduce storage costs.
- Candidates tended to use the comparison between two different channels of distribution as the basis for evaluation.

Limited responses

- These responses could identify an advantage or disadvantage of using a retailer or could name one other channel of distribution.
- Many could not develop the points. Instead of analysis, most identified a new point of knowledge.
- Evaluation was rarely evident. Where attempted, this tended to provide a summary of points already made rather than offer a justified reason for their decision.

Question 2

(a) **Comprehensive responses**

- Many candidates were able to provide a full definition. Such responses included both necessary elements – namely ownership and government.

Limited responses

- The reference to ownership was a key element of this term. Some responses needed more precision by referring to the government owning the business rather than simply running it.
- Other responses confused the public sector with public limited company by referring to shareholders owning the businesses.

(b) **Comprehensive responses**

- These responses could identify at least one benefit with increased productivity, higher output and improved quality being typical choices.

Limited responses

- Many were able to identify one benefit. Some repeated a similar point for the second benefit. For example, productivity and efficiency, which are classed as alternates.
- Others made vague statements about working harder.

(c) **Comprehensive responses**

- Many candidates could identify four relevant stages. Typical correct answers included job description, person specification, advertising the vacancy and interviewing.

Limited responses

- Some candidates described activities rather than identify the stage. For example, 'listing the tasks they will need to do' instead of job description.
- A common misconception was to assume training is a stage in the recruitment process.
- Others confused stages of the recruitment process with factors to consider when selecting which employee to recruit.
- A few repeated the same answer twice. For example, person specification and job specification which are the same stage.

(d) **Comprehensive responses**

- Candidates who understood the concept of on-the-job training were able to explain both an advantage and disadvantage of this method of training. Typical correct answers focused on points such as its low cost could reduce its expenses and the fact that bad habits could be passed on by the trainer which could lower quality or damage its reputation.
- Application was frequently demonstrated through appropriate contextual references to public sector, healthcare and people aged 70 and above.

Limited responses

- Some confused on-the-job training with induction training which is a different concept.
- Others identified general benefits of training, for example, increase motivation or improve skills.
- A few candidates defined the term which was unnecessary.
- A small number of candidates included references to production whereas the question was based on a service sector business.

(e) **Comprehensive responses**

- Candidates showed good knowledge and analysis of communication methods. For example, explaining how emails having a written record that could help avoid misunderstandings.
- A comprehensive answer could have considered the advantages and disadvantages of using emails and then decided whether the advantage discussed were greater/less than the disadvantage discussed. Another approach was to consider the advantages of other methods of communication, including meetings or phone calls, and use the comparison between the methods as the basis for evaluation.

Limited responses

- Most candidates could identify relevant knowledge. Instead of developing points, these responses often identified new knowledge.
- Some answers used phrases, such as easier or effective, without indicating why this may be the case.
- Others referred to visual communication or face to face without citing an actual method.
- Most candidates could not show effective evaluation as they tended to summarise points already made rather than offer a justified reason to support their decision.

Question 3

(a) **Comprehensive responses**

- These candidates were able to provide a full definition of the term. Such responses recognised that economic growth involved an increase in gross domestic product (GDP) and that this increase occurred over time.

Limited responses

- Many candidates understood that it referred to increase in GDP. Several responses omitted the time element.
- Some identified features of 'economic growth' including lower unemployment or higher living standards rather than define the term.
- Others reordered the words to suggest that it involved the economy growing which showed no understanding.

(b) **Comprehensive responses**

- Correct calculations of the value of KYX’s margin of safety were provided including suitable working to support their answer of 3000 units.

Limited responses

- Many candidates divided the values rather than subtracting the break-even output from the current output. This lead to incorrectly calculating the answer to be 1.3 rather than 3000 units.

(c) **Comprehensive responses**

- Two relevant reasons were outlined, with typical correct responses including meeting unexpected demand, maintaining or increasing output, and benefiting from economies of scale.
- Good use of the stimulus material was shown in these responses. For example, recognising the country was experiencing economic growth and that the business made beds.

Limited responses

- Some candidates repeated the same point about demand for both responses.
- Others made vague statements about expanding the business without indicating why high levels of inventory would be needed to achieve this. For example, ‘to maintain or increase output at the new site’.
- ‘To meet increased demand’ was often linked to the application point of the demand increasing by 30% which was the same point.

(d) **Comprehensive responses**

- Good knowledge of sources of finance was shown by these candidates. They were then able to explain how sources such as bank loan could raise a large amount or how issuing shares involved no repayment.
- Such responses gained application for recognising this was a public limited company and/or that it made beds.

Limited responses

- Some candidates identified internal sources of finance, such as retained profit, which the question excluded as it asked for external sources. Others identified short-term sources, such as overdraft, which are not appropriate to fund capital expenditure.
- Some defined the terms, such as crowdfunding, which was unnecessary.
- Other responses needed greater precision. For example, candidates should avoid using vague terms such as ‘easy’ without explanation. A clearer response would be that a bank loan is quicker to obtain rather than simply ‘easy to get’.
- Many repeated ‘factory’ as application, which was not appropriate as it was already stated in the question.

(e) **Comprehensive responses**

- Responses focused on the factors including labour and raw materials. These candidates explained how cheaper raw materials could reduce production costs and the skilled labour might produce high quality products or be more efficient.
- Evaluation was often evident through explanations that labour may be less important because the business may be capital intensive, which is less reliant on large numbers of employees but still requires materials to produce products.

Limited responses

- Most candidates listed knowledge points.
- Many candidates needed to develop knowledge points made. For example, if there are few available employees nearby, the business may need to increase the amount of pay offered, which could increase its labour costs. Without analysis, it is not possible to access evaluation.
- A few candidates did not recognise the importance of the word ‘manufacturing’ in the question so they focused on factors such as competition which are more relevant to service sector businesses.

Question 4

(a) Comprehensive responses

- The key element of a business plan was that it included business objectives. Comprehensive responses recognised this and then proceeded to name another element such as details of its operations or finance. Instead of identifying another element, others stated uses of a business plan.

Limited responses

- Some candidates did not include any reference to objectives which was the primary element.
- Others did not expand on the point about objectives by naming another element or use of a business plan.

(b) Comprehensive responses

- Responses correctly identified two relevant business objectives, with profit and survival being typical choices.

Limited responses

- Some stated growth or ways of growth as an objective which can't be considered as it was explicitly excluded in the question.
- Others identified activities a business may take to reach that target. For example, lower costs could help increase profit.

(c) Comprehensive responses

- Comprehensive responses recognised two distinct examples of diseconomies of scale in context, with poor communication, difficulties in control, and low motivation being typical problems outlined.
- These candidates then made good use of the information provided to clearly link each point to the context. For example, recognising that the business managed websites and that it had 25 business customers.

Limited responses

- Some candidates did not identify a problem. For example, 'needing more employees' is not a problem – it is the lack of finance or the additional cost to pay the employees that represents the problem.
- Other responses needed precision. For example, 'difficult to manage' or 'more cost' were used without indicating why or how this might be the case. Rather than using vague words such as 'manage', responses needed to be more specific, such as explaining that it would be difficult to control or coordinate the business.

(d) Comprehensive responses

- Most candidates understood the potential impact on ASW of an increase in taxes. Namely, it could lower demand, increase costs and decrease profit.
- These responses were able to explain two relevant effects of an increase in taxes on the business. For example, explaining how lower profits could reduce the funds available for reinvestment or fewer sales could lead to lower revenue.
- Application was evident for relevant references to websites, business objectives and 25 businesses to support their answers.

Limited responses

- Many could not develop points made. Instead of analysis, these candidates repeated the knowledge point. For example, lower demand could result in less sales or demand.
- Some did not attempt to apply their answers to the scenario. Others used the same contextual application such as website for both points.
- Some candidates confused taxes with interest rates which is a different concept.
- A small number of candidates included references to production whereas the question was based on a service sector business.

(e) Comprehensive responses

- Good knowledge of the opportunities and threats of globalisation were evident in these responses. Access to cheaper materials or labour with the development of lower costs was

often cited as an opportunity whilst increased competition which could lower sales was a likely threat.
- Comprehensive answers then attempted to make a judgement about whether opportunities were greater than threats. For example, they recognised that lower costs could result in lower prices which may help the business remain competitive resulting in some additional sales despite the increased competition.

Limited responses
- Many candidates needed to develop the knowledge points made. Instead of analysis, candidates tended to list new knowledge.
- Evaluation was limited or not attempted. Where attempted, these candidates summarised points already made or identified new points rather than explain whether the stated opportunity was greater or less important than the threat discussed.
- A number of candidates confused globalisation with the benefits and drawbacks of multinational companies, which is a different concept.
- Others incorrectly focused on the effects of globalisation on the country or consumers. Some discussed the impact of tariffs, not recognising these would be reduced.

BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

- There was an error in the Insert where there was an inconsistency between the number of years the café had been open and the information in Appendix 3. This has been corrected in the published version of the Insert. The error was discussed at the examiners' meeting before marking began. The examiners considered the impact on candidates based on the answers they had seen for **Question 4(b)**. Changes to the marking approach for this question were agreed to make sure that no candidates were disadvantaged by the issue.

What candidates did well
- Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed.
- Many candidates applied their answers to the context of Coffee, Tea and Desserts (CTD).

What candidates needed to improve
- Some candidates had minimal understanding of some topics such as internal and external growth, cost-plus pricing and the effects of higher interest rates.
- Candidates should look at how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Each 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.
- Candidates are expected to apply their business knowledge and understanding to an unseen case study apart from in one **(a)** question that will usually be generic. Applying answers to the case will ensure responses are appropriate for the given situation. The conclusion/recommendation should also be applied to the case in **(b)** questions.
- Candidates need 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 descriptions; a few well-developed points are more effective than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. 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 refer to why the alternative option(s) was rejected.
- Candidates should consider the consequences/implications/long term/short term/balance issues of their decisions to secure a Level 2 or Level 3 in the conclusion/recommendation.

Comments on specific questions

Question 1

(a) **Comprehensive responses**
- Most candidates understood the reasons why some businesses might remain small and clearly explained these reasons including owner's preference where the owner did not want to manage, or felt they lacked the skills to manage, a larger business.
- Many candidates understood that a lack of finance was also a reason and then explained that smaller businesses may not be able to access sufficient capital to grow the business.
- Many candidates also explained that the type of industry a business operates in and the market size were also reasons for a business remaining small. Certain industries where a personal service was required or a niche market where demand was limited also resulted in businesses remaining small.

Limited responses

- Some candidates could only state the reason and did not explain why this resulted in a business remaining small.
- Some candidates could only state and explain two or three reasons.
- Some candidates incorrectly believed that reducing competition and avoiding a takeover were reasons why a business remained small.

(b) Comprehensive responses

- Many candidates could outline advantages and disadvantages of quality control and quality assurance. Common answers included the increased cost of remaking products when using quality control and that it eliminates errors before a customer receives the product, although it may be difficult to identify where the fault occurred. For quality assurance, common responses were that it reduced wastage, there was a need to train all employees and that can be expensive.
- Points were often linked to the idea of having a high-quality product and were clearly applied to the case study in the Insert.
- Recommendations were well justified, in context, and considered why one method was likely to be better for CTD and why the alternative method was considered less important.

Limited responses

- Some candidates gave a list of the advantages and disadvantages and then did not explain how these affected CTD.
- Some candidates only provided definitions without explaining their impact on the business in the Insert.
- Some candidates reversed the two concepts and incorrectly referred to employing inspectors as part of quality assurance.
- Some candidates did not understand the terms quality control and quality assurance at all.

Question 2

(a) Comprehensive responses

- Most candidates provided clear explanations of both the advantages and disadvantages of cost-plus pricing. The main advantages identified were that it is easy to apply, ensure costs are covered, and each sale earns a profit for CTD. Among the disadvantages, common responses included that sales might be lost if the price is higher than competitors', and that there is no incentive to reduce costs.
- Many candidates applied the advantages and disadvantages by referencing the sale of deserts, tea and coffee, that the business is a cafe, the business is a sole trader, food and drinks are served and the number of employees being 8 or 12.

Limited responses

- Some candidates demonstrated some knowledge and did not apply their answers to the case study.
- Some candidates incorrectly thought that the business should simply charge a higher price and therefore make more profit.
- Some candidates showed limited understanding of cost-plus pricing and were unable to identify appropriate advantages and disadvantages.
- Some candidates did not recognise that the benefit was profit per item and not a total profit.
- Candidates should be encouraged to always think about the impact on the business in the Insert as well as remembering textbook advantages and disadvantages.

(b) Comprehensive responses

- Many candidates had knowledge about the aim of promotion to encourage new customers and creating brand loyalty.
- Most candidates provided basic statements about increase in sales/customer base and increase in market share for encouraging new customers. For creating customer loyalty, repetitive buying from the business and word-of-mouth advertising were common answers.
- Most candidates recognised new customers may purchase only once and not return again.
- Many candidates recognised that increased sales would lead to increased revenue and that the business name and brand would become more well known to people and regular

customers leading to increased brand loyalty. The consequence of which will be to increase the popularity of CDT's cafes and be supportive in their expansion programme.

Limited responses
- Several candidates focused on how these aims could be achieved and not why each promotion aim was the most appropriate in this context.
- Some candidates stated that CDT needed to make people aware of the business and that their beverages were enticing and welcoming. These points were often not developed.
- The conclusion was not well answered by most of the candidates, as repetition dominated most of their responses.
- Some candidates did not link their responses to promotion and provided generic responses such as new customers will result in more sales which could actually be achieved using both aims.

Question 3

(a) **Comprehensive responses**
- Most candidates gave responses that short-term finance was used to pay day-to-day expenses and avoid/solve cash flow problems, whereas long-term finance was used for expansion and buying non-current assets.
- Most candidates applied their answers by referring to desserts, tea/coffee, food, drinks and café.
- Many candidates explained the reasons for both types of finance.
- Some candidates gave examples of appropriate sources of finance for each section, most popular were overdraft for short-term and bank-loan for long term.

Limited responses
- Some candidates switched the reasons for short-term finance with those of long-term finance.
- A few candidates mentioned inappropriate sources for the size and ownership of the business.

(b) **Comprehensive responses**
- Many candidate responses showed a good understanding of the two forms of business growth and the advantages and disadvantages of both internal and external growth.
- Many candidates analysed the two methods of growth.
- Common responses for setting up a new café included high set-up costs, taking control of the layout or design of the café, being time-consuming looking for a suitable location, employing her own workers and increased sales/revenue. Reduced competition, less recruitment and training costs as the competitor already has trained employees, already having an established customer base, more control over pricing, increasing market share and different management styles leading to conflicts were responses for taking over a competitor.
- Some candidates considered the current culture and practice of this café as well as the attitude of the current employees was possibly either an advantage or disadvantage to CDT.

Limited responses
- Some candidates included vague statements, such as noting that acquiring a competitor's café would be expensive. The underlying reasons for this, including goodwill, integration costs, or market value, were not explained.
- Some candidates incorrectly interpreted the taking over of a competitor's café as going into a partnership or franchise and a few discussed the need to share profits and decisions with the owner of the competitor café.
- Some candidates were concerned that the existing café may have a bad reputation that could impact future sales for CTD.
- Some candidates gave generic statements that could apply to both options.

Question 4

(a) **Comprehensive responses**

- Many candidates were able to identify decrease in sales/demand/revenue, higher interest costs and making it harder for CTD to expand. Many included explanations for the issues raised and also did that in context.
- Common correct answers included people saving rather than spending, and the increased cost of borrowing to fund expansion.
- Most candidates applied their answers to the context with mention of desserts, tea/coffee, food, drinks, café and an increase in interest rates from 2% to 6%.

Limited responses

- Most candidates understood the impact of an increase in interest rates and did not analyse this impact through lending or saving for this particular business. Many directly linked the increase in the interest rate to a rising cost of raw materials, reduction in disposable income and the reduction in profit without explaining the link.
- Some candidates incorrectly saw interest rates as some form of revenue for the government or thought it meant inflation increased.
- Some candidates suggested that CTD's prices would seem high compared to other cafes, not realising that possibly all businesses would be affected by the increase in interest rates.

b) **Comprehensive responses**

- Some candidates' responses indicated a good understanding of what it entails to recruit a manager in the context of this particular business. All used the information from the relevant source material and some included simple calculations to support comparisons.
- Some candidates recognised employing Anaya would create a further vacancy. Many thought that employees would be jealous of Anaya rather than motivated by her appointment. Several candidates distinguished between induction training, which Anaya would not require, and managerial training. Bella not requiring managerial training saves time as she can start straight away. Some candidates included 'can bring new ideas'.
- Some candidates distinguished between short and long term costs when weighing up the cost of training against the wage costs. For Saahan, some felt that coming from a competitors café would mean they were not loyal/trustworthy. Some felt Saahan may lack communication skills to talk to customers and that Bella's wage could be subject to negotiation.
- Some candidates did make comparisons in the recommendation and many brought out the argument that Bella can start working right away, as she does not require any training.
- Some candidates considered the short and long run effects on a particular applicant which would reduce costs. A few suggested that Bella could increase efficiency in the running of the café due to her better experience.

Limited responses

- Some candidates mostly repeated information from the appendix instead of comparing the three applicants in context. Even where there were some comparisons the unique selling points of each applicant were left out or not mentioned.
- Most candidates did not go beyond the information provided in the Insert and only made simple comparisons such as the wage was higher or they had less experience.
- Most candidates did not include any wage calculations, or they included a calculation for one applicant and not the other two.