

# BUSINESS STUDIES

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

This is the second year for this new version of the syllabus. Small differences in the weighting of the assessment objectives since 2020 have resulted in some changes in the mark scheme.

**Part (c)** of each question continues to have four marks. However, one of the **part (c)** questions each session is a generic question, **Question 4(c)** in this paper. The remaining **part (c)** questions continue to be applied questions which assess knowledge and application.

**Part (e)** of each question no longer includes marks for application. Many candidates continue to try to apply their answers to the case study which uses valuable time.

Questions which require application refer to the business in the scenario by name. Candidates should be reminded to use information from the stem to help answer **parts (c)** and **(d)** when appropriate as this provides the basis for application.

## General comments

Questions requiring definitions and knowledge, such as **parts (a)** and **(b)** of each question were not well answered this session. Many candidates were unsure of the terms or needed to be more precise when defining them. This was a particular issue in **Questions 1(b)**, **3(a)** and **4(a)**.

Weak understanding of business terminology was also an issue in a number of other questions notably, **Questions 1(d)**, **1(e)** and **2(c)**. Understanding the usefulness of business documents requires further study for many candidates. This was an issue within **Question 1(c)**.

For most **part (c)** and all **part (d)** questions, candidates are required to link each point made to the context outlined within the stem of the question. Candidates should be reminded to use a different point of application and analysis for each point of knowledge. Each application point can be credited only once within any question.

Effective evaluation is an area which requires development. Candidates should be reminded that evaluation should include a justified decision that follows on from the points raised in the answer, not a repetition of points already explained. The mark scheme for each **part (e)** question includes an example of how evaluation may be demonstrated in the answer.

## Comments on specific questions

### **Question 1**

- (a) The majority of candidates were able to identify two distinct features of this type of business organisation. A common error was to confuse a sole trader business with an entrepreneur. Some candidates therefore incorrectly stated characteristics that an entrepreneur may possess such as risk taking.

- (b) Candidates were sometimes unsure of the meaning of this term. Some candidates provided the formula. Although a formula is not a precise definition, as required in the question, candidates were awarded for showing awareness of the term. A common mistake was to define starting capital rather than working capital.
- (c) This question required application to the business stated in the stem. Candidates needed to clearly understand the topic of break-even as many struggled to explain how the information would be used by a business. A common error was to state that break-even would show the profit made, rather than the potential profit at any level of output.
- (d) The concept of added value was not well understood by many candidates. Most candidates struggled to explain how changing packaging would add value to a drink, instead they explained how this would attract more customers. These answers could not be credited. The best responses explained that changing packaging would improve perceived quality allowing a higher price to be charged therefore increasing the profit margin on each drink. The impact of cheaper materials was better understood although candidates struggled to fully develop their answers to gain the analysis marks available.
- (e) The strongest answers recognised that free samples are most appropriate for food items where customers may be persuaded to purchase by the taste. Very few candidates were able to provide an effective evaluation for this question. Most offered simple decisions without justification, or repeated points previously stated in the answer. Some candidates confused methods of sales promotion and methods of advertising. They often stated that free samples were not appropriate and then discussed at length the methods of advertising that might be suitable instead. These candidates showed no knowledge of the concept of sales promotion and therefore their answers were not credited.

## Question 2

- (a) Well answered by many candidates. Some candidates needed to show awareness that these companies have production or service operations in many countries.
- (b) Generally, a very well answered question.
- (c) This was one of the more challenging questions for candidates. The strongest candidates explained how JIT could reduce the space needed to store stock of car parts, but it requires a reliable supplier to ensure production continues. Many candidates stated incorrectly that no warehouse space would be required or confused inventory control with JIT production. This question also required application to the business in the question stem.
- (d) Although candidates showed awareness of the concept of economic growth, the focus of their answers was frequently incorrect. Only the strongest responses were able to explain how the decision to build a new factory would be affected by this situation. Even the most successful candidates struggled to develop their points sufficiently to gain analysis marks. A common error was to describe how economic growth would benefit the local population with no reference to NSN's decision to build a new factory.
- (e) This was a very challenging question for candidates. Although candidates were aware of the issues surrounding the introduction of technology many needed to address their answers directly to the question set, in this case the benefit to (all) employees. Some candidates discussed the impact on the business rather than the employees. The strongest candidates discussed the benefits of safer working conditions and the risks of redundancy. Very few were then able to make effective evaluative comments. A significant number of candidates gained one mark only for knowledge that workers may lose their jobs.

## Question 3

- (a) This was the most challenging question on the paper for most candidates. Very few were able to offer a clear and precise definition of the term. A significant number of candidates did not attempt the question.

- (b) Candidates were confident in their understanding of this term. Many provided clear and precise definitions. A small but significant number of candidates confused stakeholders with shareholders.
- (c) Good knowledge of this topic was evident. A variety of different correct answers were provided. A common error was to give imprecise answers such as 'for growth'. To gain credit for this point the candidate would need to state that profit could be used as a source of finance for growth. Some candidates missed out on the application marks available by not referring to the business in the question.
- (d) The strongest answers identified delegation and team working as ways to involve employees in decision-making. Many of these answers were effectively applied to the business in the stem of the question, a paint factory. However, some candidates repeated the same point of application which could only be credited once. Even the most successful candidates often struggled to explain how the identified ways would work. Many candidates misunderstood the question and incorrectly explained a list of different decisions that employees could be allowed to make such as the colour of paint.
- (e) Candidates who explained that wholesalers buy in large quantities and advertise the products on behalf of manufacturers scored highly on this question. Even the most successful candidates struggled to fully develop their answers to make an effective decision and gain evaluation marks. A mistake made in the weakest responses was to confuse wholesalers and agents. These candidates often explained in some detail how the wholesaler would help a business to sell in a foreign country. These answers were not credited.

#### Question 4

- (a) This term was not well understood. The weakest responses frequently repeated the phrase stating that cost of sales is the cost of making sales. Several candidates provided the method by which cost of sales would be calculated. Although this is not a precise definition of the term it was credited in this instance as showing understanding of the meaning of the term. Candidates should be encouraged in future sessions to learn precise definitions rather than methods of calculation.
- (b) Many candidates provided correct calculations for both figures. Weaker responses were unsure of the calculations required and a wide variety of incorrect answers were provided. The correct answers were revenue of \$900 000 and expenses of \$320 000.
- (c) Many candidates showed good knowledge of the stages in the recruitment process and gained all marks available. Some candidates stated incorrectly that training was part of the recruitment process. Candidates often lost marks through imprecise use of language such as stating 'applying' rather than 'application forms sent/received'.
- (d) There were many good answers to this question which made effective use of the information provided in the question stem. The strongest answers explained how clear communication would ensure employees completed their tasks correctly and would be motivated. Candidates who identified speed of communication as a point often did not link this to decision-making and therefore did not gain the knowledge mark. A significant number of candidates discussed the importance of feedback but did not link this to customer preferences in this cinema chain. These answers could not be credited.
- (e) Many candidates demonstrated appropriate knowledge but were unable to fully develop their answers to show analysis. The most common knowledge shown was that shares would be a permanent source of capital and loans would need to be repaid with interest. The strongest responses recognised the effect on the business of increased debt or limits to decision-making. The weakest responses focussed on the issue of limited liability which would not be an important factor in this decision.

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

- Many candidates would benefit from a more precise understanding of key business terminology when answering questions requiring definitions.
- A significant number of candidates missed out on application marks. Candidates should be reminded to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application.
- Candidates should not repeat the same application for both points. The same analysis point should not be used twice in the same question.
- Effective evaluation is an area which requires attention. Candidates should be reminded that evaluation must include a justified decision that follows from the points raised in the answer, not a repetition of points already explained. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.
- Candidates must read each question carefully to ensure they have the correct focus in their answer.

## General comments

There were some gaps in knowledge and understanding, but overall, candidates showed sound knowledge of many concepts. However, many struggled to access the application, analysis and evaluation marks.

The questions requiring definitions and knowledge, such as **part (a)** and **(b)** of each question were generally well attempted. However, many candidates needed to be more precise to gain both knowledge marks.

For most **part (c)** (excluding **3(c)** which only assessed knowledge) and all **part (d)** questions, it is important to link each point made to the context. To do this, candidates should use the information from the stem to ensure that the points raised are appropriate to the context. A different point of application should be used for each point made.

Many candidates included analysis in the **part (c)** questions and application in the **part (e)** questions. This was unnecessary and these candidates lost valuable time trying to analyse points or apply their answers to the case study.

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

## Comments on specific questions

### Question 1

- (a) A well answered question. Most candidates understood that the secondary sector involved the production of goods. Better responses stated these were made from raw materials, allowing them to gain the second mark.
- (b) This question proved challenging for most candidates. A common error was to identify demand as a factor, without mentioning that it was the predictability of demand which needed to be considered. Others misread the question and identified advantages of just-in-time inventory control.

- (c) Good knowledge was evident in some responses. The best responses then linked both points to the scenario to access the application marks. Others repeated the same application for both answers, which can only be awarded once. A common error was to confuse the term with quality assurance. Others incorrectly outlined reasons why quality was important.
- (d) This question produced a range of responses. Many candidates showed good knowledge of communication barriers. Candidates who did well were then able to develop their points in context. Instead of analysis, some candidates explained the impact of poor communication and not how the barrier arose. Others made vague statements about miscommunication, but these points needed further clarification to show why this may be the case. Language was often stated as an issue without identifying how this caused a barrier. For example, the use of jargon or speaking different languages. A small number of candidates identified solutions which the question did not require.
- (e) This question was poorly answered by most candidates. Better responses recognised that a business could focus on the needs of that customer whilst recognising having a single source of income was a risk. Only the strongest responses were able to offer relevant analysis and evaluation. Judgements tended to simply repeat the previous knowledge points, and so were not credited. A common mistake was to state that it was risky or that customers might leave without identifying the impact on the business. Some candidates assumed that a single customer might only buy a few items which is not necessarily true. Others misread the question so discussed ways to increase the number of customers.

## Question 2

- (a) Many candidates understood that variable costs will change, but only the strongest responses were able to provide a precise definition. A common mistake was to simply reorder the words, which does not show understanding. Other candidates confused the term with fixed costs, total cost or revenue.
- (b) It was clear that many candidates were unfamiliar with the limitations of break-even analysis. Some candidates were able to identify one limitation such as it assumes that all output is sold. Incorrect answers often focused on vague statements about it being 'time-consuming' or 'inaccurate' which were not awardable. A number of candidates did not attempt this question.
- (c) Many candidates were able to outline at least one advantage. However, many used the same point of application for both responses, therefore limiting the marks that could be accessed for application. Many candidates struggled to outline a second advantage. A common error was to make vague statements about lower administration or transport costs but without outlining why, namely, it would be lower than direct selling. Some misread the question so discussed the disadvantages of having its own shops.
- (d) This question differentiated well between candidates. Candidates who did well were able to explain why a business might try to protect the environment. For example, a better reputation could increase sales, but higher costs could result in higher prices. The strongest answers linked the points made to the context. A common mistake was to repeat the knowledge point, rather than develop it. Some candidates had the wrong focus so explained ways a business could damage the environment or how a business could help to protect the environment.
- (e) Most candidates understood the difference between an entrepreneur and a manager and gained knowledge marks for identifying characteristics or functions respectively. A common mistake was to state managers 'manage' without identifying how this would be done. Only the strongest responses attempted to develop the points made. For example, if managers can motivate employees, productivity may increase. Very few candidates were able to make effective evaluative comments on this question. Weaker responses were descriptive as candidates offered additional points of knowledge rather than analysis.

## Question 3

- (a) This question was well answered by most candidates.
- (b) The majority of candidates were able to correctly calculate the values for gross profit, \$3800, and profit, \$1400.

- (c) This question produced a range of responses. Many candidates gained full marks for identifying four ratios. Weaker responses tended to repeat similar points, which could only be awarded once. Others identified items from financial statements which are used to help calculate the ratios. A number of candidates did not attempt this question.
- (d) This question produced a range of responses. Candidates who did well were able to explain that a higher price could mean fewer customers for the hotel or that lower demand would result in less revenue. Some candidates repeated the same point for both answers which could only be awarded once. There were many misconceptions about taxation. Taxation is collected on behalf of the government so does not benefit the business. Some candidates stated it would increase the business costs without explaining why and others needed to understand that the tax would affect its competitors as well.
- (e) This was a challenging question for many candidates. Stronger responses were able to explain how building customer relationships could help improve brand image which could attract new customers or increase customer loyalty. Weaker responses needed to develop the points made. Instead of analysis, many just repeated that it would build customer relationships. Incorrect answers included identifying ways to increase sales such as promotion or improved product quality. Many tried to apply their answers to the scenario, which was unnecessary. Of those that did make a judgement, most tended to repeat earlier points made or simply stated whether it was the best way or not.

#### Question 4

- (a) Generally, a well answered question. A common mistake was to identify advantages of a public limited company rather than features. Some candidates wrongly assumed a limited company is owned by the government.
- (b) This was a difficult question for most candidates. Some recognised that team building was an example of level 3 – social needs. However, most struggled to classify ‘employee of the month’ awards. A common incorrect answer was self-esteem instead of esteem. A significant number of candidates did not attempt this question.
- (c) Good knowledge was evident in most answers. A common error was to include points of analysis which could not be awarded as this question only assessed knowledge and application. Some candidates missed the application marks available by not referring to the business in the stem. Had they mentioned greater efficiency when designing websites or lower labour turnover of its 250 employees, this could have gained the application marks.
- (d) This question was poorly answered. Many candidates were able to identify an advantage or disadvantage, typically no interest must be paid or a potential loss of control. Application and analysis marks were rarely awarded. Instead of analysis, some candidates identified another point or repeated the knowledge which had already been credited. Many suggested that issuing shares is a source of finance, but this was stated in the question. Others incorrectly assumed that issuing shares is quick, shares generate revenue or that dividends must be paid.
- (e) This was the most challenging **part (e)** question. Most candidates found it difficult to identify why using employees might be a good way to measure size, or not. Knowledge marks were generally awarded for identifying alternative ways. Only the strongest responses were able to offer relevant analysis and evaluation was rare. Many candidates made vague statements about capital, output and efficiency which were not awarded. Some wrongly stated profit as a method to measure the size of a business.

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

- Many candidates would benefit from a more precise understanding of key business terminology when answering questions requiring definitions.
- Candidates should be reminded to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application.
- Candidates should not repeat the same application for both points. The same analysis point should not be used twice in the same question.
- Effective evaluation is an area which requires attention. Candidates need to make a supported judgement which should follow on from the points raised in the answer, and not simply repeat points already made. An example of an answer which includes evaluation can be found in mark scheme for each **part (e)** question.

## General comments

Overall, many candidates showed sound knowledge, but found application, analysis and evaluation more challenging.

Questions requiring definitions and knowledge, such as **part (a)** and **(b)** of each question were generally well attempted. However, most candidates lacked the necessary precision to gain both knowledge marks.

Most **part (c)** (excluding **4(c)** which only assessed knowledge) and all **part (d)** questions, it is important to link each point made to the context. To do this, candidates should use the information from the stem to ensure that the points raised are appropriate to the business. Candidates should use a different point of application for each point made.

Some candidates included analysis in the **part (c)** questions and application in the **part (e)** questions. This was unnecessary and these candidates lost valuable time trying to analyse points or apply their answer to the case study.

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

## Comments on specific questions

### Question 1

- (a) The majority of candidates were unable to give a precise definition of a private limited company. Most understood that it involved being able to sell shares to friends and family but did not make clear that shares represented ownership of the business. A common mistake was to say it was privately owned, which is true for any private sector organisation.
- (b) Many candidates were unsure of the meaning of this term. The strongest responses often provided the formula: total costs divided by total output. A common mistake was to repeat the word 'average'.

- (c) Most candidates could identify at least one way and were able to link their answer to the scenario to gain an application mark. A common error was to repeat a similar point for both ways. Other candidates identified legal issues, which were not relevant.
- (d) It was clear that many candidates were unfamiliar with the concept of Kaizen. Although some knew it could improve efficiency, even the most able candidates struggled to develop their points sufficiently to gain analysis marks. Instead of development, many repeated the knowledge point. A common mistake was to define lean production or Kaizen which the question did not require. There were vague statements about time, money and less waste. Others confused Kaizen with quality assurance. A number of candidates did not attempt this question.
- (e) Many candidates found this question difficult. Although they were aware that off-the-job training was expensive, most were not able to develop their points to show analysis or evaluation. Weaker responses tended to offer mirror arguments which could only be rewarded once. Others ignored the fact that the question referred to new machinery. This meant existing employees would not have the necessary experience of using the equipment, so points about passing on bad habits were not relevant in this context. Other candidates discussed general benefits of training. Of those that attempted an evaluative comment, this was often not supported, or simply restated knowledge already awarded.

## Question 2

- (a) Many candidates were aware that unemployment meant people did not have a job. Better responses were able to provide a precise definition. A common mistake was to describe the term word-for-word, for example having no employment, which did not show any understanding.
- (b) Only the strongest responses gained full marks on this question. Candidates were generally more successful at identifying cash outflows than cash inflows. Many lost marks for imprecise answers. A common mistake was to identify elements of an income statement such as revenue, profit or costs rather than identifying the cash inflow or outflow. Other candidates used single words such as 'loans' without stating it was the money received from the loan or the loan being repaid.
- (c) There were some good answers to this question which recognised that grants do not incur interest but that there might be restrictions imposed as to how the funds could be used. The best answers used information from the stem to link points to the context. Other responses showed limited or no knowledge of grants. Many wrongly assumed that the grant would need to be repaid. Some misread the question so focused on why businesses need finance or outlined reasons why a government might support business start-ups.
- (d) This question was well-answered by many candidates. Strong responses provided a clear explanation, in context, as to how the closure of a competitor and an increase in minimum wage might affect Asmaa's business. Some candidates did not link their answers to the scenario so missed the opportunity to gain application marks. A common mistake was to explain the effect on revenue or profit. Other candidates stated it would affect the cash flow without specifying the impact on cash inflows or outflows. Some misread the question and wrongly assumed competition had increased.
- (e) Many candidates struggled to answer this question effectively. Good knowledge was evident in some responses, but most candidates needed to expand their answers to gain the analysis or evaluation marks. Weaker responses included vague statements such as 'swap jobs' without identifying the method, which the question required. Instead of analysis, many candidates repeated that 'it would motivate', without explaining how this would be achieved. Some responses had the wrong focus so discussed the impact on the business or general advantages of employees being well-motivated.

## Question 3

- (a) This question was generally poorly answered. Candidates frequently described features of economic growth, such as falling unemployment, rather than defining the term. There were many vague statements about the economy doing well or growing.
- (b) A significant proportion of candidates were unable to provide a precise definition of secondary market research. Many repeated the words market and/or research without specifying the type of

information involved. Others identified examples or uses of market research which were not required.

- (c) Many answers to this question were confused. Better responses outlined in detail how offering a quality service could increase added value. Application was often awarded for recognising Samuel owned a plumbing business. However, even the strongest responses struggled to gain the second application mark. Other candidates misinterpreted the question by outlining ways to increase sales or the advantages of high quality rather than focusing on added value.
- (d) Most candidates could identify at least one disadvantage. Better responses were able to develop points such as unlimited liability to explain how this represented a disadvantage. Only the best answers included application. Some suggested there would be a 'lack of ideas' or 'having to do all the work' which ignored the fact that a sole trader can still employ people.
- (e) This was the most challenging question on the paper for candidates. Even the best responses struggled to gain more than two or three marks. A common mistake was to confuse penetration pricing with price skimming. Many candidates made vague statements about low prices while others simply stated that cost-plus pricing was a price based on costs. None of these answers were credited. Analysis and evaluation were rarely awarded. A number of candidates did not attempt this question.

#### Question 4

- (a) Most candidates understood that flow production either produced a large level of output or involved continuous production. Better responses were able to provide a precise definition. There were two common errors. Some candidates simply defined production. Others repeated the word flow or used alternative names such as mass production which did not define the term.
- (b) This question was correctly answered by the majority of candidates. The output per worker per week in 2020 was 1240.
- (c) This question only assessed knowledge. Successful candidates provided clearly identified factors such as whether feedback was needed or who the message was being sent to. Weaker responses made reference to cost, time or reliability, which on their own were too vague to be credited.
- (d) This question confused many candidates. Better responses correctly explained how import tariffs could increase the price resulting in lower demand, whilst language differences may mean the business has to change the packaging which increases costs. Common mistakes were to confuse tariffs with quotas or assuming that tariffs are paid by the exporter. In the second part, a common error was to state that language created a communication barrier without explaining what the barrier was.
- (e) This question was poorly answered. Many candidates understood that having a wide product range could attract more customers and help spread risk. Most candidates then needed to develop their answers to gain the analysis marks. Instead of analysis, many repeated the knowledge point. They could have mentioned that higher sales could increase revenue. Mirror arguments were common. For example, a wide range could attract more customers while a small range could result in a smaller customer base. Such points can only be awarded once. Some candidates misread the question so focused on the size of the business rather than the width of the product range. Others wrongly assumed that a wider range would automatically mean lower quality.

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| <p><b>Paper 0450/21</b><br/><b>Case Study</b></p> |
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## Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **part (a)** questions that is generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a business that manufactures soap powder.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- 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 repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

## General comments

Candidates were prepared for this examination and understood what was expected of them. The context of SSM, a soap powder manufacturer established twenty-five years ago, provided an accessible scenario for candidates. Those who applied their answers to the context of SSM were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, to make sure they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of many of the topics from the syllabus that were assessed, but in some instances, it was clear that a few topics were not as well understood. The weakest understanding was apparent in the topic areas of economies of scale, ways in which a business can grow and the economic environment in which businesses operate.

There were a few examples where candidates had continued an answer to a question in the extra space provided on the blank pages at the end of the question paper. Candidates should make it clear that there is a continuation of the response and where the answer can be found.

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

### **Comments on specific questions**

#### **Question 1**

- (a) Candidates demonstrated good knowledge of the benefits and drawbacks of specialisation. The most common answers focused on the benefits of highly skilled workers who were able to produce high levels of output with fewer mistakes. Drawbacks included the boredom from the monotony of performing the same task repeatedly. Weaker responses confused a discussion about specialisation with points about flow production. Stronger responses achieved full marks because they made a valid point and then developed it with reasoning. This was the only question on the paper that was generic so there was no need for application to the case study.
- (b) Candidates were required to consider the problems rather than the benefits of entering new markets in other countries. Stronger responses noted that cultural differences presented a problem of different traditions regarding the use of soap powder and then developed their explanation of how this would affect the marketing strategy for SSM. Lack of knowledge would make it difficult for the business to compare its product to that of the competition and may make it hard to know which retail outlets would be appropriate to use. Some weaker responses were more confident in discussing the problem of import restrictions due to tariffs and quotas. Stronger candidates included a justified conclusion about the most serious problem faced by SSM, and also justified why the other problems were less significant. A minority of candidates wrongly assumed that SSM was going to manufacture rather than market soap powder in other countries.

#### **Question 2**

- (a) Many candidates were able to outline methods of both internal and external growth. Some responses explained about the process of a takeover or merger which would allow SSM to remove some of their competition and provide access to new ideas and customers. Strong responses often suggested developing new products aimed at a different sector of the market, thereby resulting in diversification in the business. Weaker responses considered the options of new sources of finance rather than growth of the manufacturing business. Two of the available marks were awarded for application to the case study so it was relevant to refer, for example, to the decision to expand the factory and to sell soap powder in other countries.
- (b) Many candidates were able to access Level 1 marks by explaining that the main advantage of primary research was to acquire first-hand, relevant, and comprehensive data about the specific market. The key advantage of secondary research is to obtain data about the whole market quickly and without too much expense. Weaker candidates tended to stray away from the question and discuss disadvantages. Stronger candidates linked the benefit of the research method to an appropriate sales strategy to achieve Level 2. For example, data from secondary research would allow SSM to learn about their competitors' range of soap products and consider their own advertising and pricing strategy to maximise sales. Answers were often applied by including reference to the customers' habits of washing clothes and the soap powder market. Stronger responses included a recommendation that justified one method of research, giving a reason for this choice without simply repeating earlier points, and then justified why the alternative method was rejected. The recommendation also needed to be in the context of this business which manufactured soap powder. Weaker recommendations simply repeated earlier points without any further development of the answer to justify why a particular method was chosen.

#### **Question 3**

- (a) This was a well-answered question. Motivation was a topic that was clearly understood by many candidates and a wide range of suitable answers were offered such as increasing wages, paying a bonus, using job rotation or job enrichment. Four marks were awarded for identifying the motivational factors, but candidates were then required to apply each point to the context of SSM to earn the remaining four marks. For example, the increase in wages would be given to all sixty production workers and job rotation would help to solve the problem that they often complain their jobs are boring. Some responses lacked this development.
- (b) This proved to be a difficult question for candidates. Some stronger responses stated that large scale production would bring the benefit of buying in bulk with a discount. This would have earned Level 1 credit but further development of the point to explain that average or unit cost would therefore be lower was needed to achieve Level 2. For financial and managerial economies of

scale, it was important to link the point made to how it would result in reducing average cost. This would access the higher levels. Some candidates used the case material well, referring to ingredients for soap powder, the need to obtain \$15 m for expansion and the management of factory workers on many different production lines. Stronger answers included a conclusion that explained the greater benefit of one economy of scale and then justified, in context, why the other two economies of scale would have less benefit.

#### Question 4

- (a) Many candidates demonstrated sound knowledge of how to overcome cash flow problems. There was some very useful information in Appendix 2 to help candidates apply their knowledge to this business context. Better responses mentioned reducing the number of debtor days from the current level of 60 to the previous levels of 40 or even 20. This would increase cash inflow. Similarly, using the case study, strong answers suggested increasing creditor days from the current level of 20 to the previous level of 30 or 40. This would reduce cash outflow. Weaker responses wrongly entered into a discussion about profit rather than cash flow.
- (b) This question was answered by many candidates in a simple way, showing limited understanding. Increases in the overall level of employment in Country Y would make it more difficult for SSM to fill job vacancies if fewer people were seeking work. Employers may have to pay higher wages to attract more skilled workers. An increase in inflation would result in higher prices for the ingredients to make soap powder which would push up the selling price of the product, thus possibly reducing demand. Stronger responses identified more than one consequence of each economic change and were able to make a link to the level of profit earned by the business. In the conclusion stronger responses explained which economic change would have the most impact and justified why the other would have less impact, making relevant use of the case study material to support their decision.

# BUSINESS STUDIES

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## Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **(a)** questions that is generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a business that manufactures playground equipment for children.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only achieve 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 a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

## General comments

Many candidates had been well prepared for this examination and clearly understood what was expected of them. The context of PPE, a manufacturer of playground equipment for children, provided an accessible scenario for candidates. Those who applied their skills to the context of PPE were the most successful.

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 there were an increased number of cases where it was clear that some topics were not well understood, these included crowd-funding, leasing, development costs for a new product, pricing methods and functions of management. Candidates should ensure they are prepared to respond to answer questions on the whole syllabus, as they could earn basic marks by using business terms confidently.

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

## Comments on specific questions

### Question 1

- (a)** Candidates were able to identify appropriate reasons why a business may remain small. The most common answers focused on the owner's own objectives, lack of finance, the difficulties in managing a larger business for a sole owner, better relationships with customers and specialised products having a small market. Weaker responses included basic statements such as 'the owner

wants the business to remain small to be able to spend more time with her children'. Stronger responses developed this point; 'if the business was to expand then Kaari would have to spend more time managing the business and less time with her family. She chose to keep the business small so that her objectives could be met'. Candidates often made good use of the case material to apply their answers, for example by referring to Kaari's desire to spend more time with her children or having to carry out all the management roles herself. A minority of candidates incorrectly thought it was because she did not have enough employees.

- (b) Many candidates suggested a partnership or private limited company as they are realistic types of business organisation for PPE, given that it is currently a sole trader business employing 3 people. Some candidates ignored the word 'suitable' in the question and focused on examples such as public limited companies, franchises or joint ventures. Weaker candidates could identify appropriate advantages and disadvantages, but these were often just listed points such as 'a partnership can lead to disagreements and it has unlimited liability'. Stronger candidates developed their explanation of what made these points an advantage or a disadvantage. For example, the disagreements in a partnership could result in slower decision-making leading to a loss of opportunity for the business to react quickly to changes in consumer wants, and therefore have lower sales than they might have had. Some weaker candidates explained what the capital was to be used for, which was not what was asked for in the question or confused limited/unlimited liability. Application of answers usually included reference to playground equipment being produced or that \$20 000 is needed to purchase the new machinery. Stronger candidates made a decision and justified it with more than just a repeat of the advantages and disadvantages included earlier in the answer. There was also justification of why the alternative type of business organisation was rejected. A minority of candidates clearly did not understand the question and chose to discuss market-led versus product orientated, short chain/long chain of command or autocratic versus democratic leadership.

## Question 2

- (a) This question was answered well with candidates showing good knowledge and understanding of job production. Popular advantages were that the individually designed products met customer needs resulting in a higher price being charged, higher motivation from more varied tasks and customer satisfaction leading to increased sales. Popular disadvantages were the low output, higher wage costs due to employing skilled employees, expensive to correct an error once it had occurred and it takes longer to produce the products leading to possible loss of customers who are unwilling to wait. No application was required for this question, but several candidates tried to apply their answers. If the question does not make any reference to the case then it is generic.
- (b) Many candidates showed good knowledge of the three ways to obtain the new machinery. Although weaker candidates gave vague explanations of crowd-funding, stronger candidates made it clear that crowd-funding has very little cost, no interest to pay and does not have to be repaid but recognised that it might need to be returned if the full amount is not raised and that competitors may steal the idea. Bank loans were well understood, even by weaker candidates, although a statement such as higher cost is too vague and should say why costs may be higher. Less successful responses showed some confusion about leasing, for example stating that PPE was leasing out its own equipment. Stronger responses included analysis of why the advantage was a benefit to PPE or why the disadvantage would give PPE a problem. For example, a bank loan has interest charged and the disadvantage of this is that the repayments will raise expenses for PPE and may result in lower profits. A weaker response would stop at interest will be charged. Answers were often applied by including reference to the machinery being used to produce playground equipment or that PPE needs \$20 000 to purchase this new equipment. Better responses included a recommendation that justified one method, such as a bank loan, giving a reason for this choice without simply repeating earlier points and then justified why the alternative methods were rejected. The recommendation also needed to be in the context of this business producing playground equipment. Weaker recommendations simply repeated earlier points without any further development of the answer to justify why it was chosen.

## Question 3

- (a) Many candidates confused making a product with developing a product. Better answers made it clear that costs for market research and prototypes would need to be paid and these costs may be high with the risk that the costs would not be recovered if the new product was not successful. The cost of market research was often where candidates stopped as they found it difficult to develop

this further. Risk of failure from the wasted cost of unsuccessful prototypes or cost of materials for the trial were answers seen less frequently. The benefits of developing new products were often better explained than the costs, particularly the benefits of increased sales opportunities, higher sales and having a USP. Fewer answers focused on the competitive advantage, having a more diversified range and spreading risk. The fact that the new product is playground equipment and unique with no other similar products available were the most common examples of application within answers.

- (b) Pricing methods were generally well understood. However, a number of candidates confused price skimming with penetration pricing and reversed the price level with skimming having low prices and penetration having high prices. Cost-plus covering costs as well as making a profit, easy to apply and giving a profit on each item sold were popular answers. Stronger answers went on to argue that this would make them uncompetitive if it led to prices higher than competitors and may result in lower sales. For penetration pricing it was recognised that this made it easier to enter a new market with lower prices making the new product attractive to customers. Better answers went on to recognise that this may lead to lower revenue if the quantity of sales was not sufficient to make up for the reduced profit per item. Skimming having a high price due to the unique product was often given as the main advantage, but better answers went on to argue that this may deter potential customers if it is too high especially lower income groups, encourage competitors to enter the market and that lower sales volume may lead to a lower profit. Stronger candidates used the case material well, realising that the product was high-quality and had unique features that meant limited competition. Weaker answers simply stated an advantage and a disadvantage of each pricing method rather than developing their point to show why it was an advantage or a disadvantage to PPE. Stronger answers included a conclusion that justified the choice of one pricing method and then justified in context why the alternative two methods were less suitable for the launch of this new product.

#### Question 4

- (a) This proved to be a difficult question for candidates. Stronger responses identified the required management functions as listed in the syllabus, for example organising and planning. Where the functions were identified this then needed to be explained in terms of the business in the case study. For example, organising could have been explained as 'needing to organise the 3 employees with their work tasks for production'. A number of candidates did not answer this question, suggesting that this is an area of the syllabus that they were less familiar with.
- (b) The information provided in Appendix 2 was accessible and most candidates could correctly calculate the total revenue and total costs for each of the items of playground equipment. The correct gross profit for each of the items was not always included but stronger responses included the gross profit margin as well. The weakest responses tended to just repeat the data in Appendix 2 without commenting on it and therefore showed no understanding of this data. It was helpful to examiners when candidates included all their workings and clearly labelled the figures calculated. Otherwise, it was difficult to know what the candidate was referring to and harder to award credit. In the conclusion stronger candidates acknowledged the target market for the equipment and the relative merits of the demand from government or household customers in the longer term.

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## Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **(a)** questions which will be generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a)** and **(b)** for application. In this particular case study, candidates were expected to refer to an airport business.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1, whereas an explanation of a point could move the answer to Level 2.
- 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 repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

## General comments

Many candidates had been well prepared for this examination and clearly understood what was expected of them. The context of MA, the owner and operator of an airport business, provided an accessible scenario for candidates. Those who applied their skills to the context of MA were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a minority of cases it was clear that some topics were not well understood, these included methods to measure the size of a business, motivation theories, factors affecting the choice of finance to use and the opportunities and threats of globalisation. 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.

Overall, many good scripts were seen and there were a similar number of weaker scripts to previous series. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions. The conclusion/recommendation in the **(b)** questions should also be applied to the case. 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.

## Comments on specific questions

### Question 1

- (a)** The majority of candidates demonstrated sound knowledge of how the four users of the accounts in Appendix 1 might use them to help make decisions. The most popular answers were that shareholders would want to see the return on their investment and whether they should sell or buy more shares, suppliers wanted to know that they will be paid and therefore keep supplying MA, employees wanted to see if they should ask for a pay rise and banks wanted to see if a loan is

likely to be repaid and therefore whether it should be granted. However, the majority of candidates, even stronger candidates, did not specifically use the figures in Appendix 1 or only used the figures to support one of their answers. Support using the figures for all four users of the accounts was rare.

- (b) The majority of candidates could suggest how the characteristics could help an entrepreneur to successfully open a shop at the airport. Willing to take a risk in losing their own capital, needing to be creative to stand out from the competition and needing to be optimistic when things may not be going well were all popular points in answers. However, many candidates needed to develop their explanation of why these characteristics would be important to the success of the business. Of the three characteristics given, being creative proved the most straightforward to explain and move answers into the lower part of Level 2. This restricted the awarding of Level 3 to only the strongest candidates. Some candidates also managed to move into Level 2 in the conclusion by giving a good justification of the importance of one of the characteristics over the others.

### Question 2

- (a) This proved to be a straightforward question for many candidates as they correctly identified two methods of measuring the size of an airport business. The most popular measures were number of employees, value of output measured in this case by the number of passengers or flights, and capital employed. Common incorrect responses included profit and market share. Many candidates were able to apply their answers to the context of the airport, but only better responses were able to develop the answer sufficiently to attain all the available marks.
- (b) This proved to be one of the lowest scoring questions on the paper. The majority of candidates gained Level 1 for demonstrating basic knowledge of Taylor but fewer understood Herzberg's theory. Weaker responses only identified that Taylor was about paying employees more money and then often confused Herzberg with Maslow. Stronger candidates were able to provide developed answers as to how the two theories could be used to improve the cleaners' motivation and the possible drawbacks or limitations of these suggestions. For example, that increasing wages is unlikely to improve motivation into the longer term and that other methods would be needed. Stronger candidates recommended which method to use and justified their choice. Weaker responses repeated earlier points and found it difficult to explain why the other theory had been rejected. Application was often awarded for recognising that the current working conditions are poor, that these workers are low skilled and that they clean the aeroplanes between flights.

### Question 3

- (a) This was the best answered question on the paper and the majority of candidates scored highly by making good use of the information in Appendix 2 to explain how the airport would benefit from using this new technology. The most popular responses included improved efficiency, improved customer service, reduced costs and increased revenue. Application was easily gained by explaining the benefit in terms of the technology outlined in the Appendix. Weaker responses needed to reference these new technologies at the airport and tended to give vague generic answers which gained few marks.
- (b) The majority of candidates demonstrated basic knowledge of the advantages and disadvantages of the three methods of market research. There were many statements such as online surveys are cheaper than interviews, but questions cannot be explained. To move an answer into Level 2 it needed to go on to explain why these statements are an advantage or disadvantage, such as if the respondents do not understand the questions then they may provide an inaccurate answer leading to wrong decisions about which type of shops passengers most want to use. Stronger candidates recognised that sales data from existing shops was a form of secondary research and hence may not be up to date. A lack of application, particularly in the conclusion, was why higher marks within levels were not always gained. Only stronger candidates could justify the chosen method without repeating points from earlier in the answer and also justify why the other two methods were not the best methods to use.

### Question 4

- (a) The majority of candidates could demonstrate knowledge of at least some of the factors that might affect the choice of which source of finance to use. The most popular factors given were the size and legal form of the business, the amount required, the length of time the finance was needed, the

interest rate or cost of the finance and what the finance is to be used for. However, only stronger candidates could explain how these factors affected the choice of which source of finance to use. There were no marks for application in this question as indicated by the case not being mentioned in the question.

- (b)** Many candidates demonstrated sound knowledge of the potential opportunities for MA due to globalisation, recognising that the increase in tourism and exports would increase flights. Stronger candidates were able to develop this argument to explain the opportunities for MA of increased income from the additional passengers and fees charged to airlines for using the airport. The potential threats from increased globalisation proved more difficult for candidates, with increased competition from other airports being the main threat identified. A minority of weak candidates confused threats with externalities. Weaker candidates needed to go beyond making statements about opportunities and threats without explaining them, which limited their marks to Level 1. Stronger candidates included a conclusion that made a judgement as to whether the opportunities were greater than the threats without simply repeating earlier points and then went on to justify why one would have a greater effect on MA than the other. Application, particularly in the conclusion, enabled candidates to score higher marks and were most often awarded for referring to cargo flights, business passengers, tourists and airports.