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# BUSINESS STUDIES

**Paper 0450/11**
**Short Answer/Structured Response**

## General comments

The paper discriminated effectively across the full ability range. The range of marks was between 91 and very low single figures. The format of the paper allowed candidates to demonstrate what they knew and could do. Candidates were clear about the number of reasons required by each question and most attempted to provide some analysis of the points raised. Part **(e)** of all questions required the candidate to demonstrate evaluative skills. This proved quite challenging for some. However, there were many creditable attempts provided at generating conclusions and recommendations supported by justifications. Weaker candidates tended to provide a list of points for and against a statement and often found it difficult then to go on to provide any judgements. Candidates should be encouraged to link their ideas with greater care and to try to develop a logical argument.

Calculation questions often produced responses that were accurate. It is good practice to include methods or formulae in answers to calculation questions, as some credit may be given for use of the correct method even if the final answer is incorrect.

Some of the answers given to part **(a)** of the questions lacked the accuracy to gain high marks. Greater precision in the use of business terminology is needed here.

Candidates should be reminded that in order to gain high marks they need to:

- read questions with care;
- focus their answer on the specific question asked;
- show their methods in calculation questions;
- realise that the command word 'explain' requires a development of the point, not a statement of a new point;
- know that a command 'to justify' requires an answer to be supported with developed logic resulting in a conclusion or recommendation;
- know that analysing and interpreting information requires more than merely repeating the information.

## Comments on specific questions

### Question 1

**(a)** Most candidates recognised that a 'loss leader' was a product that produced a loss for a business. Many assumed that it was a product that made the largest loss. Relatively few candidates recognised that it was a product sold at below cost in order to encourage customers to buy other products sold by the business.

**(b)** Almost all candidates were able to identify at least one overhead cost paid by a business. Candidates should be reminded that wage costs are not regarded as overheads.

**(c)** This question produced a predictably wide range of responses. Often answers suggested that interest rate rises would result in higher prices for products or that interest rates were a form of tax payable to the government. Better candidates recognised that sales of cars might fall as most customers buy cars on credit and this would adversely affect the profits of the garage. Interest costs are also an overhead cost for a business and therefore their costs would rise and this too would be damaging to business profits. Candidates needed to link the rise in interest rates to profits as required by the question in order to gain high marks.

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**(d)** This was generally a well-answered question. Methods of promotion were well known and stronger candidates applied these methods well to the context of the question.

**(e)** This question differentiated very effectively across the ability range. Most candidates could correctly identify at least one method of tackling cash flow problems. Some candidates suggested that the business should produce a cash flow forecast. This would merely identify the problem but would not tackle it as such and hence is not a method. Many candidates needed to explain more clearly how the methods identified dealt with the problem and few were able to make evaluative comments regarding the ease or suitability of the method identified.

**Question 2**

**(a)** Examples of fringe benefits were known to most, though some answers would have benefited from considering which benefits would be appropriate to shop workers.

**(b)** The question required candidates to consider why attracting shop workers might be difficult. Reasons such as low rates of pay or shortage of labour in the area were appropriate. Some candidates misunderstood this and wrote about issues such as the cost of advertising and interviewing. Reading a question carefully is very important.

**(c)** This was generally a well-answered question. Most candidates knew that factors like low pay or dislike of the nature of the work were likely causes. Weaker answers failed to show how these factors negatively affected motivation.

**(d)** Candidates need to be encouraged to think more carefully about context in their answers, as answers to this question often lacked relevance to health and safety in a shop and were more appropriate to a discussion about factories. Candidates also need to be clear about precisely which areas are covered by health and safety legislation.

**(e)** Again, this question differentiated very effectively. Better candidates focused their answers on the impact that the two alternative methods would have on business costs and operations. Some seemed to assume that cutting hours of work did not cut wage costs. Others wrote about problems of high unemployment and the impact redundancy would have on families and the economy. Neither of these approaches could be rewarded.

**Question 3**

**(a)** This question was well answered with many candidates gaining full marks. The answer needed reference to a time period and to demonstrate some understanding of a limit to gain full credit.

**(b)** This question was correctly answered by many. A few did the calculation for the wrong year. Some candidates arrived at an answer showing an absolute monetary value or omitted the % sign.

**(c)** Many candidates found this question difficult. The best candidates were able to analyse what the ratio told you about the liquidity position of a business. Candidates who wrote generally about the financial position of the business rather than demonstrating an understanding of what is meant by the 'current ratio' and explaining its usefulness could not access the higher marks for this question.

**(d)** Although most candidates had some idea about possible sources of finance for growth, their understanding of them was often somewhat limited. The company was a public limited one so suggestions such as taking a partner or fundraising events were inappropriate. Those candidates who suggested a bank overdraft need to understand that this is essentially a source of short-term funding. Better answers showed an appreciation of why the suggested methods (such as share issue, retained profits, long-term bank loan, sale and lease back) were suitable for long-term growth plans.

**(e)** To score highly, candidates needed to identify changes in data that might impact on a business's success, explain or analyse what these showed and draw a conclusion based on the investigation. Weak answers tended to repeat the information given in the question. Better ones explained what had happened. The best evaluated the previous interpretation of events. The question produced a very good spread of marks. Candidates might have interpreted the data to show that sales had fallen by 8.3%, net profits had risen by 25%, the gross profit margin had risen to 22.7% but the

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return on capital had fallen to 16.6%. Identification and calculation of two of these figures would have gained four of the available six marks.

**Question 4**

**(a)** Many candidates gained full marks here, although some found it difficult to articulate the concept successfully.

**(b)** Many answers correctly identified the four stages. Some answers got the sequence of stages in the wrong order. Candidates need to ensure that they learn the correct terminology for business concepts, as use of inappropriate names such as 'boom' or 'death' could not be rewarded.

**(c)** Many answers successfully identified differences between the two figures but found it more difficult to explain them. In a few cases, candidates described the two product life cycles rather than comparing them, so could not gain full marks for this question.

**(d)** The question was well answered, with appropriate factors such as competition, production costs, market segment, market research and quality being identified. Weaker answers needed to make it clear why these factors should be considered.

**(e)** The question was generally accessible, with most candidates able to identify relevant points and to analyse them at least to a basic extent and to make limited evaluation.

**Question 5**

**(a)** The concept of communication feedback was well known. Weak answers repeated the term in the explanation. This should be discouraged.

**(b)** Again, this was a most accessible question. Many appropriate answers were provided. In a few instances, the examples were not business situations as stipulated by the question, so could not be rewarded.

**(c)** To gain the highest marks on this question, candidates needed to show how information technology has influenced how communication between a business and its stakeholders has changed. Some candidates wrote about information technology methods but did not relate these to communication between a business and its stakeholders. Careful reading of the question is essential if top marks are to be gained.

**(d)** This was a well-answered question. Many answers included reference to factors such as quicker decision-making, cost savings, knowledge of local conditions and motivation of staff. Once again, weaker candidates needed to develop their answers to show why delegation might generate such benefits.

**(e)** This was another well-answered question. Most candidates were able to identify relevant factors to consider, such as the motivation or demotivation of existing staff and the generation of new ideas. Better answers considered these factors in greater detail and were thus able to arrive at a conclusion regarding the desirability of the change.

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# BUSINESS STUDIES

**Paper 0450/12**
**Short Answer/Structured Response**

## General comments

The paper discriminated well between candidates of differing abilities. The format of the paper makes the paper more accessible to all candidates. Candidates were clear about 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 and could therefore only be considered as another knowledge mark. The part **(e)** questions continue to be the most challenging questions for all candidates, as they attempt to assess their evaluation skills. The better candidates were able to suggest and justify decisions successfully. Weaker candidates often tended simply to list points either for or against the statement in question rather than providing any judgement for many of the questions. Of those that did attempt evaluation, many were unable to provide reasoned statements 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 struggled to explain basic concepts such as variable costs, return on capital employed and liquidity.

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 question was generally well answered. Most candidates could identify at least one variable cost of Mike's business. Some candidates need to improve their understanding of basic terms, as there were two common mistakes evident throughout. The main one was to offer fruit and vegetables as separate points but, as they were both examples of stock, they were only rewarded once. The second error was to confuse variable costs with fixed costs, which resulted in examples such as electricity or rent.

**(b)** Candidates need to understand what a 'low profit margin' is. Few candidates showed any real understanding of the concept. The best answers included an appropriate formula and then an idea of the comparative nature of a low margin. Some candidates provided either a basic formula for a profit margin or had some idea of what a low margin was for one mark. However, most confused the term with a simple definition of profit, which did not answer the question set, so was not rewarded. The difference between profit and profit margin is important and needs greater emphasis in the teaching of many Centres.

**(c)** There was a mixture of responses to this question. Many candidates had some idea that 'overdrafts were easy to arrange' but too often candidates made general points which could equally well apply to other forms of finance. Better candidates were able to expand on the points made to show how overdrafts would help Mike's business. Weaker answers were characterised by either a

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definition of the term or incorrect assumptions, for example that overdrafts benefited from no interest or were long-term sources of finance.

**(d)** This was generally well answered. Most candidates could identify relevant methods to help Mike compete against larger supermarkets. The best responses developed the points raised to show how these methods would help Mike compete. The question stem had stated that Mike could not lower his prices any further, so candidates need to be reminded to read the whole question carefully to ensure they have all the necessary information. This meant that some candidates focused on price as a way to compete, which could not be rewarded in this context. Other candidates focused on ways to grow the business, for example merge with rivals or take loans, rather than consider marketing options to solve the problem, which the question required.

**(e)** Many quite competent answers were given to this question. A significant number of candidates were able to list general advantages and disadvantages of partnerships. This knowledge needed to be supported with appropriate analysis to show how these factors would help or hinder Mike's business. Answers also need to include a clear conclusion. A simple 'yes' or 'no' does not constitute evaluation on its own, but should follow on from the argument built up in their answer. It did not matter which way the candidate concluded, but candidates who did not provide the recommendation demanded by the question were restricted in the number of marks they could gain.

**Question 2**

**(a)** This question was well answered by most candidates. Some candidates need to ensure they understand the difference between the content of a contract and items included in a job specification or job description.

**(b)** Again, this question was generally well answered. Virtually all candidates were aware of the basic notion of 'extra money for good work'. Most candidates needed to develop their response to show why the money was being given, i.e. the link to achieving a target, for the second mark to be rewarded. Credit could not be given to answers that confused a bonus with overtime or explained why bonuses were given rather than what one was.

**(c)** This question produced a mixture of responses. Most answers were able to make simple reference to points such as 'can't afford to pay' or 'unskilled workers'. The better responses were then able to explain how these factors lead to low wages for workers. Weaker answers were characterised by generalised statements which simply restated the knowledge point made or repeated the stem to say 'this meant wages were low'.

**(d)** This question was well answered by most candidates. Good knowledge of ways to help retain staff was evident, and most candidates were able to develop at least one of their points to show how these methods helped retain staff. Weaker answers were characterised by three common errors. Frequently, candidates repeated similar points made, e.g. identification of three fringe benefits, which could only be rewarded once. Candidates who made the same development point for all answers, e.g. lead to increased motivation, needed to distinguish how the different methods would achieve this. The third mistake was to suggest financial methods, such as increasing wages, which the question specifically ruled out.

**(e)** This question was generally well attempted by most candidates. Good knowledge of points both for and against reducing labour turnover was evident in most responses. Some of the responses were excellent, showing clear understanding of the impact of high labour turnover on a business. The best answers concluded that it depended on the type of business and whether they were expanding or being forced to reduce staff. Others needed to develop the issues, such as 'more ideas' or 'lower costs', more fully. Often any conclusion was simple in its reasoning, with few even attempting to address the word 'always' in the question. Some candidates focused inappropriately on the words 'reduce the number', so addressed the question from the wrong perspective. Others identified reasons why employees might leave or explained methods the business could use to retain staff, rather than discussing the effect of high labour turnover on the business.

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**Question 3**

**(a)** This question was generally well answered. Most candidates knew that a dividend was 'money for shareholders' for one mark. For the second mark, candidates needed to make some reference to 'profit' as the source of this money.

**(b)** This question was generally well attempted by most candidates. The best responses included both the formula and the correct calculation. For those candidates who made an arithmetic error in their calculation but included the relevant formula, this was helpful, as they could still be awarded the available method mark. Common mistakes were to confuse profit with sales, thereby calculating net profit margin or omitting the % sign, which is important in this ratio calculation.

**(c)** Candidates need to understand the term 'return on capital employed' and its importance for a business. It measures the efficiency with which a business uses its capital to generate profit. This did not seem to be fully understood. The best responses were able to explain and develop the concept to show how it helped a business to assess its performance or how potential shareholders could compare the figures with other businesses to make informed investment decisions. Most candidates had some idea that it showed how well a business used its capital to make profit, but then needed to expand upon this simple observation.

**(d)** Most candidates were able to suggest ways to improve net profits, such as increasing sales or cutting expenses. The better answers developed these ideas to show how these measures would improve net profits. Many candidates needed to improve their explanations, which often lacked the correct focus as they suggested ways to achieve increased sales rather than explaining how higher sales could actually improve net profits.

**(e)** This question proved to be a good discriminator. There were a number of good responses which explained the key indicators. Basic knowledge of relevant changes with regard to sales and profit was evident in most responses. Weaker answers were characterised by a tendency to misinterpret the data. Many assumed erroneously that a fall in profit signified that the business had made a loss or that a rise in liquidity or ROCE figures showed a fall in liquidity and efficiency. Ratios and finance in general are still clearly areas where candidates need to improve their knowledge and understanding of key terms.

**Question 4**

**(a)** This question elicited a mixture of responses. Most candidates had some understanding of 'worth the money' for 1 mark, but then needed to develop the concept further. Two common mistakes were evident. The most common one was to focus on the word 'cost', thereby suggesting that it was simply expensive. The other was to reorder the words provided to say it was a 'cost which is effective', which did not explain the term.

**(b)** This question was generally well attempted. Most candidates had some simple understanding that a budget was an 'amount they were able to spend'. The better candidates were able to develop this to identify the fact that a budget relates to a given time span. This time element of the budget was needed for the second mark.

**(c)** Many good answers were provided to this question. Virtually all candidates identified two factors that a business needed to consider when designing packaging. The more able candidates were able to develop these points to show why each needed to be considered.

**(d)** This question provided a mixture of responses. The better candidates were able to identify relevant factors and explain why they were issues that *Gorgeous Chocs* needed to consider. Weaker answers were characterised by a tendency to focus on general marketing issues, such as the price of the product or where the product was sold, rather than specific issues relating to advertising. Others had difficulty in developing their response to explain why these factors were issues that this business needed to consider.

**(e)** There was a sound overall level of response to this question. Virtually all candidates were able to give some explanation of the general role of price in the marketing mix. Better responses were able to draw on other areas of the marketing mix before reaching a conclusion on the relative importance of price in the success of the product. Weaker answers were characterised by basic statements about the role of price and were less well supported by analysis. Evaluation in these

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responses was usually simple in its reasoning or not attempted. These responses tended to focus their answers solely on price, without considering other factors that have an impact on the success of a product. Answers which did not refer to the context of the question, i.e. that *Gorgeous Chocs* made 'high quality chocolate', were also limited in the number of marks that could be gained.

**Question 5**

**(a)** This question was generally well answered. The majority of candidates had some awareness that one-way communication meant 'no feedback' and so earned at least one mark. Better candidates developed this to show a clearer understanding of the term.

**(b)** This question was well answered by virtually all candidates.

**(c)** Good knowledge of the benefits of feedback was shown by most candidates. The more able candidates were able to link the benefits to management. Weaker answers tended to lack development, so they did not explain how benefits such as 'improved motivation' could lead to higher productivity for the business.

**(d)** Good knowledge of the potential benefits of technology was shown by most candidates. The more able candidates were able to develop these points to explain how they benefited the business. Weaker answers had difficulty making the link to show how the points raised created benefits for the business.

**(e)** This question produced a mixture of responses. Most candidates were able to identify advantages and disadvantages of employment laws for employers or employees. The best answers developed the points raised to explain how they benefited (or not) either group, before reaching a considered conclusion, showing awareness of both advantages and disadvantages of such laws for all concerned. Weaker answers were not always able to explain effectively how such laws helped either group. Some candidates needed to focus more on the question set, as they discussed the impact of new technology on a business or other areas of the laws such as consumer protection, which did not answer the question.

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# BUSINESS STUDIES

**Paper 0450/13**
**Short Answer/Structured Response**

## General comments

The paper discriminated well between candidates of differing abilities. Candidates clearly understood the number of points required for each question and most attempted to provide some analysis of points identified. Candidates had good knowledge and understanding of the terminology of the subject. However, when asked to explain points, candidates must ensure that they are developing a previously-stated point for analysis rather than simply adding another statement to gain a further knowledge mark.

Parts **(c)** and **(e)** of all questions, with the exception of **Question 3**, were the most challenging sections for candidates. These questions test the candidates' skills of analysis and evaluation. Excellent responses contained well-explained points and justified decisions. Weaker candidates often provided a simple list of knowledge points. Some of those who attempted an evaluative statement were unable to provide reasons for their choice. Candidates would benefit greatly from more practice in answering this type of question.

The financial questions were also a challenge for many candidates. Some candidates would benefit from further practice with numerical questions. The confusion between shareholders and stakeholders and also between private and public limited companies continues to be a problem for a number of candidates.

Candidates would benefit from being reminded that:

- questions need to be read carefully;
- the command words in the questions need to be given careful consideration;
- 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 by developed logic resulting in a conclusion or a recommendation;
- care should be taken to identify what data is needed in a calculation;
- it is advisable to show the method used when completing calculations;
- answers wherever possible need to be in the context of the business identified.

## Comments on specific questions

### Question 1

**(a)** This question was well answered by most candidates, showing they had a clear understanding of this concept. Candidates should remember that in a 'business partnership' the partners actually own the business (rather than simply running it).

**(b)** Many excellent responses were provided. To gain full credit, candidates must ensure that the examples they select are clearly different.

**(c)** This was a challenging question for many candidates. Candidates need to understand that working capital is used to pay for the daily expenses of a business. Many candidates were able to identify the uses of working capital but then needed to expand upon these observations to explain why it is important for the business. Answers that stated that working capital was necessary for growth or to purchase fixed assets could not be rewarded.

**(d)** Good knowledge of the problems faced by small shops was shown by many candidates. The development of points sometimes lacked insight. In a few instances, candidates wrote exclusively about reasons associated with economies of scale.

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**(e)** Again, this proved to be a challenging question that differentiated effectively. Better candidates were able to explain how the objectives stated could be assisted by converting to a private limited company. A significant number of answers listed the advantages and disadvantages of being a private limited company but did not relate these to the objectives stated. A small number of candidates confused private and public companies.

**Question 2**

**(a)** This question was generally well answered. Most candidates knew that human resources involved dealing with people. The better candidate was able to identify the tasks involved.

**(b)** This question elicited a mixture of responses. Candidates must ensure that they focus on the specific question. Those who identified two places where advertisements should be placed could not be rewarded.

**(c)** Candidates clearly knew what a job description was but sometimes could not explain why it was useful. The question required candidates to focus their answer on the benefits to the business rather than to the applicant.

**(d)** There was a sound overall level of response to this question. Virtually all candidates were able to identify functions of management. Weaker candidates then needed to apply these to the management of a fast food restaurant.

**(e)** This question proved difficult for many. Better candidates were able to explain other factors that can affect the success of a business and built an argument. Most answers contained an evaluative statement. The best responses made a judgement about the relative importance of factors. Candidates who repeated the answer provided in part **(d)** could not gain further credit.

**Question 3**

**(a)** This calculation proved challenging for some candidates, with many including only a partial calculation or stating that the answer was '38.46' and omitting the percentage sign. A significant number of candidates calculated using figures for 2008.

**(b)** This question was generally well handled. Candidates needed to give a precise definition. Candidates need to ensure they can distinguish between profit and revenue.

**(c)** This was very well answered by a large number of candidates. The best responses clearly explained why the identified stakeholder was interested in the data provided. A small number of candidates still confuse stakeholders with shareholders.

**(d)** This question proved difficult for many. Better candidates were able to identify changes in the data, explain how these related to net profit and discuss what might have caused sales or expenses to alter. Weaker answers were not focused on the question. Some candidates simply described changes in the figures in Table 1 or assumed that the cost of sales had risen. Others ignored the context of the question. The business was a distribution company, so petrol costs were a cost of sale.

**(e)** This was generally well answered by most candidates. Excellent answers explained clearly how the methods identified would help to cut costs or increase revenue. The majority of candidates identified that the business needed to cut costs or raise revenue but were not able to explain effectively how they could achieve this.

**Question 4**

**(a)** Many excellent responses were provided. The majority of candidates identified relevant factors for beauty products. A small number of inappropriate answers identified two methods of researching the market.

**(b)** This question was very well answered by virtually all candidates.

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**(c)** There was a sound overall level of response to this question. Virtually all candidates were able to identify that advertising either raises awareness or persuades customers. The question asked candidates to explain the ways in which advertising helped to launch a product. Some candidates focused their answer on identifying methods rather than the effect of advertising.

**(d)** This question elicited a mixture of responses. The best identified appropriate elements of the marketing mix for a hairdresser and explained why these would raise turnover. Some candidates needed to focus more on the business context, as methods that were unsuitable for a hairdresser could not gain credit. Other inappropriate answers included overlap between the chosen methods and also points about changing products and/or location rather than focusing on appropriate marketing methods.

**(e)** Many excellent responses identified and explained the advantages and disadvantages to a business of widening the range of products. A significant number of candidates found it difficult to explain the effect of widening the range. Answers that did not include a decision as required by the question were limited in the number of marks they could gain. A small number of candidates simply provided a decision, without making any points to support it.

**Question 5**

**(a)** This was well answered by most candidates, showing clear understanding of this concept. Some candidates provided a definition or an example of 'communication' but ignored the term 'effective'.

**(b)** Many excellent responses were provided. Advantages needed to be specific to emails, so candidates who wrote that advantages of email include that they are 'easily understood', 'written', that they 'reduce misunderstanding' or 'can provide feedback' could not be rewarded.

**(c)** This was generally well answered by many candidates. A good understanding of the barriers to communication was shown. Candidates need to be able to explain how these barriers affect communication.

**(d)** Most candidates were aware that centralising decision-making would have a negative effect. Demotivation of staff and the impact this would have on a business were well explained by a number of candidates. Weaker candidates needed to explain more fully why the points they identified were an issue. Candidates also need to be more aware of both the positive and negative consequences of centralisation.

**(e)** This question was difficult for many candidates. Excellent responses explained the impact of multinational businesses on the candidate's own country and made a supported judgement. A number of candidates did not explain the benefits or costs identified and their answers stopped without making a clear judgement. It did not matter which way the candidate concluded. The question required specific reference to a country, so answers that did not include this were limited in the marks they could gain.

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# BUSINESS STUDIES

**Paper 0450/21**
**Case Study**

## General comments

The question paper proved generally accessible to candidates of all levels of ability, with very few candidates not attempting every question. The part **(a)** questions are all worth 8 marks, ask for either two or four responses and assess knowledge, application and, occasionally, analysis. Part **(b)** questions are worth 12 marks and ask for a judgment. These questions test not just knowledge and application but also analysis and evaluation. The prompts in the answer space on the paper proved to be helpful to candidates when answering questions and were an aid to improving the responses to questions.

The case material appeared to be understood by the candidates. The level of ability of candidates varied, with examples of some very good scripts as well as some poor scripts too. If candidates had a detailed subject-specific knowledge of business terminology, they scored marks particularly on part **(a)** questions. If answers were vague explanations without any clear definitions, it was often difficult for them to be rewarded. On a case study paper there is a natural tendency for candidates to rush into answering the questions before they have read all the material carefully. There is evidence in the answers that not all the candidates read the material and the questions carefully enough.

When knowledge of business terminology was well understood, candidates needed to ensure they answered the question asked to gain all the marks available. Candidates should also be advised not just to list points, as this will only gain Level 1 marks. They should make sure they explain their points to move into the Level 2 mark band. Also, candidates need to apply their answers to the case material to gain application marks. There were many examples of good candidates with high-scoring scripts where the candidates had done this.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- To gain the highest marks, the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope this will gain some credit. The mark scheme is written to reward the answer required for the question and there is no allowance for alternative responses. For example, **Question 5(a)** asked, 'Identify and explain two ways the Dream Hotel could use the Internet to help increase the number of guests staying at the hotel.' Candidates should have focused specifically on how the hotel could use the Internet and then explained why it would lead to an increase in the number of guests staying at the hotel. Higher marks were often scored by candidates who made it clear how this method of attracting guests would be effective. For example, the hotel would have the email address of guests who had previously stayed at the hotel and they could email them with promotional offers to encourage them to book to stay at the hotel in the future.

- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for a judgment – such as **Question 3(b)**: 'If Jenn and Kiang want to expand the number of Dream Hotels they can either offer to franchise the hotel name to other hotel owners or open new hotels themselves. What do you think they should do? Justify your answer' – then the advantages and disadvantages of the two alternatives should be discussed and a decision made as to which would be the best option to choose and why. To gain the highest marks, candidates needed to support their recommendation with reasons why the chosen option was better than the other option, rather than simply repeating points made earlier.

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- Paper 2 is a case study, so the questions will be in the context of the business in the case study – for example, **Question 4(a)**: 'Identify and explain **two** reasons why providing a quality service in the restaurant is important to the Dream Hotel.' Marks will be awarded for applying the answer to this business, for example by saying that 'the hotel guests will need to be happy with the service of the restaurant so that they will tell other business people and then they might stay at the hotel'. A statement like 'good service will mean the customers tell others and they get an increased number of customers' could apply to any business. In most of the questions on the paper, marks are awarded for applying concepts to the business in the case. If candidates do not do this, they will not be able to gain marks for application.

**Comments on specific questions**

**Question 1**

**(a)** The first part was generally answered well. Most candidates showed a good understanding of fixed and variable costs. Some candidates need to understand that varying costs were linked to output, not to sales.

**(b)** In the second part, few candidates used the information to calculate the profits of the various activities of the hotel from the costs and revenue. Some candidates misunderstood the 50% occupancy and thought they should build additional rooms onto the hotel; others went for a cost slashing style answer without reference to improved revenue or the effect on fixed and variable costs. A number of candidates mistakenly thought the hotel in Appendix 3 was the Dream Hotel. Others described how they could increase the number of guests, for example by increasing advertising, rather than discussing how profits could be increased. Many candidates did use the case material and were awarded application marks and Level 1 marks for suggestions but there were few Level 2 marks and even fewer Level 3 marks gained as suggestions needed to be explained.

**Question 2**

**(a)** This part of the question was generally well answered in terms of giving four methods of communication, such as email, telephone, notice board and memo. Some incorrectly gave 'one way/two way', which could not be rewarded. High-scoring candidates made it clear why the method of communication was suitable for the hotel by giving examples of when the method would be used. Weaker answers focused on feedback and getting the message across rather than answering in the context of the hotel.

**(b)** The second part was not well answered by a large number of candidates. Those candidates who focused on the information provided in the Appendix scored well by explaining how the organisation chart could be rearranged. For example, moving all the bar staff under the restaurant manager, which would make allocating their duties and communication much more effective, gained Level 2 marks. Weaker candidates often suggested reducing the number of particular staff (e.g. bar staff) but did not explain how this would help improve efficiency or why the particular staff mentioned needed to be reduced. The stronger candidates picked each position and explained why some staff needed to be reduced or increased to improve efficiency. For instance, there was a suggestion that there could be one receptionist, with back-up from a database, so only one receptionist would need to be trained and the job would be enhanced by the use of the database so they could attend to the many customers of the Dream Hotel. Weaker candidates were not sure of the definitions of 'chain of command' and 'span of control', so they were unable to explain their usage of widening, shortening, reducing, and increasing (the span of control or chain of command). Other candidates randomly picked different posts and stated how the staff in all the posts would be increased but it did not make sense for the organisation. Lots of candidates answered this generically, with very little reference to the organisation chart. There were standard answers, such as widen the span of control and shorten the chain of command, with an explanation about increased delegation leading to trust or messages being passed on more efficiently, but these needed to be tied in more closely to the context of the Dream Hotel. Those that answered in context gave good answers, with suggestions for the finance manager having his own department and the chart being re-arranged to operate more smoothly and lots of delayering of assistants and supervisors.

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**Question 3**

**(a)** This part was answered very well by the majority of candidates, who scored near or full marks. They gave many useful advantages, including support, advice and more capital, and disadvantages such as arguments, conflicts, slow decision-making, no continuity and unlimited liability.

**(b)** This part was answered less well, with a lot of candidates giving Level 1 answers. Where the candidate developed their answer further, for example by linking costs and revenues to profits, they were awarded Level 2 marks. Quite a number of candidates thought that Jenn and Kiang were buying a franchise instead of becoming the franchisor. Candidates tended to make lots of Level 1 statements, such as they would gain profit from a franchise without having to do any work. Equally, owning their own hotel would cost a lot of money or they might have to take out a loan. Many recognised that there was a risk of one bad franchisee wrecking the reputation of the whole chain. Often answers tended to be basic and the candidate who analysed and developed their answer was rare. Level 3 was hardly awarded at all. Also, few application marks were awarded in this question.

**Question 4**

**(a)** The first part was quite well answered, with many responses focusing on reputation and how to get customers to come back. More candidates needed to apply their answers to the context of the question. Those who did, for example by referring to specific staff such as waiters, gained the marks available for application. .

**(b)** Many candidates listed lots of fringe benefits but then needed to relate them directly to the hotel or to the fact that a piece rate method might not be suitable for many restaurant jobs. Appropriate non-financial rewards included free meals, use of the leisure facilities or staying at the hotel for free. Many answers went into motivational theory and tended to be very generic, talking about job rotation and enlargement rather than financial or non-financial rewards. Maslow and Taylor were mentioned but often there was no analysis or evidence relating the response to the case or the question. Again, very few Level 3s were awarded and not many application marks.

**Question 5**

**(a)** This question was reasonably well answered. To gain the knowledge mark, candidates needed to state explicitly that advertising or promotion could take place 'on the Internet' or 'online'. Common examples were advertising or booking online. Many candidates needed to apply their answers to the context of the question in order to gain the application marks.

**(b)** There were many very good answers to this part of the question. Stronger candidates looked at the effects of the exchange rate on domestic travellers as well as foreigners, or wrote that businessmen were on expenses anyway, or would still come but look for a cheaper hotel. Others considered the increased costs of borrowing, the possible effects of increased incomes on demand for leisure services and possible labour shortages due to falling unemployment. A significant number of candidates changed the question and discussed the situation when boom turned to slump. These were good answers to the wrong question. Unfortunately, 'falling unemployment' was often read as 'falling employment', with fateful consequences such as staff being fired, losses being made and the hotel even closing down. There was some confusion between exchange rates and interest rates and also between interest rates and inflation. The effect of an exchange rate appreciation was often muddled with depreciation.

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# BUSINESS STUDIES

**Paper 0450/22**
**Case Study**

## General comments

The question paper proved generally accessible to candidates of all levels of ability, with very few candidates not attempting every question. The part **(a)** questions are all worth 8 marks, ask for either two or four responses and assess knowledge, application and, occasionally, analysis. Part **(b)** questions are worth 12 marks and ask for a judgment. These questions test not just knowledge and application but also analysis and evaluation. The prompts in the answer space on the paper proved to be helpful to candidates when answering questions and were an aid to improving the responses to questions.

The case material appeared to be understood by the candidates. The level of ability of candidates varied, with examples of some very good scripts as well as some poor scripts too. If candidates had a detailed subject-specific knowledge of business terminology, they scored marks particularly on part **(a)** questions. If answers were vague explanations without any clear definitions, it was often difficult for them to be rewarded.

When knowledge of business terminology was well understood, candidates needed to ensure they answered the question asked to gain the marks available. Candidates should also be advised not just to list points, as this will only gain Level 1 marks. They should make sure they explain their points to move into the Level 2 mark band. Also, candidates need to apply their answers to the case material to gain application marks. There were some examples of very good candidates with high-scoring scripts where they had followed these points.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- To gain the highest marks, the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope this will gain some credit. The mark scheme is written to reward the answer required for the question and there is no allowance for alternative responses. For example, **Question 2(a)** asked, 'Identify and explain four types of promotion the restaurant could use to increase the number of customers.' Candidates should have focused specifically on suitable forms of promotion for a small restaurant and therefore television was not appropriate, whereas advertising in a local newspaper or offering promotional discounts would be suitable. To score the higher marks, candidates needed to make it clear how the method of promotion would lead to an increase in the number of customers.

- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for a judgment - such as **Question 4(b)**: 'Using the information in the case, consider the three options for expanding the business and advise Kim and Selina which would be the best option to choose. Justify your answer' - then the advantages and disadvantages of the three alternatives should be discussed and a decision made as to which would be the best option to choose and why. To gain the highest marks, candidates needed to support their recommendation with reasons why the chosen option was better than the other two options available, rather than simply repeating points made earlier.

- Paper 2 is a case study, so the questions will be in the context of the business in the case study - for example, **Question 5(a)**: 'Explain two problems for Kim and Selina's business if the customer service in the expensive dining area was of poor quality.' Marks will be awarded for applying the answer to this business, for example by explaining that 'the restaurant charges high prices for its meals and has well-off customers who will expect good customer service or they will tell their business colleagues and give the restaurant a poor reputation'. A statement like 'poor customer service will lead to fewer customers and they will tell their friends which will lead to a poor reputation' could apply to any business. In most of the questions on the paper, marks are awarded for applying

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concepts to the business in the case. If candidates do not do this, they will not be able to gain the marks for application.

**Comments on specific questions**

**Question 1**

**(a)** This part was generally well answered. Most candidates were able to provide factors to be considered in obtaining food supplies and hence achieve some marks. The most popular were 'price' and 'quality'. To gain full marks, candidates needed to apply their answer to the case, for example by talking about good quality ingredients for the high-priced menu of the expensive restaurant. Also, candidates needed to explain their answers fully, making it clear how or why the factor identified was important to the restaurant.

**(b)** In general, the question was quite well answered, although candidates needed to outline the usefulness of tertiary businesses in greater detail. All candidates referred to some of the services provided, though weaker answers were characterised by vague references, such as 'banks provide loans' rather than more specific explanations about current accounts and means of payment. Better answers were applied to the case and scored application marks. The most common application in answers was to consider the kitchens catching fire and the insurance company compensating the restaurant so that it could start trading again. To achieve Level 2 marks, answers needed to focus on the actual question, which referred to whether the services were necessary for the success of the restaurant.

**Question 2**

**(a)** Candidates found it relatively easy to provide various methods of promotion available to the business. Relevant examples often identified were additional free facilities for the wedding party, promotional offers such as free drinks with a meal, discounts and sponsorship of local sports teams. To obtain full marks, candidates then needed to explain how these methods would lead to an increased number of customers.

**(b)** The second part of the question was also answered quite well as most candidates could justify their choice of applicant by referring to Appendix 2 in the Insert. Answers gaining Level 1 marks needed greater development of general statements such as 'more experienced'. For example, candidates could have noted that the 'more experienced' candidate would be able to manage the staff and communicate with the customers more effectively, which would have earned candidates more Level 2 marks. Candidates who identified the differing management styles of the two applicants (democratic compared with autocratic) and considered which would be most suitable for the manager of the restaurant and why were able to gain higher marks. Answers were often well applied to the case, with candidates using the information from Appendix 2 to support their answers. For Level 3, candidates needed to give sound analysis in the main body of the answer and then justify why the chosen applicant was better then the other applicant. This was rarely seen.

**Question 3**

**(a)** This part was well answered. Most candidates realised that proximity to competitors had its advantages and disadvantages, although the disadvantages appeared to be better understood. More able candidates mentioned the advantage of being located in an area recognised for its restaurants, which served to attract many potential customers. Disadvantages of competition leading to price-cutting and lower profits were identified by many candidates.

**(b)** The second part of the question was less well answered. Most candidates seemed to be aware of the characteristics of franchises but did not focus their answers on the question, which required discussion of the advantages and disadvantages to Kim and Selina of being franchisors. Answers that simply described what is meant by term franchise or that described the effect on the franchisee were inappropriate. Candidates could have gained higher marks by commenting on the features of franchising that they had identified, such as the income derived by Kim and Selina from the initial deposits, a percentage of profits earned by the franchisee or having to pay for advertising. Many candidates did recognise the potential problems for Kim and Selinas' restaurant if the franchisee created a bad reputation by offering poor quality food or poor service. Again, candidates needed to apply answers to the case in order to gain higher marks.

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**Question 4**

**(a)** The majority of candidates were able to calculate the percentages of 64% for gross profit margin and 8% for net profit margin. Weaker candidates provided the formula or just the net and gross profit figures of $160 000 and $20 000 but needed to go on to calculate the margins.

**(b)** This question (along with **Question 5(b)**), proved to be the most challenging on the paper. Level 3 marks were rare, as were application marks. Level 3 answers needed to justify the best option by explaining why the other two options were not as suitable. A recommendation which justified only the chosen option without any reference to the two alternatives stayed at Level 2. Candidates also needed to apply their answers to the restaurant, for example by saying that buying an additional restaurant in the city centre would be expensive to buy and therefore additional finance would need to be raised. Also, rents would be high but there would be a large number of customers in the area with high incomes and therefore the price charged for meals could be higher. Some development of points was required to achieve Level 2. Candidates who listed points, such as rents would be high, without any explanation of why this would be an advantage or a disadvantage to the restaurant were limited to Level 1 marks.

**Question 5**

**(a)** Answers to this question were varied. Many candidates could identify that poor quality service would lead to unsatisfied customers, poor reputation and fewer customers. Better candidates went on to develop their answers in the context of the case, by explaining the consequences to the business of having a poor reputation or having fewer customers coming back to the restaurant. Well-applied answers often recognised that there may be consequences for the family dining area and the hire of the facilities for weddings and birthday parties.

**(b)** In part **(b)**, many candidates described laws to protect consumers and the environment and gave examples of these laws, but needed to focus on the specific question, which asked for the reasons why consumers and the environment needed to be protected. References to 'faulty goods' and 'river pollution' that were not developed in the context of the question were limited to Level 1 marks. There was often discussion on the laws and government regulations introduced to deal with the problem rather than on the focus of the question, which was why such laws might be necessary. Candidates who scored high marks considered the consequences for consumers if such laws did not exist, for example if businesses sold them goods which were unsafe or of unmerchantable quality so the business could gain higher profits. If there were not laws to protect the environment, businesses might dump waste into rivers as it is cheaper than disposing of waste safely and hence again it would increase their profits. Laws are there to try to stop these activities from happening as businesses might not consider the consequences for consumers or the environment in the search for higher profits, so it is the responsibility of the government to ensure their protection.

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# BUSINESS STUDIES

**Paper 0450/23**
**Case Study**

## General comments

The question paper proved generally accessible to candidates of all levels of ability, with very few candidates not attempting every question. The part **(a)** questions are all worth 8 marks, ask for either two or four responses and assess knowledge, application and, occasionally, analysis. Part **(b)** questions are worth 12 marks and ask for a judgment. These questions test not just knowledge and application but also analysis and evaluation. The prompts in the answer space on the paper proved to be helpful to candidates when answering questions and were an aid to improving the responses to questions.

The case material appeared to be understood by the candidates. The level of ability of candidates varied, with examples of some very good scripts as well as some poor scripts too. If candidates had a detailed subject-specific knowledge of business terminology, they scored marks particularly on part **(a)** questions. If answers were vague explanations without any clear definitions, it was often difficult for them to be rewarded. No individual question proved significantly more difficult or easier than any other.

When knowledge of business terminology was well understood, candidates needed to ensure they answered the question asked to gain all the marks available. Candidates should also be advised not just to list points, as this will only gain Level 1 marks. They should make sure they explain their points to move into the Level 2 mark band. Also, candidates need to apply their answers to the case material to gain application marks. There were many examples of good candidates with high-scoring scripts where they had followed these points.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- To gain the highest marks, the candidates must answer the question asked. This seems obvious but some candidates write what they know and hope this will gain some credit. The mark scheme is written to reward the answer required for the question and there is no allowance for alternative responses. For example, **Question 2a** asked, 'Identify four methods of communication which might be suitable for the café to use and explain why each method would be suitable.' Candidates should have focused specifically on suitable methods of communication for a small café and then explained why they are suitable for the café to use, rather than just describing the method of communication listed. Higher marks were often scored by candidates who made it clear how the method of communication would be used by the café. For example, 'the telephone could be used to contact waiters to ask if they can do an extra shift as the café owners would need to know quickly if they could work an additional shift'.

- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for a judgment - such as **Question 4(b)**: 'The owners of the café want to expand the business. Consider the advantages and disadvantages of the three options outlined in the case and recommend which option they should choose. Justify your choice' - then the advantages and disadvantages of the three alternatives should be discussed and a decision made as to which would be the best option to choose and why. To gain the highest marks, candidates needed to support their recommendation with reasons why the chosen option was better than the other two options available, rather than simply repeating points made earlier. .

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- Paper 2 is a case study, so the questions will be in the context of the business in the case study - for example, **Question 3(a):** 'Explain two reasons why profits are important to the Four J's Café.' Marks will be awarded for applying the answer to this business, for example by explaining that 'they want to expand the business to open additional cafés and attract a wider range of customers such as tourists. The profit of $20 000 can be reinvested back into the business as they are a partnership and so they cannot raise additional finance by selling shares'. A statement like 'profits can be reinvested back into the business instead of raising finance by taking out a loan' could apply to any business. In most of the questions on the paper, marks are awarded for applying concepts to the business in the case. If candidates do not do this, they will not be able to gain the marks for application.

**Comments on specific questions**

**Question 1**

**(a)** This was generally answered well. Most candidates identified number of employees and capital employed as ways of measuring the size of a business. Candidates made good references to labour- and capital-intensive issues, capital employed and sales revenue when trying to compare the ways of measuring size. Candidates should note that the number of outlets is not an appropriate way to measure the size of a business. .

**(b)** In this part candidates found it relatively straightforward to gain Level 1 marks. To gain Level 2 marks, they then needed to contextualise the answers to small cafés. Inappropriate answers included the government cutting interest rates for the whole economy and references to how low tax rates or loans would specifically improve prospects for a small café business. Good Level 2 answers explained how the ways in which a government may help a small business are effective by identifying the link to improved profit margins or the fact that the small business is able to retain more of the profits for reinvestment, meaning the business need not take out loans.

**Question 2**

**(a)** This part was generally well answered in terms of giving four methods of communication, although 'one-way' and/or 'two-way' could not be rewarded. High-scoring candidates made it clear why the method of communication was suitable for the small café by giving examples of when the method would be used.

**(b)** In the second part, many candidates focused on how the suggested methods would be effective in attracting young people and some candidates went on to explain how the suggested methods would then help the business to improve sales revenue and profits effectively, so gaining Level 2. There were many good business ideas, such as advertising on local radio or billboards, discounts, sponsoring local sports teams, 'buy one get another one free'. Candidates then needed to ensure that each method was then put in the context of a small café. Weaker candidates often said 'young people have little money and would be attracted to cheap offers of food' with no analysis of how this could then improve the business, so could only gain limited credit.

**Question 3**

**(a)** Candidates gave many useful answers in part **(a)** about expansion, growth plans and the need for retained profit, Better answers identified the saving of interest as no loan would be required. Candidates need to understand that profits are not necessarily needed to pay wages and for materials.

**(b)** This part proved to be challenging for many candidates. Some good answers gave ROCE of 10%, gross profit margin of 76% and net profit margin of 20% and then went on to make useful comments about the significance of the margins. Weaker answers did not include accurate calculations of the basic profitability measures and tended to include statements, for example that the owners should be pleased or should advertise more, that were not supported by accurate reference to information in the case.

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**Question 4**

(a) Two stakeholders were identified by the majority of candidates and overall the marks were quite high for this part, Usually the nature of the concern of the named stakeholder was well answered to gain up to 4 marks for each stakeholder. Several candidates missed out on full marks by not applying their answer to the case. Well-applied answers often mentioned kitchen staff being concerned about job security, food suppliers to the café, teenage customers, and the partners wanting to expand the number of cafés. Some candidates are still confusing the terms 'shareholder' and 'stakeholder' and thought that shareholders were stakeholders in a partnership business.

**(b)** Many candidates gained Level 2 marks for this question but there were very few answers gaining Level 3 marks. Answers needed to consider both sides of the argument. For example, when buying a new outlet, it would not only cost more but would also need to generate more revenue and therefore there was a risk attached. Often correctly identified was the problem a rogue franchisee could create for the business image of the café, while often overlooked was the fact that the business was relatively new and unlikely to be an attractive franchise opportunity. Most candidates gained application marks by making reference to tourists, government grants and high levels of unemployment in the local area. There were some good references made to how the same target market would exist if expansion on the present site was chosen and consequently this might limit new opportunities for better sales/revenue.

**Question 5**

**(a)** This was generally well answered and most candidates gained marks for identifying the fact that the applicant is well known and would not need induction training. Application marks were often gained by reference to knowing customer likes and dislikes. Answers also needed to make a clear reference to a café/catering business, which was not always done.

**(b)** There were some good answers about gender and age segments, young mums, business people and small children as possible target market segments. Candidates who applied appropriate marketing terminology for the four elements of the marketing mix in a well-structured marketing strategy scored the highest marks. Many candidates scored Level 1 marks for recognising the elements of the marketing mix but needed to offer a clear marketing strategy for each of the elements and then link them together to form a clear strategy in order to gain Level 2 or Level 3 marks. General answers were given for some of the elements, such as prices could be raised or lowered, but no reference was made to appropriate pricing strategies to use or justification given. Weak answers sometimes contradicted themselves by suggesting raising prices as well as offering cheaper products. Lower-scoring responses often just focused on one element and repeated statements about a variety of promotional ideas rather than applying them specifically to the case and identifying other elements.

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# BUSINESS STUDIES

**Paper 0450/03**
**Coursework**

Centres that submitted coursework were experienced in its delivery and have done so before. The assignments undertaken used titles which had been successfully used previously. The assignment title for candidates was usually either a feasibility study, motivation analysis or an analysis of marketing used by a business.

The majority of assignments submitted were of a very good standard, including numerous examples of widely-researched, well-written pieces of coursework. The standard of presentation by candidates was high. The best work submitted showed candidates had gathered a variety of information, for example by questionnaires, the Internet, interviews, advertisements, observation and from textbooks. The information was often converted to alternative and appropriate forms of communication, such as charts, graphs, diagrams and annotated maps, and resulted in high marks under this criterion.

The most popular topic was a feasibility study, phrased in various slightly different ways by candidates. An example is as follows:

'Would it be profitable to set up a ..... in …….(my neighbourhood)?'

Other titles were:

'Is motivation in …. Ltd adequate?'
'What would be the best way for ….. to motivate and retain its employees?'
'What marketing strategies should …… adopt in order to increase sales turnover?'
'Can the marketing mix of ……. be improved in the …….market?'
'Is the marketing mix of …….. successful?'
'What factors affect the decision of which hypermarket to go shopping to?'

The assessment criteria were accurately applied by Centres as they were all experienced in the delivery and assessment of the coursework. If descriptive titles had been chosen by candidates, or too narrow a range of information had been gathered which had then limited the analysis and evaluation in the assignment, then the marks awarded by teachers were not generous but an accurate assessment of the work. When detailed and constructive written feedback was provided for candidates, it was very useful to the moderation process, as well as for the candidates, as it was clear why particular marks had been awarded.

All the administration procedures were adhered to and samples of coursework were sent by the deadline. All this made the moderation process go smoothly – Centres are to be thanked for their efficiency.

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