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BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key Messages

The structure of this paper changed considerably this session. Candidates now must answer 4 questions, each containing 5 sub questions. Although questions continue to be based around a number of short stimulus material, the skills tested by each sub question have altered slightly.

Parts **(a)** and **(b)** of each question require precise definitions, calculations and the identification of knowledge.

Part **(c)** questions require the candidate to identify knowledge (2 marks) and apply that knowledge to the situation described in the question stem (further 2 marks).

Part **(d)** in each case requires candidates to explain **two** aspects of business theory. For each aspect marks are awarded for knowledge (1) application to the scenario (1) and analysis /explanation (1).

Part **(e)** questions continue to require developed arguments resulting in logical conclusions. Candidates should be advised that the majority of marks are awarded for analysis and evaluation. Only one mark per question is awarded for knowledge plus one mark for application to the scenario.

General Comments

Application within answers remains the weakest area of candidate responses and one which must be addressed by Centres when preparing candidates for this examination.

Candidates were generally well prepared for the examinations and attempted most questions. Questions requiring definitions and calculations, such as parts **(a)** and **(b)** of each question were generally well answered. There was evidence that candidates were unclear on the precise meaning of some terms, particularly an economic boom and batch production. Candidates should be encouraged to learn precise definitions.

There was evidence that candidates did not understand some parts of the syllabus. This was clearly shown in **Question 1(c)**, **2(b)** and **4(d)**. The break-even chart was not clearly understood.

Part **(e)** of questions was the most challenging for candidates. These questions ask for application of knowledge to the specific organisation identified at the start of the question. Application marks were frequently not awarded as the candidate had ignored the information provided and therefore provided analysis that was inappropriate for the business. Evaluation marks were often also not awarded because the candidate did not make a decision, or the decision was not linked to the knowledge and analysis presented.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using their knowledge to develop answers in a better way.

Candidates should be encouraged to do the following.

- Learn precise definitions.
- Read the stem of the question carefully to identify the type of organisation under discussion in the question and select the information that is most appropriate for that organisation.
- In part **(e)** candidates should be reminded not to write long lists of information but to explain relevant points.

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Comments on Specific Questions

Question 1

(a) Many candidates were aware that revenue is money made by the business. Only the strongest candidates were able to give clear and precise definitions that identified the money was earnt from the sales of the business. The strongest candidates also showed how this figure would be calculated. Although this was not required, it was an alternative way to illustrate the meaning of the term.

(b) Weaker candidates produced answers that simply rephrased the question, such answers failed to explain what was meant by the word 'variable'.

(c) A large number of candidates struggled to plot each of the required lines accurately. A significant number of candidates did not attempt this question. An error made by many candidates was the plotting of variable rather than total cost. The strongest candidates frequently failed to label both total revenue and total cost lines, therefore losing one of the 4 marks available.

(d) This section of theory was understood by candidates and many were able to correctly identify two methods. The most frequent suggestion was to offer discounts cards and good quality services. Better candidates were able to explain why those methods were appropriate to this business by selecting appropriate information from the data given. The weakest candidates provided a list of methods to attract new customers rather than maintain loyalty. Such answers could not be rewarded.

(e) This question clearly differentiated between candidates. The best answers explained how raising prices would work to increase revenue and break even. Such candidates then explained why, for a small business in such a competitive market, this would be quite a risky strategy and proposed an alternative plan. Weaker candidates identified the effect on revenue but made no reference to the business in the stimulus material, such answers gained a maximum of one mark for knowledge.

Question 2

(a) The stages of recruitment were well understood by the majority of candidates. A common error was to answer the question from the viewpoint of the applicant rather than the employer. Such answers focused on the sending of CVs rather than the selection of applicants from the CVs submitted.

(b) This term was not well understood by candidates. Many candidates struggled to provide a clear definition. Weaker candidates incorrectly provided characteristics of an economy experiencing a boom such as prices rising, which could not be credited.

(c) Candidates clearly understood the concept of unemployment. The strongest answers used the case study material to illustrate the effect on All Active as they tried to recruit new workers and expand with less unemployed workers available. A significant number of candidates misinterpreted the question and discussed the effect of rising unemployment. Such answers could not be rewarded.

(d) Suitable factors to consider for location were identified by the majority of candidates. The stronger candidates provided some explanation as to why those factors would be important. Very few answers attempted to apply the factors to the context i.e. the location of a new sports and fitness club.

(e) The strongest candidates were able to recognise the advantages to this expanding business of becoming a public limited company. Such candidates used their knowledge and the evidence provided to evaluate the proposal and provided a final justified decision for this business. Weaker candidates provided long lists of the pros and cons of limited liability companies with no application to the case study business. Such answers gained one mark for knowledge.

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Question 3

(a) The large number of correct responses showed clear and precise understanding of this term. Weaker answers identified features, such as unlimited liability, rather than a definition of the term.

(b) Candidates clearly understood this part of the syllabus.

(c) A large number of candidates correctly identified two suitable methods of finance gaining the two knowledge marks available. The majority of candidates then explained the operation of those methods rather than explaining why they were suitable for this business and this purpose. The application marks available were therefore very rarely awarded. A minority of candidates chose methods of finance that were not suitable for a new small business, the most common error being to choose retained profit.

(d) The question directed candidates to explain the advantages and disadvantages, to the specified business, of having a business plan. A large number of candidates struggled to apply their knowledge of this topic. Candidates frequently identified the many elements that could be included in such a document, but only the strongest were able to explain either the advantages or disadvantages of its completion for a business. Application to this small photography business was very rarely seen.

(e) The topic of marketing is one that candidates clearly understand and enjoy discussing. The strongest answers identified two suitable, and very different methods of promotion, used information from the scenario to explain how the method could be used in a photography business and then made a justified decision as to the most suitable method for this business. A significant number of candidates discussed two methods of advertising rather than two different promotional techniques. Such answers struggled to provide detailed analysis and evaluation. It should be noted that only one mark is available in this question for knowledge of methods of promotion. Long lists of methods gained very little credit.

Question 4

(a) This question seemed to provide problems for candidates. Only the most able candidates were able to give a correct and precise definition. A large number of candidates simply stated that batch production involves producing in batches. This was a rewording of the question and so could not gain credit.

(b) A well-answered question. A very small number of candidates ignored the direction to state advantages other than cutting costs, and rather identified two reasons why costs would fall.

(c) This was an unusual question for this paper and one that the candidates answered very well. A large number of candidates explained that in a very competitive market quality allows firms to maintain sales or brand loyalty. Such answers used the information in the scenario very well. A small number of candidates identified relevant points but struggled to develop their answer in context.

(d) Profit is clearly an area of the syllabus with which candidates are not very familiar. Many candidates do not understand why profit is required in a business. Strong answers identified that this business would need more finance, for the new technology, and linked this to the need for retained profit. A large number of candidates did not understand that profit is the surplus after all costs have been paid. Such candidates explained that the business would need to cut costs or close due to falling profit. This style of answer could not be credited.

(e) This question required candidates to make a justified evaluation based on some analysis. Only the strongest candidates were able to make a fully supported evaluation. Such answers identified a positive and negative impact of technology on the workers, explained the effects on the workers in this particular business and then evaluated overall whether this would be good change for the workers. The main disadvantage identified was the risk of redundancy, as the business tried to cut costs. The most common advantage explained was the opportunity to learn new chocolate making skills. A large number of candidates did not apply the points explained to the business identified at the start of **Question 4**. A small but significant number of candidates explained the benefits and costs to the business not the worker; such answers gained zero marks.

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BUSINESS STUDIES

Paper 0450/12

Short Answer/Structured Response

Key Messages

- It is important to remind candidates that they must carefully read questions to identify both the type of business and whom they are writing their response about. This will ensure responses are appropriate for each given situation. Information contained in the stem of each question will prove helpful in answering the questions set.
- Parts **(a)** and **(b)** of each question required the recall of knowledge or application of knowledge linked to a given context. These parts were generally done well. More precision is needed when using business terminology.
- Parts **(c)** and **(d)** require candidates to identify and explain points. To gain full marks development of each point in context is required.
- Part **(e)** requires candidates to include more developed explanations and a logical decision based on points made. Candidates should be encouraged to develop, rather than simply list, a number of points, and when possible, a two-sided argument.

General Comments

There was evidence that candidates did not understand some parts of the syllabus. Concepts such as break-even and wholesalers were clearly not understood by a number of candidates. Candidates also continue to confuse revenue with profit.

The application and analysis marks were often not awarded as the answer given did not constitute an explanation of point identified but was simply another knowledge point or a repetition of the initial point. Some candidates did not read the questions carefully and hence had the wrong focus so did not address the specific question asked. Candidates must try to use the stimulus information provided to link their answer to the business in question.

Part **(e)** of all questions continues to be the most challenging for all candidates. Only the best candidates were able to suggest and justify decisions successfully. Other candidates often provided a simple list of knowledge points so could only gain a maximum of one knowledge mark. Of those who did attempt an evaluative statement, many were unable to provide reasoned statements to back up their choice.

Comments on specific questions

Question 1

(a) Most candidates understood that it involved checking quality. Better candidates were able to give a precise definition. There were two common errors. Some confused the term with quality or quality control, whilst others simply repeated the words in the question.

(b) Well attempted by many candidates. Some candidates offered generic answers such as ‘shows costs and revenue’ which could equally apply to a number of financial documents, so could not be credited.

(c) This question produced a mixture of responses. Better candidates were able to correctly draw and label parts of a break-even chart. It was clear that some candidates did not understand the concept of break-even charts. Common errors included not labelling the lines, confusing total costs with variable costs, whilst many did not know that total costs do not start from zero. A number of candidates did not attempt this question.

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(d) This question proved to be a good discriminator. Most candidates were able to identify at least one relevant advantage with 'efficiency' and 'better quality' being typical choices. Better candidates developed points raised to show how skilled workers could benefit a business. The best responses linked their answers to this watch making business. There were two common mistakes. Instead of development, some candidates just repeated the knowledge point; whilst others identified the same advantage for both points.

(e) Good knowledge of issues was evident in most responses. Better answers explained how points such as 'lower labour costs' and the' type of market' might be relevant to PJK's business. The best answers made good use of information provided in the stem to help support points made. Evaluation in most responses was simple or not attempted. Weaker answers were characterised by simple statements, which were not developed so they could only gain one mark as this was the maximum for knowledge on this question.

Question 2

(a) Most candidates understood that a multinational company operated in a number of countries. Better candidates were able to provide a precise definition. A common error was to either confuse the term with an exporter or a franchise.

(b) Well attempted by most candidates.

(c) Candidates who did well were able to identify at least one reason with 'avoiding misunderstanding' being a common response. These candidates made good use of the source material provided to develop their answer. Many candidates struggled to apply their knowledge to the scenario. A number of candidates identified points such as 'improve motivation' but did not make it clear how or why such points might be important to a business.

(d) This question was a good discriminator. Most candidates were able to identify at least one relevant advantage. The best responses were able to correctly identify and explain how 'access to local knowledge' and 'sharing costs' might be helpful. Better candidates used the facts, such as they were working with a 'local business' and it sold 'breakfast cereals', as a way to apply their answer. A common error was to repeat the same point for both advantages – this could only be rewarded once.

(e) Those who did well were able to identify at least one point either for or against multinationals and tried to show how or why this might affect consumers. These candidates made good use of the source material to support the points made, and a judgement was then attempted to support their view. A large number of candidates did not read the question carefully. Instead of focusing on consumers they discussed the possible impact on the country or Alkin's competitors or whether Alkin would benefit, which was not the question asked. Others identified a list of valid points which were not developed.

Question 3

(a) This was well answered by nearly all candidates.

(b) Most candidates knew that secondary market research is information that is already available but some were unable to state what type of information it gives. There were two common errors. Some stated advantages or disadvantages of secondary research. Others confused the term with primary research.

(c) Most candidates were able to identify at least one advantage. Better candidates did attempt to explain how 'advertising' and 'free gifts' might help promote this new hairdressing business. Application in a number of responses was limited as candidates offered theoretical explanations, which would apply to any business.

(d) This question produced a range of responses. Most candidates were able to identify at least one disadvantage and attempted to explain why points such as 'higher prices' might create problems for a business. The best answers used the information given in the question to apply their answer to Mabel's situation. Typical wrong answers suggested Mabel would have to buy in bulk so would incur high storage costs, when in fact 'breaking bulk' is an advantage of a wholesaler. Others stated that a wholesaler only sold damaged or poor quality products, but this is not the case.

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(e) A number of candidates gained high marks on this question. The best answers considered points about both price and location. Such answers identified relevant information from the stem and explained how factors such as affordability and access to customers were relevant to Mabel's new business. An appropriate decision based on their argument was then offered. Weaker candidates offered a list of knowledge points but were not able to develop the points to show how or why these were issues that Mabel needed to consider (or not). Evaluation in many responses was simple or not attempted.

Question 4

(a) Well answered by the majority of candidates.

(b) Well answered by most candidates. A common error was to identify sources of finance, which did not answer the question set.

(c) Many candidates were able to identify one advantage with 'outlines the tasks and duties' and 'saving time when recruiting' being typical choices. Only the best candidates were able to explain how these controls would help A2Z. A number of candidates had the wrong focus as they discussed the advantages from the viewpoint of employees rather than the business.

(d) Most candidates were able to identify at least one method. Better candidates explained why 'newspapers' and 'specialist magazines' were appropriate ways to advertise the new jobs. The best answers made good use of the context to show why they were relevant to this airline business. One common error was to repeat the same method for both points.

(e) This question was one of the most challenging on the paper. Better answers attempted to show the possible benefits (or not) of different methods of rewarding pilots. The best answers recognised the facts such as flying was a dangerous job or that pilots were already likely to be highly paid so that money might not be as important to them. Weaker answers were characterised by simple statements, which were not developed. A number of candidates discussed different motivation theories in general rather than use this knowledge to answer the question. Few candidates were able to offer any relevant evaluative comment as they answered the question from the viewpoint of the employee rather than the business which the question required.

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BUSINESS STUDIES

Paper 0450/13
Short Answer/Structured Response

Key Messages

- It is important to remind candidates that they must carefully read questions to identify both the type of business and whom they are writing their response about. This will ensure responses are appropriate for each given situation. Information contained in the stem of each question will prove helpful in answering the questions set.
- Parts **(a)** and **(b)** of each question required the recall of knowledge or application of knowledge linked to a given context. These parts were generally done well. More precision is needed when using business terminology.
- Parts **(c)** and **(d)** require candidates to identify and explain points. To gain full marks development of each point in context is required.
- Part **(e)** requires candidates to include more developed explanations and a logical decision based on points made. Candidates should be encouraged to develop, rather than simply list, a number of points, and when possible, a two-sided argument.

General Comments

There was evidence that candidates did not understand some parts of the syllabus. Some candidates did clearly not understand concepts such as ethics, break-even and cash flow. Candidates also continue to confuse certain terms such as revenue with profit.

The application and analysis marks were often not awarded as the answer given did not constitute an explanation of point identified but was simply another knowledge point or a repetition of the initial point. Some candidates did not read the questions carefully and hence had the wrong focus so did not address the specific question asked. Candidates must try to use the stimulus information provided to link their answer to the business in question.

Part **(e)** of all questions continues to be the most challenging for all candidates. Only the best candidates were able to suggest and justify decisions successfully. Other candidates often provided a simple list of knowledge points. Of those who did attempt an evaluative statement, many were unable to provide reasoned statements to back up their choice.

Comments on specific questions

Question 1

(a) Well attempted, as most candidates knew that a market segment was a subgroup of the market. Better candidates were able to give a precise definition. A common error was to confuse the term with market share or target market.

(b) This question was generally well answered.

(c) This question produced a mixture of responses. Only the best candidates were able to correctly draw and label a break-even chart. It was clear that some candidates did not understand the concept of break-even charts. Common errors included not labelling the lines, whilst many did not know that total costs do not start from zero.

(d) Generally well answered. Most were able to identify at least one relevant benefit with 'reach a wider audience' and 'increased potential for sales' being typical choices. Better candidates developed points raised to show how they could be helpful to a business. Only the best responses linked their

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answers to the scenario. There were two common mistakes. Instead of development, some candidates just repeated the knowledge point for both points or stated that this would be helpful without saying how this might happen.

(e) Good knowledge of issues was evident in most responses. Better answers used the information in the stem to help them make a justified decision about whether cost plus pricing was the most appropriate method for this business to use. Weaker answers offered a list of points, instead of developing one or two issues. Some had the wrong focus so discussed other ways a business should increase the number of customers, which was not the question asked. Evaluation in most responses was simple or not attempted. A number of candidates did not attempt this question.

Question 2

(a) Generally well answered by most candidates. The most common mistake was to assume that profit is a measure of size.

(b) Well answered by nearly all candidates.

(c) Most candidates were able to identify at least one relevant advantage with 'flexibility' and 'less expensive' being typical answers. Only the most able candidates could link their answers to the scenario to show how it would help Camille's business. A common error was to assume that part time workers were easy to replace or dismiss.

(d) This question produced a range of responses. Better candidates were able to explain how points such as 'less productive' and 'passing on bad habits' might cause problems. The strongest answers used the information well to relate their answer to this hairdressing business. There were two common errors. A number of candidates repeated the same point for both answers, but it could only be credited once. Others answered the question from the viewpoint of a manufacturer rather than a service sector business.

(e) This question proved to be a good discriminator. Those who did well were able to identify at least one point either for or against the current management style and tried to show how or why they were relevant issues. These candidates made good use of the source material to support the points made, and a judgement was then attempted to support their view. Weaker candidates offered simple statements but were not able to develop the points to show the impact on a business. Evaluation in many responses was simple or not attempted.

Question 3

(a) A number of responses showed imprecise definitions of this term, with only the most able candidates scoring both marks. There were two common mistakes. Some confused the term with 'job production' while others simply repeated the words used in the question.

(b) Well answered by many candidates. Some candidates did confuse the measurement of success with the measurement of size. Such candidates wrongly suggested that the number of employees or the amount of capital employed could measure success.

(c) This question produced a range of responses. Those who did well could identify at least one reason. Such candidates where then able to show why cash flow might be important to this bicycle manufacturer. There were two common errors. Instead of development some repeated the knowledge point. Others outlined the same point for both advantages. Many struggled to apply their knowledge to the scenario. A common misconception was to assume that cash flow was the same as profit.

(d) Most candidates were able to identify at least one way and attempted to explain how 'arranging a short term loan' and 'asking debtors to pay quicker' might be suitable choices. The best answers used the information given in the question to link their answer to Bowland's business. Typical weak answers focused on ways to increase profit such as 'cut costs' without explaining how such methods might improve cash flow.

(e) A number of candidates gained high marks on this question. The best answers considered points both for and against quality. Such answers used relevant information from the stem and explained how issues such as 'good reputation' and 'competition' might help the sales of this particular

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business. An appropriate decision based on their argument was then offered. Weaker candidates offered simple statements but were not able to develop the points made. Evaluation in many responses was simple or not attempted.

Question 4

(a) Many responses showed imprecise definitions of this term, with only the most able scoring both marks. The most common error was to suggest that it was a tax levied on imports. There was clear confusion here with the concept of a tariff.

(b) Well answered as most candidates knew that inventory refers to materials and products owned by a business. Better candidates were able to provide a precise definition. A common error was to confuse the term with either fixed assets or revenue.

(c) Most candidates were able to explain how the depreciation of country X's currency might affect the profits of a business. Application in many responses was limited as candidates offered only theoretical explanations, which would apply to any business.

(d) Most candidates were able to identify and explain how or why the 'access to a larger market' and 'cheaper labour costs' might create opportunities for a business. The best answers made good use of the context to show the possible benefits to this clothing retailer. Weaker candidates were not able to develop the points made as they simply repeated the knowledge point rather than offer any explanation.

(e) This question was one of the most challenging parts of the question paper. Only the strongest candidates were able to offer any development or evaluative comments. Typical answers focused on increased costs and the possible demand for ethical goods. Better answers attempted to show the possible effect (or not) on businesses. The best answers used the context well to help support the points being made and offered an appropriate decision based on the points discussed. Weaker answers were characterised by simple statements, which were not developed so they could only gain one mark as this was the maximum for knowledge on this question. A common misconception was to assume that simply following legal controls was the same as being an ethical company.

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BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

There have been a number of changes to the content of the course but also to the weighting of the assessment objectives. Centres should give their full attention to the details of the revised syllabus.

On the examination paper there are four questions, each of which is separated into two distinct parts. The first part of the question requires shorter, more straightforward answers reflecting good **knowledge** of business terms and concepts whilst the second part of the question requires more developed answers containing **analysis** and **evaluation**. It remains the case that **throughout** this paper that candidates are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario.

- To do well in this paper, candidates must make clear references, or application, to the case study which is issued at the start of the examination. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a cake manufacturing company called Delicious Delights. This would include mention of baking cakes, ovens, cake designs and ingredients to make cakes, for example.

- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

- Several questions on this style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option which was chosen.

General comments

Candidates had been generally well prepared for this examination and most teachers had taken care to change their lesson planning to take into account the new business topics that candidates are now required to have studied. The strong performance of many individuals reflected this new focus and is to be commended. The context of David operating a successful cake business for ten years in country X provided an accessible scenario for most candidates. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

As long as candidates take careful note of how many marks are awarded for each question they should be quite clear about the extent of developed detail that is required for each answer.

Many candidates showed good knowledge and understanding of the full range of the revised syllabus which was tested, but in a handful of cases it was clear that some Centres have not yet recognised that some new topics must be taught. Candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of Delicious Delights boosted their marks much further.

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The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Knowledge and understanding of the management function is part of the assessment in this subject and candidates should prepare for a question which will ask them about this topic.

  For example, **David has appointed a manager to control each department as shown in Appendix 1. Identify and explain three management functions of the Operations Manager. Which do you think is the most important management function? Justify your answer.**

  There are three levels of response to this answer where candidates are expected to explain and analyse the significance of three separate aspects of the management of the operations function. It is important to recognise that an Operations Manager would be responsible for the quantity and quality of cake production. Answers which simply offer generic statements about looking after machines and setting production targets would only be rewarded with Level 1 credit. Good answers show an understanding of specific skills of planning, organising, coordinating and controlling which would help develop David's business further. Such development earns Level 2 credit. Using the context of the cake production, a strong answer would contain analysis of how coordinating the designing of a new range of cakes with a change to the baking process would lead to a smooth operating production line with few rejected cakes. In the final part of the answer, candidates are expected to evaluate the three management functions of operations and to judge which would be most helpful. This tests the candidate's ability to synthesise and requires a clear justification as to why two of the functions might not be so important and why one of them is the key to managing operations successfully.

- In part **(a)** of each question there is a line for making a point and then a space below to explain or develop the reasoning. Candidates should think carefully about the context of the business in the case study <u>before</u> making their point and should <u>ensure they do not repeat themselves in the explanation section</u>.

  For example, **Identify and explain four factors DD should consider when packaging cakes if they are exported.**

  Easily accessed marks can be achieved by demonstrating knowledge of four relevant points which would affect the packaging of cakes for export. If the explanation restates the point in a few more words then no extra marks will be awarded. One suitable point to consider might be that DD should think about protecting the product. A weak explanation might follow with a comment that protection from damage should be considered. Instead, the explanation that follows should make clear that DD should consider the length of the journey and the fragility of a cake which needs to be protected from being damaged or contaminated.

<u>Comments on specific questions</u>

Question 1

(a) The majority of candidates made a good start by correctly identifying two characteristics of a successful entrepreneur such as creativity, self-confidence, being a risk taker. Good responses then went on to explain how such characteristics would be relevant for David in his cake-making business. However, full marks were gained by only a minority of candidates because the response did not have sufficient application. Reference could have been made to the risk of investing all of David's personal savings or the need for David's creativity in designing new ranges of cakes.

(b) It was pleasing to see strong explanation and reasoning from some candidates as they considered each function of the Operations Manager. The best Level 2 responses were most often the ones explaining the key skills of planning, organising and controlling the operations at DD. Some good answers explained the benefits of planning the ordering of appropriate quantities of ingredients for a particular batch of cakes, or the advantages of controlling quality by undertaking regular cake tastings. Weaker candidates showed insecure knowledge of this new area of the syllabus and

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instead discussed aspects of human resources management such as recruitment and pay. Those candidates who gained Level 3 credit were able to make an effective judgement about the most important management function of the Operations Manager. They often cited controlling quality as the key because the future reputation of DD would be dependent on positive feedback from customers.

Question 2

(a) This broad question allowed good candidates to identify and explain the role of marketing in a growing business. Many answers discussed the benefits of promotion as a means of developing brand loyalty to DD and maintaining market share in the face of growing competition. Others wrote about the research aspect of marketing so that DD could understand customers' likes and dislikes of cakes and then design a new range which met their expectations. The highest credit for this response was, as always, given to candidates who successfully related to the cake market rather than a generic good or service.

(b) In this question, candidates were asked to consider two options of increasing sales by using e-commerce or selling to supermarkets in other countries. Most candidates were able to discuss relevant merits of each proposal. Good responses relating to e-commerce often included analysis of the potential wider market and the double advantage of having a website which allowed direct ordering as well as promotion of the cakes offered by DD. However, there were two misunderstandings of this question by a minority of candidates. One was that some answers mistakenly suggested that DD was opening supermarkets, whilst the other showed a tendency to explain the disadvantages of each proposal which were not asked about in the question. In the evaluation section of the answer it was gratifying to see informed judgements about the choice of one proposal rather than the other. Some candidates made a good case for selling to supermarkets, arguing that larger quantities of cakes would be sold through the supermarket option rather than e-commerce and that more useful customer data would be fed back by supermarkets compared to e-commerce. The main drawback of the e-commerce option was the likely smaller scale of the operation compared to the supermarket proposal.

Question 3

(a) (i) There were some very strong answers offered here which showed a pleasing improvement in candidates' numeracy skills compared to previous examination series in this subject. Most calculations of the Current Ratio were correct and almost as many calculations of the Acid Test Ratio too. Positive marking was applied to candidates who interpreted the financial data in such a way as to add the Inventories figure to the Current Asset figure. It is good to see that teachers are now placing sufficient focus on teaching numeracy to equip candidates with effective skills.

(ii) The comparison of the data required candidates to identify a rise or fall in the ratios between the two years. Clear responses gained two marks with additional credit being given for commenting on the changes being accounted for by increased liabilities and decreased inventories.

(b) The answers to this question often scored very well indeed. Most candidates made effective use of the case study material and earned Level 2 credit by analysing the benefits and drawbacks of increasing efficiency by option A or option B. For example, using option A would allow David to implement improved training quickly, cheaply and with increased job satisfaction for the workers but would result in just a 10% increase in efficiency. To gain Level 3 credit, candidates were expected to identify which option would have the most positive outcome and a good number of answers considered this effectively.

Question 4

(a) The majority of candidates demonstrated good knowledge and application to the matter of packaging cakes for export. It was important to focus on the packaging itself. Some candidates deviated from that topic and instead wrote about transport issues. Strong answers explained about the need to be culturally sensitive, using appropriate language and keeping the cost of packaging down. Some reference had to be made about the particular need to consider cakes' fragility and short shelf life to score the four application marks available.

(b) This question was concerned with external influences on the profitability of DD. Not all candidates appeared to have sound knowledge of GDP. Simple statements giving a summary comment about

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the consequence of each of the three factors scored Level 1 credit but many answers gained Level 2 marks by offering more detailed explanation. For example, with regard to the reduced supply of raw materials used to make the cakes, DD would face the drawback of possibly having increased costs which would be passed on to customers in the form of a price rise to maintain profit levels. Therefore customers may be lost, but only if DD were in this position as an isolated producer. The likelihood would be a similar experience for every cake manufacturer so market price would rise for all cakes. In evaluating the most significant influence, some answers gained Level 3 credit by judging that a rise in GDP would have a long term benefit for profit levels at DD whereas the reduced supply of raw materials and the effects of negative comments from a television programme were deemed to be more short term outcomes.

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BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

There have been a number of changes to the content of the course but also to the weighting of the assessment objectives. Centres should give their full attention to the details of the revised syllabus.

On the examination paper there are four questions, each of which is separated into two distinct parts. The first part of the question requires shorter, more straightforward answers reflecting good **knowledge** of business terms and concepts whilst the second part of the question requires more developed answers containing **analysis** and **evaluation**. It remains the case that **throughout** this paper that candidates are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario.

- To do well in this paper, candidates must make clear references, or application, to the case study which is issued at the start of the examination. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to an ice-cream manufacturing company called Frozen Fancies (FF). This would include mention of, for example, ice-cream, high quality/expensive ingredients, variable demand over the year, strawberry and coconut new flavoured ice-cream, partnership business started 5 years ago, high priced ice-cream sold to high income customers.

- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

- Several questions on this style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option which was chosen.

General comments

Candidates had been generally well prepared for this examination and most teachers had taken care to change their lesson planning to take into account the new business topics that candidates are now required to have studied. The strong performance of many individuals reflected this new focus and is to be commended. The context of Samah and Selina manufacturing high quality, high priced ice-cream provided an accessible scenario for most candidates. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to the part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

As long as candidates take careful note of how many marks are awarded for each question they should be quite clear about the extent of developed detail that is required for each answer.

Many candidates showed good knowledge and understanding of the full range of the revised syllabus which was tested, but in a handful of cases it was clear that some new topics were not well understood. Candidates

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could earn basic marks by defining business terms and using them confidently. Those who answered in the context of Frozen Fancies boosted their marks much further.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Knowledge and understanding of the advantages of employing full-time and part-time workers is part of the assessment in this subject and candidates should prepare for a question which will ask them about this topic.

  For example, **Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.**

  There are three levels of response to this answer where candidates are expected to explain the advantages of each of these types of workers. It is important to recognise that full-time workers are more likely to be experienced, better trained than part-time workers and more motivated because of greater job security. Answers which simply offer generic statements about part-time workers being cheaper and more flexible would only be rewarded with Level 1 credit. Good answers were able to explain why these advantages benefitted FF. Such development earns Level 2 credit. Using the context of ice-cream production, a strong answer would contain analysis of how the different types of workers could be used to keep costs down during the variable demand over the year. In the final part of the answer, candidates are expected to evaluate whether a combination or just one type of worker is most beneficial to FF. This tests the candidate's ability to synthesise and requires a clear justification as to why the alternative options might not be so important and why one of them is better for FF.

- In part **(a)** of each question there is a line for making a point and then a space below to explain or develop the reasoning. Candidates should think carefully about the context of the business in the case study before making their point and should <u>ensure they do not repeat themselves in the explanation section</u>.

  For example, **The Government in country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.**

  Easily accessed marks can be achieved by demonstrating knowledge of the possible effects of an increase in interest rates on FF such as increasing the cost of repaying bank loans. If the explanation restates the point in a few more words then no extra marks will be awarded. One suitable point to consider might be that consumers may have less income to spend if they have higher repayments for their mortgage leading to a reduction in spending on luxury ice-cream. Some candidates stated that demand would fall without any explanation of **<u>why</u>** the increase in interest rates caused this to happen. A generic answer will only gain a maximum of 4 out of a possible 8 marks and so the explanation must clearly be in the context of this ice-cream manufacturer to achieve all 8 marks.

<u>Comments on specific questions</u>

Question 1

(a) Many candidates made a good start and were able to identify setting targets, aims and objectives, and ease of getting a bank loan as advantages of having a business plan. Others approached it by identifying different sections of the business plan such as marketing, financial and advertising to explain how the plan would have helped Frozen Fancies (FF). Where candidates went on to develop the explanation in the context of this partnership (such as having obtained a bank loan to start up 5 years ago and needing a further loan to develop new flavours) then near or full marks were secured. However, application was often missing in answers and this frequently restricted the overall marks that were achieved. Weak answers incorrectly treated the business plan as a partnership agreement, 'what plans do they have?' or talked about the new launch / reducing prices

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etc., making no mention of a business plan. A significant number of candidates did not appear to appreciate the underlying general nature of business plans or failed to express clearly the ways they might support business start-up or operation.

(b) This question covered a new section of the syllabus and many candidates identified advantages of full-time workers, such as, being more experienced, well trained, committed, loyal, skilled and efficient. However, fewer candidates could state the advantages of part-time workers such as lower pay, less cost to the business and being more flexible. Weaker candidates confused temporary and permanent staff with full-time and part-time and several thought that the part-time staff were temporary and could be easily made redundant. The most popular application in answers was that the business was very busy for part of the year. Those candidates who gained Level 3 were able to compare the two types of workers and weigh up which option was better for this business given the variable nature of demand over the year.

Question 2

(a) This proved to be a straightforward question and many answers identified and briefly explained two benefits of targeting a specific market segment, such as meets customer needs and wants, cheaper and more effective marketing, lower competition in the target segment, higher quality and higher price. A minority of candidates did not seem to know what market segmentation was or if they knew it they did not know it in enough detail to be able to be able to answer the question fully. The highest credit was for candidates who could apply their answer to this business for example referring to the ice-cream being targeted at high income groups and meeting their needs by being of high quality, but some candidates found this hard to do when their subject knowledge was weaker.

(b) In this question candidates were asked to consider three methods to promote the new flavour of ice-cream. Most candidates were able to discuss the relevant advantages and disadvantages of each method but application was often missing apart from 'tasting the new flavour of ice-cream' when giving out free samples. Good candidates, for example, recognised the cost effect of providing a discount with the leaflet, in addition to it being discarded without being read, as well as recognising the potential benefit of the leaflet encouraging customers to try the new flavour and then becoming brand loyal. However, weaker answers used terms such as 'because it's expensive' in every part of their answer. Candidates would have benefitted from thinking about the characteristics of each alternative and how each is uniquely different and then try and include these specific differences in their answer on advantages and disadvantages. This would then avoid obvious statements such as 'if they don't see it, then it won't work', or 'it might not attract many people', or 'some people will be unaware'. Weaker answers contained the same statements in all the alternative choices. Strong candidates included detailed analysis earlier in the answer and then used this to compare the three methods whilst making a judgement about the best method of promotion to use. Weaker candidates often just repeated earlier points and hence gained no further credit or made a weak judgment selecting only one method to justify.

Question 3

(a) There were some very strong answers offered here and they were usually in context; often reference was made to the lower prices, quality assured ingredients and free delivery once a week. The majority of candidates explained one advantage such as lower cost, free delivery, reduced prices, quality assured and nearly all candidates identified one disadvantage such as one free delivery each week, lack of trust, unknown reputation, loss of past good relationship with supplier.

(b) This question seemed to divide candidates into those who could calculate profit, profitability and break-even and those who could not. The question made clear reference to use Appendix 3 figures in the response. The best answers contained a variety of calculations which included some of the following: profit, net profit margin, gross profit margin and break-even for the two new flavours of ice-cream. Well justified recommendations then used these results to justify which flavour was the best one to develop. Weaker candidates provided brief descriptive answers with limited reference to figures or calculations and never went beyond Level 1. Application marks were also available and these were most often achieved by referring to the strawberry and coconut flavour ice-cream instead of Option A and Option B.

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Question 4

(a) The majority of candidates demonstrated good knowledge of the ways an increase in interest rates might affect a business. The most popular answers were increased cost of bank loans, lower sales, less profit, higher costs, and customers saving more. Application was often achieved by reference to the loan needed to launch the new flavour of ice cream. Weaker candidates confused interest rates with exchange rates or tax rises or inflation.

(b) This question concerned the effect on FF of a multinational food company opening up in the same country. The disadvantages of this were answered significantly better than the advantages. Better candidates were able to analyse competition and wages increasing as the major problems to FF. However, many candidates also looked at the advantages to FF of economic growth resulting from the location of the multinational providing jobs and new roads being built improving distribution. A minority of candidates incorrectly took this to be the impact of the multinational on country X and some took it to be a consideration of whether FF should become a multinational. However the main error was the belief that it would be advantageous for FF because the presence of the multinational company would make FF work harder to do even better. The best candidates used detailed analysis from earlier in the answer to consider whether or not the location of the multinational would be beneficial to FF. Weaker candidates again often just repeated earlier points and hence gained no further credit or made a weak judgment agreeing or disagreeing with the statement. Application marks were often awarded for recognising that more roads had been built or the multinational also produced ice-cream but that it was cheaper and of a lower quality and it had resulted in lower sales for FF.

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BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

There have been a number of changes to the content of the course but also to the weighting of the assessment objectives. Centres should give their full attention to the details of the revised syllabus.

On the examination paper there are four questions, each of which is separated into two distinct parts. The first part of the question requires shorter, more straightforward answers reflecting good **knowledge** of business terms and concepts whilst the second part of the question requires more developed answers containing **analysis** and **evaluation**. It remains the case that **throughout** this paper candidates are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario.

- To do well in this paper, candidates must make clear references, or application, to the case study which is issued at the start of the examination. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a biscuit making business called Celebration Biscuits. This would possibly include mention of baking biscuits, made in his kitchen using own oven, purchase new larger oven, biscuits decorated to celebrate special occasions such as birthdays, made redundant and want to start up own business, target market of parents.

- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

- Several questions on this style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option which was chosen.

General comments

Candidates had been generally well prepared for this examination and most teachers had taken care to change their lesson planning to take into account the new business topics that candidates are now required to have studied. The strong performance of many individuals reflected this new focus and is to be commended. The context of Chris opening up a new business making biscuits provided an accessible scenario for most candidates. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

As long as candidates take careful note of how many marks are awarded for each question they should be quite clear about the extent of developed detail that is required for each answer.

Many candidates showed good knowledge and understanding of the full range of the revised syllabus which was tested, but in a handful of cases it was clear that some Centres have not yet recognised that some new

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topics must be taught. Candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of Celebration Biscuits further boosted their marks.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Knowledge and understanding of methods of communication is part of the assessment in this subject and candidates should prepare for a question which will ask them about this topic.

  For example, **Chris will need to communicate with his suppliers when ordering ingredients. Consider the advantages and disadvantages of three methods he could use to communicate with his suppliers. Recommend the best method for him to choose if the order is urgent. Justify your answer.**

  There are three levels of response to this answer where candidates are expected to explain and analyse the suitability of three different methods to communicate with the suppliers. Answers that simply offer generic statements, such as emails are quick and cheap to send, would only be rewarded with Level 1 credit. Good answers that explain the advantages and disadvantages of each method earn Level 2 credit. Using the context of the biscuit making, a strong answer would contain analysis such as why particular communication methods would be suitable for urgent orders of ingredients, which are perishable and therefore may need to be delivered quickly to fulfil a customer's order. In the final part of the answer, candidates are expected to evaluate the three communication methods and to judge which would be the best one to use for an urgent order. This tests the candidate's ability to synthesise and requires a clear justification as to why two of the methods might be less suitable and why one of them is most suitable to ensure the message has been received and the ingredients are in stock ready to be sent out straight away.

- In part **(a)** of each question there is a line for making a point and then a space below to explain or develop the reasoning. Candidates should think carefully about the context of the business in the case study <u>before</u> making their point and should <u>ensure they do not repeat themselves in the explanation section</u>.

  For example, **Chris knows quality will be very important when producing his products**. **Identify and explain two ways Chris could achieve quality production.**

  Easily accessed marks can be achieved by demonstrating knowledge of two ways of achieving quality production such as quality control and quality assurance. If the explanation restates the point in a few more words then no extra marks will be awarded. A weak explanation might follow that products need to be checked that they are of the right quality. Instead, the explanation that follows should make clear that the biscuits should be checked at each stage of the production process to ensure that the writing on the biscuit is correct and if there are mistakes at any stage of the production process in his kitchen Chris or his employee will have checked and removed or corrected the biscuit before it is sold to customers.

<u>Comments on specific questions</u>

Question 1

(a) The majority of candidates made a good start by correctly identifying two ways the Government can support new business start-ups such as giving a grant, advice, providing low interest loans or reducing tax payments for a period of time. Good responses then went on to explain how such forms of help were relevant for Chris in his biscuit-making business. However, only a minority of candidates gained full marks because most responses did not have sufficient application in the explanation. Reference could have been made for example to the making of large biscuits for special occasions, purchasing equipment such as ovens, limited finance as the business is a partnership and limited experience in business as Chris is only qualified as a chef and baker.

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(b) The answers to this question often scored very well indeed. Most candidates could discuss the advantages and disadvantages of three methods of communication with the supplier and the majority earned at least some Level 2 credit. Telephone, email, letter and meetings were the most common suggestions. However, very few answers gained application as they were generic and made no reference to CB. Strong candidates included detailed analysis earlier in the answer and then used this to compare the three methods of communicating with the supplier whilst making a judgement about the best method of communication to use. Weaker candidates often just repeated earlier points in the recommendation and hence gained no further credit, or they made a weak judgment selecting only one method to justify and gained some additional marks.

Question 2

(a) This broad question allowed good candidates to identify and explain why marketing is important to a new business start-up. Many answers discussed the benefits of promotion as a means of developing brand loyalty to CB and establishing a market share. Others wrote about the research aspect of marketing so that CB could understand customers' likes and dislikes of biscuits and then design the products to meet their expectations. The highest credit for this response was, as always, given to candidates who successfully related their explanation to the biscuit market rather than a generic good or service. Only a few better candidates gained full marks by fully applying their analysis to the business given in the case.

(b) The answers to this question often scored very well indeed. Most candidates made effective use of the case study material and earned Level 2 credit by analysing the advantages and disadvantages of each method of distributing the biscuits to the target market. For example, selling to large supermarkets will provide bulk orders and high sales for CB which will enable Chris to expand the business quickly but the supermarket would absorb some of the profit margin of CB and it would reduce the individual nature of the biscuits. Better candidates identified in the recommendation which method of distribution would have the most positive outcome of reaching the target market and why the other methods were less suitable. Weaker answers just considered why one method was chosen.

Question 3

(a) Candidates either knew the methods of quality control and quality assurance or they did not. If they did not, then vague answers were given such as buying good quality ingredients or ensuring the workers were well trained. Many of these answers were applied to the context of baking biscuits and gained some credit. Those candidates who knew the correct methods, as listed in the syllabus, found it easier to give well-explained answers in the context of this business and score high marks. However, the majority of candidates scored less than full marks due to a lack of application or a lack of knowledge.

(b) Many of the answers to this question scored well. Most candidates made effective use of the case study material and earned Level 2 credit by calculating profit or net profit margin or gross profit margin. They then recommended which option is the best one to choose thus gaining some of the Level 3 marks and better candidates justified why the alternative option was rejected, gaining further Level 3 credit. Weaker candidates could often carry out the calculations correctly but they then found it difficult to make use of these answers to make a well-argued recommendation.

Question 4

(a) Many candidates demonstrated good knowledge of legal controls that might affect CB and better ones applied their analysis to CB's business of making biscuits. Some candidates got confused and instead wrote about the Government reducing taxes or tariffs. Strong answers explained how CB needed to make sure it did not break the laws. Some answers were generic and so could only score a maximum of 4 out of 8 marks. Those candidates who successfully applied their explanation of how legal controls affected Chris's business gained up to four of the application marks available.

(b) This question was concerned with the factors affecting the decision as to what type of business organisation Chris should choose for his new business. Many candidates identified unlimited liability and some stated how this affected sole traders and partnerships but weaker candidates confused this with limited liability. Many candidates could explain the impact unlimited liability might have on Chris and his partner and hence move their answer into Level 2 but the majority did not.

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Finance was only clearly explained by strong candidates and many answers did not go beyond stating that a partnership would have more capital than a sole trader. The third factor of the owners experience was often misunderstood; with the majority of candidates assuming that a private limited company would have other people managing the business and not Chris. A minority of candidates approached the question as a discussion of partnerships and did not consider the factors affecting sole trader or private limited companies, which reduced the credit that could be awarded. Better candidates gave a conclusion based on the earlier analysis and in the context of Chris having little experience of managing a business and having limited capital to start-up the business. Weaker conclusions were usually repetition of earlier statements and hence gained no further credit.

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