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BUSINESS STUDIES

Paper 0450/11

Short Answer/Structured Response 11

General comments

The paper discriminated well between candidates of differing abilities. The format of the paper made the paper more accessible to all candidates. Candidates were clear in the number of reasons required for each question and at least attempted to provide some analysis of points raised. Often the answer given did not constitute an explanation of the point identified but was simply another statement which could only be considered as another knowledge mark. Part **(e)** of all questions continues to be the most challenging section for all candidates as it attempts to assess their evaluative skills. The better candidates were able to suggest and justify decisions successfully. Weaker candidates struggled to provide any judgement for many of the questions, often tending to simply list points either for or against the statement in question. Of those that did attempt an evaluative statement, many were unable to provide reasoned arguments to back up their views. The majority of candidates need to think through their responses and link their ideas together with more care.

The calculation questions remain a challenge for many candidates. Some candidates would clearly benefit from more practice with numerical questions. A number of candidates still confuse the terms stakeholders and shareholders. Many seem to think that they are the same, whereas shareholders are only one of many stakeholders for a business. Exchange rates still cause some candidates difficulty. Candidates need to learn the appropriate consequences of a currency appreciation and depreciation.

Most candidates would benefit from being reminded that:

- questions need to be read carefully
- calculations should generally include an indication of the method being used
- answers need to be in context wherever possible
- the command to 'explain' requires a development of the point, not a statement of a new point
- the command to 'justify' requires an answer to be supported with developed logic, resulting in a conclusion.

Comments on specific questions

Question 1

(a) This calculation proved challenging for many candidates. A common error was $5; candidates who gave this answer had identified the correct formula but had the wrong units. Others based their calculation only on variable or fixed costs, rather than total cost divided by output. The correct answer was $5000.

(b) Well answered by most candidates.

(c) Generally well answered. Most candidates could identify features of flow production, although others had difficulty in explaining the points they identified.

(d) Generally well answered. Virtually all the candidates were able to suggest three relevant advantages to Gabby of buying in components. The more able candidates were able to develop the points to show why these issues were important. Weaker candidates struggled to make this link.

(e) Many quite competent answers were given to this question. However a significant number of answers listed advantages and disadvantages to a business of becoming larger. A number of candidates did not explain these points, and their answers ended with no clear conclusion. The

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question demanded a recommendation, and failure to provide one was clearly an error. It did not matter which way the candidate concluded.

Question 2

(a) A mixture of responses. Many candidates had some idea that it was 'money made on investment'. The better candidates were able to develop this simple idea to clearly explain the term in words or by formula. However some were vague, saying that it was the return on sales or money for employees.

(b) Well answered by most candidates. Common errors were to omit the millions or to include a partial calculation only.

(c) Generally well handled, with most candidates aware that this might result in higher interest charges or that they would not be able to repay the debts. Many were unable to expand upon these simple observations to explain how they actually created a problem for the business.

(d) This proved difficult for many. Most candidates were aware that in a recession customers were likely to have less money which could mean lower sales for AB. More frequent errors were:

- incorrect assumptions linking a recession with higher interest rates and inflation, thereby assuming that workers would demand higher wages and that prices would rise
- statements that the business would simply close, but there was nothing in the question to suggest this
- repetition of points such as less money, fewer sales and less money, lower profit
- identification of general issues not specific to a recession
- overlooking the context of the question. The business was a service provider not a manufacturing business.

(e) This proved to be a difficult question for many. A number of candidates failed to grasp what the question was asking, simply discussing stakeholders generally rather than relating the effects of the government taking control to specific stakeholder groups. The better candidates did identify relevant groups, and explain the effects of the changes.

Question 3

(a) Generally well answered by most candidates.

(b) Answers here often lacked the correct focus. The question specifically asked for implications of a wide range of products. Answers often simply stated general points that could equally apply if the business sold only one item.

(c) Good knowledge of sampling methods was shown by most candidates. However the development of these points was often limited.

(d) Well answered by most candidates. Good knowledge of potential reasons was shown and most answers attempted to explain the impact of these problems on the business. Common errors were:

- repetition of points
- some candidates included incorrect reasons, such as cost and time, which apply more to primary research
- identifying generic problems that apply to any method of market research.

(e) Generally well attempted by most candidates. However the majority of candidates lacked the correct focus for this question. The question specifically asked about spending more on product development. Many candidates focused their answers solely on market research. This was a narrow interpretation of the question which restricted the number of marks that candidates could attain.

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Question 4

(a) A mixture of responses. Many answers were vague, making reference to 'extra money' but not specifying what it was for, whilst others gave reasons why it might be given.

(b) Generally well answered by virtually all candidates. A common error was to provide an explanation of what customer service was, not why it was important.

(c) A mixture of responses. Most candidates could identify either an advantage or disadvantage of time rate. Errors contained reference to points such as lower quality, if absent no pay or work more paid more, which could apply to various payment methods.

(d) A good standard of response was given to this question. The most common errors were:

- to consider why people left, not the problems this caused by their leaving
- assumptions made by some candidates that this could lead to no customers and hence the closure of the business
- overlooking the context of the question. The business was a hotel not a manufacturing business.

(e) A sound overall level of response. Virtually all candidates were able to identify numerous methods of motivation, but were not able to effectively explain how these linked to motivating staff. Most did make some simple attempt at evaluation. Better candidates found the link easier to make.

Question 5

(a) Generally well answered. Virtually all candidates understood that they operated 'all over the world'. Better candidates developed this to show a clearer understanding of the term.

(b) Very well answered by virtually all candidates. A common error was to overlook the fact that it was a factory not a retailer.

(c) This proved to be a difficult question for many candidates. More frequent errors were:

- failure to explain how the relevant actions identified would influence business behaviour
- defining what a pressure group was, not the possible actions
- answers which focused on benefits or problems of multinationals.

(d) This proved to be a difficult question for many candidates. Better candidates correctly interpreted the effects of currency appreciation, showing good knowledge of exchange rate movements. Common errors were:

- misinterpreting the effect of the currency appreciation
- not specifically relating the answer to imports and exports (the question required the impact to be applied).

(e) Good knowledge of points both for and against multinationals was evident in most answers. However, the development of these points was usually limited and any conclusion was simple in its reasoning. Better candidates discussed the relative advantages and disadvantages of multinationals.

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BUSINESS STUDIES

Paper 0450/12

Short Answer/Structured Response 12

General Comments

The paper produced a wide spread of marks reflecting its ability to differentiate effectively between candidates. The questions provided the strong candidates with opportunities to show their knowledge and to demonstrate skills of application, analysis and evaluation. At the same time, weaker candidates were able to provide some evidence of their knowledge. As usual, weaker candidates produced answers that often lacked focus on the question. They tended to produce answers that are vague and generalised and which could apply to a variety of situations. For example, **Question 2 (d)** asked candidates to explain ways in which high rates of inflation might affect a specific company. Thus answers that considered the causes of inflation or the impact of inflation on the economy were simply off the point. Such responses occurred frequently and resulted in much lower marks than the candidate could have gained if their answer had been more focused on the specific question. Candidates would benefit from being reminded that:

- Workings and methods should always be shown on numerical questions;
- Business terms need to be learned accurately;
- Questions that ask for a justification MUST contain in the answer an attempt to support the conclusion reached;
- The question must be read carefully to ensure that the focus of the answer is correct.

Specific Comments

Question 1

(a) The answer was $6000. A very frequent mistake was to produce a response of $6. Careful reading of the data is essential if careless errors are not to be made.

(b) Most candidates were able to identify two variable costs that the business was likely to incur. Errors included costs that would be regarded as overheads such as rent. A few candidates gave a numerical answer such as $4000 given in Table 1.

(c) This question was not very well answered. Many responses included features that could apply to other forms of production methods e.g. batch production is a fast method. Many candidates need to have a more secure knowledge of basic business concepts.

(d) There were many good answers given to this question. The Examiners were careful to take into account that the term 'subcontracting' was not familiar to some students. Most candidates recognised that subcontracting might result in quality control issues and cost implications. Sometimes candidates lack accuracy in their explanations such as using costs and profits as interchangeable terms in their answers. So they talked about the prices charged by the contractor but were not sure whether this was a cost or a profit factor for Gabby's company.

(e) The standard of response of candidates to this question was good. However many candidates produced a list type answer identifying the benefits and disadvantages of competitive markets without ever coming to a conclusion as to whether or not consumers did benefit from competition.

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Question 2

(a) The question was well answered by the majority of candidates. Most were able to produce a formula showing how net profit margin could be calculated. A few failed to recognise the term 'margin' in the question.

(b) A significant majority of candidates correctly answered this question giving an answer of $281.25m. Few candidates showed their methods thus if the answer was wrong no credit could be given. A few failed to give the value of export sales but did calculate that they represented 3/8ths of the total sales.

(c) A large number of candidates answered this question from the perspective of the disadvantages of debt capital. This was accepted as long as there was some reference to capital raised from shareholders. Most candidates knew that debt has to be repaid and also carries interest charges. Thus capital raised from shareholders does not incur these features. However having identified a feature a surprising number of answers failed to show why they represented an advantage.

(d) As mentioned earlier in this report a number of answers referred to the impact of inflation on the economy not on the position of WLP. Those who did provide the correct focus often showed good knowledge of the problems that inflation can cause businesses. The question differentiated well between candidates.

(e) The general standard of answer to this question was a little disappointing. Many unsupported answers were provided such as 'of course the Government should offer financial assistance to such businesses'. Many of the answers were of an uncritical nature saying things like it would help jobs and economic growth. Considered judgement was a feature that distinguished the able candidates.

Question 3

(a) This term was well known. A few candidates got it confused with market orientation. Some vague answers were also provided such as 'a business that makes products'.

(b) Again a well answered part of the question. The majority knew that a market leader would be a business that has the largest market share. Other general answers included responses like 'a business that makes more profit than others'. The Examiners were not impressed with that type of response.

(c) There were many answers that showed good knowledge of the advantages of flow production. Curiously, having identified an advantage some candidates were not able to explain it. So an answer might say 'flow production means that a business can produce large quantities of output. It also allows economies of scale to be achieved'. Both these statements are acceptable but they do not actually explain why they are an advantage. They are simple knowledge points and this means that the answer gains half the available marks.

(d) The general level of knowledge shown in the answers was high. A significant number of candidates were able to identify methods that could be used to improve efficiency in a factory. The differentiating element of the answer lay in the explanation of the method identified. So, for example, some answers referred to 'lean' methods. This would gain a mark. In order to gain the second mark the answer needed to be developed to show how the method would improve efficiency. It was in this respect that many answers fell short.

(e) A number of candidates found this question challenging. Many answers listed the benefits of market research. This demonstrated knowledge and would gain 2 of the 6 marks available. The remaining marks were for analysing the impact of extra spending in this area and for forming a judgement as to whether the business would benefit from such expenditure. This proved beyond the capabilities of many candidates.

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Question 4

(a) The term was known to most, although many had difficulty in explaining the concept. For example a not untypical answer might say 'a leader who makes decisions in a business'. This, of course, would be true of any leader and fails to differentiate it from a democratic leader who also makes decisions in a business albeit by using a different style. Candidates need to be encouraged to be as precise as possible in their answers to these types of questions.

(b) Again almost all candidates could attempt an answer to this question. The key elements in a 2 mark answer was reference to things like a positive work attitude/desire to achieve results/one who gains much satisfaction and enjoyment from a job/someone who does not need to be 'pushed' to work.

(c) The focus of the answer had to be on advantage/disadvantage to the teacher of the payment method to gain credit. There were many good answers given here that gained full marks.

(d) Some candidates wrote with great insight in response to this question. Most were able to identify factors that perhaps needed to be considered in recruiting new staff. Again many candidates struggled to explain why these factors actually mattered, i.e. why they needed to be considered.

(e) The majority of candidates were able to show knowledge of motivational issues. However, relatively few candidates were able to successfully apply their knowledge to the context of the question. Even fewer candidates were able to arrive at a justified conclusion. Questions such as this differentiate very well between candidates.

Question 5

(a) A well answered question. The most frequent error was for answers to become confused between private limited companies and partnerships.

(b) Again this was a knowledge based question that produced a good set of responses from the candidates. Answers such as 'will increase profits' were not accepted as they are based on assumptions.

(c) This proved an accessible question for many candidates. Most answers included reference to strike action/go slow/working to rule. Some candidates referred correctly to the process of collective bargaining and negotiated settlements.

(d) Identification of problems that businesses might face in exporting products to other countries was within the capabilities of many candidates. Once again explaining why they represented a problem proved more challenging. So many answers identified foreign currencies/exchange rates as a potential issue. Few were able to explain why movements in exchange rates actually caused problems. Again the question differentiated very effectively.

(e) This question proved difficult for many candidates. Many answers showed that the candidate was unclear as to what a takeover actually meant. So they said shareholders would gain because they would get bigger dividends. The fact that they might no longer be a shareholder was conveniently overlooked. Likewise managers were often thought to gain because their salaries would be greater. Thus many candidates found it hard to assess the real impact of the takeover at anything other than a very basic level. Better candidates were able to make more sophisticated judgements.

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BUSINESS STUDIES

Paper 0450/13

Short Answer/Structured Response 13

General Comments

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(c) This question was not very well answered. Many responses included features that could apply to other forms of production methods e.g. batch production is a fast method. Many candidates need to have a more secure knowledge of basic business concepts.

(d) There were many good answers given to this question. The Examiners were careful to take into account that the term 'subcontracting' was not familiar to some students. Most candidates recognised that subcontracting might result in quality control issues and cost implications. Sometimes candidates lack accuracy in their explanations such as using costs and profits as interchangeable terms in their answers. So they talked about the prices charged by the contractor but were not sure whether this was a cost or a profit factor for Gabby's company.

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Question 2

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BUSINESS STUDIES

Paper 0450/21

Case Study 21

General comments

Candidates responded well to the context used in the paper and no question appeared to present problems. Each question was of similar difficulty and differentiated effectively between candidates. The majority of candidates found **Question 1b** more challenging than the other questions, confirming that the topic of finance and accounts continues to be an area which candidates find more difficult.

On the whole candidates were well prepared in terms of knowledge and understanding required, but application of this knowledge sometimes lets down candidates on this paper. It is pleasing to see that there are a growing number of candidates who **do** apply their knowledge well to the context provided. The recently revised arrangement of the exam paper, with headings to assist in the structuring of the written responses, seems to have been helpful to candidates.

The case study itself appeared to be within the understanding of candidates. Time did not appear to be a problem for candidates and there were very few blank spaces on papers. Nearly all candidates at least attempted an answer to every question.

The general standard of English was good and did not prove to be a barrier to the performance of most candidates, even though it is the second language for most of them. As is normal, candidates were not penalised for weaknesses in spelling, punctuation or grammar, providing that Examiners could understand what candidates intended.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- Paper 21 is a case study paper and the majority of the questions will be in the context of the business in the case study.

  For example, Bimisi has decided to expand his business. Do you think he should go for Option A or Option B? Justify your answer.

  Marks are awarded for applying concepts of business expansion to the business in the case and failure to do so meant these application marks were not achieved. This could have had a significant effect on the candidate's final grade. It is important in preparing candidates for this paper for them to be exposed to case studies on a regular basis in class. Theoretical knowledge of business terms and concepts alone is unlikely to lead to the highest grades being gained on this paper. Spending time in class discussing case studies would develop the candidates' ability to apply their knowledge in many different situations and would enhance the quality of their answers in the exam.

- Where a question carries 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if judgment is called for in the question. When they are constructing their answers, candidates need to realise that marks will often be awarded for all these assessment criteria. It is important to demonstrate **each** of these criteria in their answers in order to achieve full marks.

  For example, 'Do you think that Bimisi should use on-the-job training or off-the-job training for bus drivers and tourist guides? Justify your answer.

  Some marks will be for demonstrating knowledge of the methods of training staff. However, if these points are just **stated** then only a few marks will be awarded. The candidate should go on to

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explain how these methods will be specifically effective in training bus drivers and tourist guides. Finally a judgment needs to be made as to whether on-the-job training would be **most effective** in this context and if not, why not, and why off-the-job training might be more effective in this context. This would help to gain all the evaluation marks and hence achieve full marks.

Comments on specific questions

Question 1

(a) Most candidates made a good start by making reference to the possibility of expansion or developing a strong reputation. The context of the bus company was used in a pleasing number of answers. Suggestions were made about introducing new bus routes or taking over rival bus companies. The majority of candidates scored between four and six marks.

However, weaker candidates tried to stretch out one point into two. For example, the first aim was stated as expansion and then the second aim was stated as growth. There was no reward given for answers which offered an aim of higher or increased profits. This had been highlighted by the word "other" in the question, but sadly some candidates ignored this and wasted some useful marks.

(b) This part of the question proved to be more difficult. Some candidates seemed unclear about the concept of profit margin. The best answers made full use of Appendix 1 and calculated profit ratios to back up the points made. Some good answers mentioned increasing business use rather than school use because it had a greater gross profit. There was also sensible discussion about cutting costs and raising prices to increase profit margins.

Weaker answers contained suggestions about more advertising in very simple terms. There was a very clear hint to make use of the data in Appendix 1 and it was a pity more candidates did not make more use of this to score higher marks.

In the conclusion section candidates should try to make a decision about which of the three ways would be most effective in increasing the profit margins. This requires a comparison of the suggestions, pointing out the reasons **why** the chosen method is better than the other two. Often answers simply repeated an earlier statement and offered no justification at all. As a result there were very few candidates who managed to score between ten and twelve marks.

Question 2

(a) In many answers there was excellent reference to the likelihood of employees incurring fewer accidents on the road if they have been properly trained. Also, there was frequent mention of passenger safety and the importance of Bimisi not damaging his reputation by reports of a road traffic accident. In the context of the bus company there were candidates who wrote about high standards of customer service being offered by well-trained employees. All of these points earned credit for analysis as well as application.

In some cases where candidates earned lower marks, there tended to be suggestions that employees would be motivated by training and would work more efficiently. To score higher marks there should be further development of these points, to indicate that well-motivated employees would be more positive in their approach to customers and would likely become long-serving, loyal employees whom Bimisi could trust to deliver excellent customer service.

(b) It was reassuring to see that many candidates knew the difference between on-the-job and off-the-job training. The weakest answers gave general definitions of the terms and ended there. Better answers used the context well and made a clear point about the dangers of training drivers on the job and the risk to passengers' lives if the trainees did not have basic driving skills. On the other hand, good arguments were presented which recognized the need for drivers to know the bus routes which they would learn through on-the-job training.

Similarly in the response to suitable training for tourist guides, answers considered both types of training, making excellent use of the context. Some astute answers pointed out that on-the-job training could not be offered when the venture was a new one and there were no experienced

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employees to show new recruits what to do. Other good points were made about the need for the guides to be familiar with the cultural and historical sites in the area.

Question 3

(a) **Generally,** this was a high-scoring question. A significant minority of candidates gained full marks here. A wide range of questions were offered, from enquiries about prices customers would be prepared to pay to whether air conditioning in buses was desirable and how important it was for tourist guides to speak different languages.

The intention of the question was to provide a questionnaire which used the context of bus tourism rather than general questions about age, gender or address. In a few cases, candidates repeated themselves in their explanation. For example, a question of "Would you like to see wildlife on your tour?" was followed by an explanation of "This is to find out if they would like to see wildlife." This kind of repetition does not maximize the available marks.

(b) There was good consideration of each sales option by most candidates. Many answers were well-developed in the context of Bimisi Buses and made sensible observations about direct selling offering a personal service to customers, whereas hotels would provide easier access to larger numbers of tourists.

Stronger candidates mentioned the risk of reducing profit margins as a result of paying commission to hotels and holiday companies. To earn the highest marks on this question it was very important to make a meaningful comparison about the **best** method of selling the bus tours. A significant number of candidates successfully justified their decision.

The weakest answers to this question were based on a misunderstanding that there would be competition from hotels and holiday companies selling their own tours and that Bimisi should only consider the direct selling method.

Question 4

(a) The majority of candidates found this a straightforward question in so far as they had the opportunity to explain the benefits of trade union membership, such as negotiating improved pay and conditions. Often there were answers which then described the process of negotiation between management and unions. Not many candidates were able to make full use of the context here, but some discussed the help that the union might give to reduce drivers' working hours if the new bus routes were introduced.

(b) Many candidates struggled with this question as they did not discuss the way in which Bimisi's customers or employees would be directly affected by the Government laws. Generic responses mentioned a list of potential problems faced by businesses including customer dissatisfaction with faulty goods such as bicycles or food products.

However, better answers indicated laws which might affect the business, such as sex discrimination, minimum wage or trade descriptions laws. A few candidates then went on to explain how the legislation might impact on the workers or customers, such as ensuring decent pay for drivers or correct wording of adverts for bus tours so that legal action could be avoided. This kind of development in an answer is well-rewarded.

Question 5

(a) The majority of candidates scored between four and six marks; very few scored in the higher range of seven to eight marks. Frequent mention was made of balance sheets, cash flow forecasts and profit and loss accounts as suitable pieces of information to show to a bank manager. However, few answers contained development of the reasons why such information would be helpful.

There was some misunderstanding that cash flow forecasts and balance sheets could show how much profit a business had made. Answers tended to be generic rather than applied to Bimisi Buses.

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(b) This was one of the best-answered questions on the paper, largely because candidates were prepared to discuss the advantages and disadvantages of each option and to make justified decisions about the best course of action. This was a golden opportunity to use data from the case study to do some calculations of the profitability of each option on an annual basis. Financial comparisons could then be made followed by a clear recommendation for action. Some candidates also considered other influential factors such as potential industrial unrest or competition in each of the markets.

Weaker answers made general comments about the viability of each option and only managed to calculate the profit per bus per day. There was a tendency to assume that the licence fee required for option B would automatically make the proposal unprofitable, without considering other financial information.

Summary comments

Overall, the quality of the answers from the majority of candidates was good. Although candidates continued to lose marks through lack of application, analysis and evaluation, the depth of understanding was apparent in many cases. There were many examples of high scoring candidates, who had not only applied their answers well but also made judgments which were fully justified.

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BUSINESS STUDIES

Paper 0450/22
Case Study 22

General comments

Candidates responded well to the context used in the paper and no question appeared to present problems. Generally, each question was of similar difficulty and differentiated effectively between candidates. The majority of candidates found **Questions 3a** and **3b** more challenging than the other questions, confirming that cost calculations and accounts and how to carry out market research continue to be areas which candidates find more difficult.

On the whole candidates were well prepared in terms of knowledge and understanding required, but application of this knowledge still sometimes lets down candidates on this paper. It is pleasing to see that there are a growing number of candidates who **do** apply their knowledge well to the context provided. The recently revised arrangement of the exam paper, with headings to assist in the structuring of the written responses, seems to have been helpful to candidates.

The candidates appeared to understand the case study and made reference to sole trader, shopping malls, competitor, seasonal nature of the business, lack of increasing profits and flower baskets in their various forms, although, as in previous sessions, too many failed to increase their marks by referring to the case study in **all** questions. Time did not appear to be a problem for candidates and there were very few blank spaces on papers. Nearly all candidates at least attempted an answer to every question.

The general standard of English was good and did not prove to be a barrier to the performance of most candidates, even though it is the second language for most of them. As usual, candidates were not penalised for weaknesses in spelling, punctuation or grammar, providing that Examiners could understand what candidates intended.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- Candidates need to pay careful attention to the wording of the question and the command words used. If the question says 'Bashir could expand into the market for baskets of flowers for the home. He wants to carry out primary market research using questionnaires. Explain how he should carry out this research,' then the candidate must explain how to do this and not just describe the advantages and disadvantages of primary research or how useful the research findings might be to the business.

- Paper 22 is a case study paper and the majority of the questions will be in the context of the business in the case study.

  For example, 'Suppose Bashir decided to start making flower baskets for the home. Explain **three** methods of promotion that Bashir could use. Recommend which one you think would be the best method to use. Justify your choice.'

  Marks are awarded for applying appropriate methods of promotion to the business in the case and failure to do so meant that these application marks were not achieved. This could have had a significant effect on the candidate's final grade. It is important in preparing candidates for this paper for them to be exposed to case studies on a regular basis in class. Theoretical knowledge of business terms and concepts alone is unlikely to lead to the highest grades being gained on this paper. Spending time in class discussing case studies would develop the candidates' ability to apply their knowledge in many different situations and would enhance the quality of their answers in the exam.

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- Where a question carries 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if judgment is called for in the question. When they are constructing their answers, candidates need to realise that marks will often be awarded for all these assessment criteria. It is important to demonstrate **each** of these criteria in their answers in order to achieve full marks.

  For example, 'To expand the business Bashir will need to raise finance. He is considering either selling assets owned by the business, taking on a business partner or selling shares by forming a private limited company. Consider these **three** options for raising finance and recommend which one he should choose. Justify your choice.'

  Some marks will be for demonstrating knowledge of these methods of finance. However if these points are just **stated** then only a few marks will be awarded. The candidate should go on to **explain** the advantages and disadvantages of each of the three methods to Bashir's business. Finally a judgment needs to be made as to which of the three methods would be most suitable in raising finance. This requires a **comparison** of the three methods, pointing out the reasons why the chosen method is **better** than the other two methods in this context. This is essential to gain Level 3 marks and hence achieve full marks or near full marks.

Comments on specific questions

Question 1

(a) Most candidates made a good start by making reference to profits, sales, market share, survival and reputation as business aims. However, many were not able to expand on these to score the other 2 marks available for explanation of each aim. The context of the flower business was used in a pleasing number of answers, often for references to the fact that business profits had not been growing or that the business was a sole trader. The majority of candidates scored between four and six marks.

Weaker candidates gave strategies instead of aims e.g. to cut costs, to gain economies of scale, to employ more workers. The question was testing candidates' appreciation of the meaning of long-term aims and the reasons why businesses try to achieve them. The difference between long-term aims and the strategies put in place to achieve these should be stressed to candidates. Increasing sales may be an aim in itself (increased market share, more power in the market) but cost-cutting is only a way of achieving the aim of increased profit and not an aim in itself. There was no reward given for answers which offered expansion as an aim. This had been highlighted by the word "other" in the question, but sadly some candidates ignored this and wasted some useful marks.

(b) This question was generally well answered; the majority of candidates seemed well-prepared for this type of question. Most candidates were able to write something about the three methods of raising finance. There were some exemplary answers where the candidates questioned the viability of a small flower business possessing enough assets to sell and raise capital, and others which argued that selling and leasing back assets would be helpful. Others recognized the benefits of limited liability if Bashir decided to become a private limited company and sell shares to family and friends, rather than being a sole trader with unlimited liability. Partnerships were well understood, with candidates weighing up the advantages of having more capital and new ideas from partners against the disadvantages of having to share profits and of there being possible disagreements between the partners.

Weaker candidates made some relevant comments or explanations and stronger candidates were able to cite advantages and disadvantages of the methods. There was some confusion by weaker candidates over the selling of the shares as they thought that the proposal was to form a public limited company. There were not many answers which were worthy of a Level 3 mark, mainly because the conclusions were not comparative. In the conclusion section candidates should try to make a decision about which of the three ways would be the best method of raising finance. This requires a comparison of the suggestions, pointing out the reasons why the chosen method is better than the other two. Often answers simply repeated an earlier statement and offered no justification at all. As a result there were very few candidates who managed to score between ten and twelve marks. The majority of marks were in the five to nine mark range.

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Question 2

(a) The majority of candidates knew what a trade union was, but many got just the four marks for stating reasons for joining. Candidates needed to go further and explain why joining a trade union would help to achieve these reasons e.g. increased wages are more likely due to collective bargaining. Candidates either gave generalised reasons for joining a trade union – strength in numbers, protection, security, advice, negotiation – or specific reasons – higher wages, working conditions, training, legal support. Many did refer to the case study and described the specific problems met by the employees of Bashir Baskets (e.g. seasonal work, piece rates), with a general comment on the role of trade unions in negotiation. The majority of the marks were between four and eight.

(b) Most candidates knew enough to be able to score at least Level 1 marks and many achieved good Level 2 scores. The majority of candidates distinguished correctly between a job description and a job specification, which was pleasing. Advertisements and interviews should have been self-evident, although a few weaker candidates talked about advertising the product or interviewing as part of market research. More explanation could have been given of the advantages of the interview and only a few mentioned the opportunity to conduct ability tests etc. Few candidates made links between the stages and so there were not many Level 3 marks. If Level 3 marks were not achieved and the two application marks were missed as well then eight marks was the maximum achievable. The majority of the marks were between four and eight. Only a small number of candidates gained application marks, usually for references to 'skilled workers' and 'basket making'.

Question 3

(a) Once again, market research proved a difficult topic for many candidates. Many described the advantages and disadvantages of using questionnaires and too many wasted time in discussing the merits of each method, without realising that the question had highlighted questionnaires as the chosen method. There were many examples of suitable questions to be asked and these were often applied, such as asking 'What type of flowers do you like?'. This type of question should be familiar by now, but it still is causing problems. What was required was a brief but comprehensive description of the process of carrying out research using a questionnaire, i.e. set the objective, determine the budget available, draft the questions, test them, fix the sample size and the place for the survey, collect data, analyse data, finalise a report. Far too many candidates spent all their time explaining at length the design of questions, or the different types of sample. The majority of the marks awarded were between two and four, which was disappointing.

(b) This was not well answered. Weak answers had no calculations but instead made some brief, generalised statements about the two products which did not go beyond Level 1 (a maximum of four marks). A large number of candidates calculated only the gross profit, i.e. they had ignored the fixed costs. Some used the figure of $9,000 for their fixed cost. This shows the importance of reading the source material carefully before beginning the answer. Better candidates were able to calculate not only the correct net profit for each product but also the net profit ratio and, in some cases, the break-even number of units. A small group of candidates provided L2 calculations and then justified their choice in terms of competition and current work, thus gaining L3 marks. Some of the better candidates carried out many types of calculations involving net profit, net profit margin, break even points etc. However their justification for choosing either option was sometimes limited and involved a reiteration of their calculation together with a simple statement specifying their preferred choice; such answers did not reach L3. Only a small number of candidates gained eleven or twelve marks.

Question 4

(a) This should have been an easy question and, indeed, a number of candidates managed to score full marks. Most candidates seemed to appreciate the role of the tertiary sector, with many explaining the role of banks, loans, delivery services, retailing and advertising. However, others lost marks for giving utilities or businesses in the primary or secondary sectors. Others again misread the question and concentrated on the services which Bashir should offer to his customers. A significant number of candidates did not appear to know of any examples of tertiary sector services and consequently scored zero.

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(b) Most candidates were able to suggest some promotion methods, although the level of development differed and so marks between four and eight were the most common. There was some repetition (e.g. the same answer was given for advertising in newspapers and advertising in magazines) but some good application was included by many.

A few candidates confused "promotion" with "production" and listed job, batch and flow; others listed pricing policies and a very few referred to promotion within employment. The most popular responses were BOGOF, discounts, free gifts, displays and advertisement. Weaker candidates did not state the advantages/disadvantages of their ideas or their effectiveness, consequently reducing their possible marks. A common error was to identify TV as a method of advertising, which is expensive and unrealistic for a small business. Most candidates failed to give a well justified final recommendation and did not progress to level 3 marks. Only a few candidates gained ten to twelve marks.

Question 5

(a) Most candidates realised that a tariff was a tax on imports and that the effects on the business would be to raise the cost of buying imported flowers, which may result in either lower profits or increased prices. Whether profits would be maintained would depend on what happened to sales of baskets as a result of the price increase. A few candidates misinterpreted tariffs and discussed quotas instead. Most candidates either scored three or four marks for tariffs. They.scored another three or four marks if they understood exchange rates, i.e. that an appreciation in the exchange rate would lead to lower costs of imported flowers. Candidates scored no marks for this part if they got confused and thought that an increase in the exchange rate would lead to an increase in the cost of imported goods. Exchange rates continue to be a difficult topic for weaker candidates.

(b) Most of the candidates seemed to understand the role of each of the financial documents and so three or four Level 1 marks were gained by the majority of candidates as a starting point. However, only stronger candidates tried to apply this to the case study of a sole trader producing baskets of flowers and so in most cases the application marks were not gained. Only better candidates went on to achieve Level 2 marks by saying how the business would use each of the documents in its financial management. This meant that majority of candidates gained marks between three and eight.

The weak spot in this question was the cash flow forecasts, because many candidates stated that they show future profits and losses. It is a common mistake not to be able to distinguish between profit and cash. The profit and loss account did not present problems and usually neither did the break-even chart.

Summary comments

Overall the quality of the answers from the majority of candidates was good. Although candidates continued to lose marks through lack of application, analysis and evaluation, the depth of understanding was apparent in many cases. There were few examples of low scoring candidates and many examples of high scoring candidates, where they had not only applied their answers well but also made judgments which were fully justified.

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BUSINESS STUDIES

Paper 0450/23

Case Study 23

General comments

Candidates responded well to the context used in the paper and no question appeared to present problems. Generally, each question was of similar difficulty and differentiated effectively between candidates. The majority of candidates found **Questions 3a** and **3b** more challenging than the other questions, confirming that cost calculations and accounts and how to carry out market research continue to be areas which candidates find more difficult.

On the whole candidates were well prepared in terms of knowledge and understanding required, but application of this knowledge still sometimes lets down candidates on this paper. It is pleasing to see that there are a growing number of candidates who **do** apply their knowledge well to the context provided. The recently revised arrangement of the exam paper, with headings to assist in the structuring of the written responses, seems to have been helpful to candidates.

The candidates appeared to understand the case study and made reference to sole trader, shopping malls, competitor, seasonal nature of the business, lack of increasing profits and flower baskets in their various forms, although, as in previous sessions, too many failed to increase their marks by referring to the case study in **all** questions. Time did not appear to be a problem for candidates and there were very few blank spaces on papers. Nearly all candidates at least attempted an answer to every question.

The general standard of English was good and did not prove to be a barrier to the performance of most candidates, even though it is the second language for most of them. As usual, candidates were not penalised for weaknesses in spelling, punctuation or grammar, providing that Examiners could understand what candidates intended.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- Candidates need to pay careful attention to the wording of the question and the command words used. If the question says 'Bashir could expand into the market for baskets of flowers for the home. He wants to carry out primary market research using questionnaires. Explain how he should carry out this research,' then the candidate must explain how to do this and not just describe the advantages and disadvantages of primary research or how useful the research findings might be to the business.

- Paper 22 is a case study paper and the majority of the questions will be in the context of the business in the case study.

  For example, 'Suppose Bashir decided to start making flower baskets for the home. Explain **three** methods of promotion that Bashir could use. Recommend which one you think would be the best method to use. Justify your choice.'

  Marks are awarded for applying appropriate methods of promotion to the business in the case and failure to do so meant that these application marks were not achieved. This could have had a significant effect on the candidate's final grade. It is important in preparing candidates for this paper for them to be exposed to case studies on a regular basis in class. Theoretical knowledge of business terms and concepts alone is unlikely to lead to the highest grades being gained on this paper. Spending time in class discussing case studies would develop the candidates' ability to apply their knowledge in many different situations and would enhance the quality of their answers in the exam.

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- Where a question carries 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if judgment is called for in the question. When they are constructing their answers, candidates need to realise that marks will often be awarded for all these assessment criteria. It is important to demonstrate **each** of these criteria in their answers in order to achieve full marks.

  For example, 'To expand the business Bashir will need to raise finance. He is considering either selling assets owned by the business, taking on a business partner or selling shares by forming a private limited company. Consider these **three** options for raising finance and recommend which one he should choose. Justify your choice.'

  Some marks will be for demonstrating knowledge of these methods of finance. However if these points are just **stated** then only a few marks will be awarded. The candidate should go on to **explain** the advantages and disadvantages of each of the three methods to Bashir's business. Finally a judgment needs to be made as to which of the three methods would be most suitable in raising finance. This requires a **comparison** of the three methods, pointing out the reasons why the chosen method is **better** than the other two methods in this context. This is essential to gain Level 3 marks and hence achieve full marks or near full marks.

Comments on specific questions

Question 1

(a) Most candidates made a good start by making reference to profits, sales, market share, survival and reputation as business aims. However, many were not able to expand on these to score the other 2 marks available for explanation of each aim. The context of the flower business was used in a pleasing number of answers, often for references to the fact that business profits had not been growing or that the business was a sole trader. The majority of candidates scored between four and six marks.

Weaker candidates gave strategies instead of aims e.g. to cut costs, to gain economies of scale, to employ more workers. The question was testing candidates' appreciation of the meaning of long-term aims and the reasons why businesses try to achieve them. The difference between long-term aims and the strategies put in place to achieve these should be stressed to candidates. Increasing sales may be an aim in itself (increased market share, more power in the market) but cost-cutting is only a way of achieving the aim of increased profit and not an aim in itself. There was no reward given for answers which offered expansion as an aim. This had been highlighted by the word "other" in the question, but sadly some candidates ignored this and wasted some useful marks.

(b) This question was generally well answered; the majority of candidates seemed well-prepared for this type of question. Most candidates were able to write something about the three methods of raising finance. There were some exemplary answers where the candidates questioned the viability of a small flower business possessing enough assets to sell and raise capital, and others which argued that selling and leasing back assets would be helpful. Others recognized the benefits of limited liability if Bashir decided to become a private limited company and sell shares to family and friends, rather than being a sole trader with unlimited liability. Partnerships were well understood, with candidates weighing up the advantages of having more capital and new ideas from partners against the disadvantages of having to share profits and of there being possible disagreements between the partners.

Weaker candidates made some relevant comments or explanations and stronger candidates were able to cite advantages and disadvantages of the methods. There was some confusion by weaker candidates over the selling of the shares as they thought that the proposal was to form a public limited company. There were not many answers which were worthy of a Level 3 mark, mainly because the conclusions were not comparative. In the conclusion section candidates should try to make a decision about which of the three ways would be the best method of raising finance. This requires a comparison of the suggestions, pointing out the reasons why the chosen method is better than the other two. Often answers simply repeated an earlier statement and offered no justification at all. As a result there were very few candidates who managed to score between ten and twelve marks. The majority of marks were in the five to nine mark range.

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Question 2

(a) The majority of candidates knew what a trade union was, but many got just the four marks for stating reasons for joining. Candidates needed to go further and explain why joining a trade union would help to achieve these reasons e.g. increased wages are more likely due to collective bargaining. Candidates either gave generalised reasons for joining a trade union – strength in numbers, protection, security, advice, negotiation – or specific reasons – higher wages, working conditions, training, legal support. Many did refer to the case study and described the specific problems met by the employees of Bashir Baskets (e.g. seasonal work, piece rates), with a general comment on the role of trade unions in negotiation. The majority of the marks were between four and eight.

(b) Most candidates knew enough to be able to score at least Level 1 marks and many achieved good Level 2 scores. The majority of candidates distinguished correctly between a job description and a job specification, which was pleasing. Advertisements and interviews should have been self-evident, although a few weaker candidates talked about advertising the product or interviewing as part of market research. More explanation could have been given of the advantages of the interview and only a few mentioned the opportunity to conduct ability tests etc. Few candidates made links between the stages and so there were not many Level 3 marks. If Level 3 marks were not achieved and the two application marks were missed as well then eight marks was the maximum achievable. The majority of the marks were between four and eight. Only a small number of candidates gained application marks, usually for references to 'skilled workers' and 'basket making'.

Question 3

(a) Once again, market research proved a difficult topic for many candidates. Many described the advantages and disadvantages of using questionnaires and too many wasted time in discussing the merits of each method, without realising that the question had highlighted questionnaires as the chosen method. There were many examples of suitable questions to be asked and these were often applied, such as asking 'What type of flowers do you like?'. This type of question should be familiar by now, but it still is causing problems. What was required was a brief but comprehensive description of the process of carrying out research using a questionnaire, i.e. set the objective, determine the budget available, draft the questions, test them, fix the sample size and the place for the survey, collect data, analyse data, finalise a report. Far too many candidates spent all their time explaining at length the design of questions, or the different types of sample. The majority of the marks awarded were between two and four, which was disappointing.

(b) This was not well answered. Weak answers had no calculations but instead made some brief, generalised statements about the two products which did not go beyond Level 1 (a maximum of four marks). A large number of candidates calculated only the gross profit, i.e. they had ignored the fixed costs. Some used the figure of $9,000 for their fixed cost. This shows the importance of reading the source material carefully before beginning the answer. Better candidates were able to calculate not only the correct net profit for each product but also the net profit ratio and, in some cases, the break-even number of units. A small group of candidates provided L2 calculations and then justified their choice in terms of competition and current work, thus gaining L3 marks. Some of the better candidates carried out many types of calculations involving net profit, net profit margin, break even points etc. However their justification for choosing either option was sometimes limited and involved a reiteration of their calculation together with a simple statement specifying their preferred choice; such answers did not reach L3. Only a small number of candidates gained eleven or twelve marks.

Question 4

(a) This should have been an easy question and, indeed, a number of candidates managed to score full marks. Most candidates seemed to appreciate the role of the tertiary sector, with many explaining the role of banks, loans, delivery services, retailing and advertising. However, others lost marks for giving utilities or businesses in the primary or secondary sectors. Others again misread the question and concentrated on the services which Bashir should offer to his customers. A significant number of candidates did not appear to know of any examples of tertiary sector services and consequently scored zero.

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(b) Most candidates were able to suggest some promotion methods, although the level of development differed and so marks between four and eight were the most common. There was some repetition (e.g. the same answer was given for advertising in newspapers and advertising in magazines) but some good application was included by many.

A few candidates confused "promotion" with "production" and listed job, batch and flow; others listed pricing policies and a very few referred to promotion within employment. The most popular responses were BOGOF, discounts, free gifts, displays and advertisement. Weaker candidates did not state the advantages/disadvantages of their ideas or their effectiveness, consequently reducing their possible marks. A common error was to identify TV as a method of advertising, which is expensive and unrealistic for a small business. Most candidates failed to give a well justified final recommendation and did not progress to Level 3 marks. Only a few candidates gained ten to twelve marks.

Question 5

(a) Most candidates realised that a tariff was a tax on imports and that the effects on the business would be to raise the cost of buying imported flowers, which may result in either lower profits or increased prices. Whether profits would be maintained would depend on what happened to sales of baskets as a result of the price increase. A few candidates misinterpreted tariffs and discussed quotas instead. Most candidates either scored three or four marks for tariffs. They scored another three or four marks if they understood exchange rates, i.e. that an appreciation in the exchange rate would lead to lower costs of imported flowers. Candidates scored no marks for this part if they got confused and thought that an increase in the exchange rate would lead to an increase in the cost of imported goods. Exchange rates continue to be a difficult topic for weaker candidates.

(b) Most of the candidates seemed to understand the role of each of the financial documents and so three or four Level 1 marks were gained by the majority of candidates as a starting point. However, only stronger candidates tried to apply this to the case study of a sole trader producing baskets of flowers and so in most cases the application marks were not gained. Only better candidates went on to achieve Level 2 marks by saying how the business would use each of the documents in its financial management. This meant that majority of candidates gained marks between three and eight.

The weak spot in this question was the cash flow forecasts, because many candidates stated that they show future profits and losses. It is a common mistake not to be able to distinguish between profit and cash. The profit and loss account did not present problems and usually neither did the break-even chart.

Summary comments

Overall the quality of the answers from the majority of candidates was good. Although candidates continued to lose marks through lack of application, analysis and evaluation, the depth of understanding was apparent in many cases. There were few examples of low scoring candidates and many examples of high scoring candidates, where they had not only applied their answers well but also made judgments which were fully justified.

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BUSINESS STUDIES

Paper 0450/03
Coursework

General comments

The coursework option was once again mainly undertaken by existing Centres. However, it was pleasing to see several new Centres entering candidates for coursework. A few popular sections of the syllabus tend to be the areas chosen to study by candidates. The standard of work submitted was high with very few low scoring assignments. It was also pleasing to see many candidates researching current information and relating the economic downturn to their chosen businesses when discussing the effects of issues on these businesses.

Assessment criteria

Candidates often chose a similar variety of sources of information which included questionnaires, visits to businesses; interviews (with parents, teachers, business people, the general public); the Internet; gathering information such as maps, advertisements, official documents, and photographs. Questionnaires continued to be the most popular form of gathering primary research for the majority of candidates. It would be helpful if candidates also discussed their approach to the research; who, when, why and how it was carried out. In addition textbooks were also used to provide explanation of business concepts and terminology in the work.

Assignment titles were usually analytical and encouraged a wide range of research. Occasionally titles were descriptive but they often still encouraged a wide range of research to be undertaken by the candidate. However, their analysis and evaluation of this information was often lacking detail and consequently this lead to lower marks than they might have gained if a different title been set.

The presentation of assignments was of a high standard with effective use of IT being made by all candidates to produce a word processed report including a variety of graphs, charts and spreadsheets to show questionnaire findings, break-even charts and financial information. However, occasionally candidates used pie charts for all information gathered and this is not always the best way to present the information. A more considered approach to displaying data would be helpful. The majority of candidates did present their findings in a logical manner with a clear title, outline of the problem/question set, research findings with analysis of the data and a conclusion which answered the question.

Application of the Assessment Criteria

The majority of Centres accurately applied the assessment criteria and this reflected their experience in assessing coursework. Very occasionally Centres were slightly generous in the awarding of analysis and evaluation marks. Also very occasionally, discussion by candidates was brief and lacked depth and therefore these pieces of coursework could not be awarded marks in the highest mark bands. Conclusions need to include a justified answer to the question posed in the title. Some candidates scored lower marks due to the lack of a justified conclusion based on the evidence gathered.

It is important that some evidence of the research undertaken supports the information used in the assignment and most candidates did show this throughout their work. A 'source of information' section at the end of the assignment was also a useful way of referencing the sources used. However, it should be clear in the assignment itself where this information has been used; a detailed list of sources alone should not attract high marks for research if it is not clear what information has been gathered and how it has been used to answer the coursework title.

Appropriateness of Assessment Tasks

It was pleasing to see that most candidates had a clearly stated question at the beginning of their assignment and these were questions that encouraged analysis and evaluation of the data collected.

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Feasibility studies for setting up a new business continued to be the most popular focus for assignments. These allowed both breadth and depth to the research undertaken and for analysis and evaluation of this research, with a clear conclusion based on the evidence gathered. Motivation and Marketing were the other most popular areas of the syllabus content chosen to study.

Studies of national or multinational companies are difficult for this age group to fully understand. Meaningful research is often difficult to gather and recommendations of how these companies could be improved are almost impossible for candidates. Local businesses are much more accessible and easier to understand. It is also easier to come up with recommendations as to how they might be improved either for location, marketing or motivation of employees.

Examples of assignment titles are as follows:

How can ……. increase its market share of ……..(specified product)? Some candidates chose very large successful companies, such as McDonalds, which left them little room for meaningful evaluative comments or recommendations. This question works best when the company chosen is small. A better question for a title on this topic was - ***How can …….increase sales of ……(specified product)?*** This worked better for those that chose it.

The motivation question ***- How can motivation be improved?*** This tended to lead candidates to cover all aspects of motivation and therefore can be unnecessarily heavy on knowledge and understanding and too light on evaluation. One suggestion would be that an aspect of motivation be investigated, e.g. ***How can ... reduce labour turnover***, or ***How can ... increase efficiency or productivity?*** This might help candidates to focus their investigation and only cover relevant elements of motivation. ***Is money the most important motivator?*** - has also been used successfully by several Centres.

Would …… be a good location to set up a …….? Or ***Is there a market gap for a ……..?*** This is always a good topic to select because candidates choose a type of retailer or business they are interested in, and they are familiar with the shopping area in which they are going to locate it. This usually results in a good evaluation as well as an interesting piece of coursework to read. There is usually plenty of primary and secondary information easily available to candidates as well. The assignment should not be written up in a narrative form describing the steps necessary to set up a business, as this does not encourage analysis and evaluation of the data gathered. A conclusion is needed which fully justifies the recommendation as to whether or not the business should be set up.

Administration

The administration by Centres was generally very good and greatly assisted the moderation process. Notes or annotations on the work by teachers as to why marks were awarded were also very helpful to the moderation process and this is to be encouraged.

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