eduresourceza.com

Downloaded from eduresourceza.com

BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key messages

To score highly on this paper a candidate must focus their answers upon the stakeholder or organisation identified in the stem of the question. Over 30 per cent of the marks available for this paper are awarded for application; candidates who did not demonstrate this skill limited the amount of credit that could be given.

General comments

Candidates were generally well prepared for the examination and attempted most questions. Questions requiring definitions and calculations, such as **parts (a)** and **(b**) of each question were generally well answered. Candidates should be encouraged, wherever possible, to show their working out in calculation questions. In some questions where the final answer is incorrect one mark maybe awarded for the correct method of calculation.

The topic of profit did not seem to be clearly understood as shown by the answers to **Questions 3(c) 3(d)** and **4(e).** Knowledge of Taylor's theory of motivation and terminology such as inventory control was not well demonstrated by candidates.

Parts (e) of questions were 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 not used the information provided and therefore provided knowledge and analysis that was inappropriate for the business identified. Evaluation marks were rarely awarded because the candidate did not make a decision, or the decision made was not linked to the knowledge and analysis presented.

Candidates should be encouraged to:

- learn precise definitions
- read the stem of the question carefully to identify the type of organisation and the stakeholder under discussion in the question and select the information that is most appropriate for that situation.
- not to write long lists of information but to explain relevant points and draw reasoned conclusions in **part (e)** questions.

Downloaded from eduresourceza.com
© 2016

Downloaded from eduresourceza.com

Comments on specific questions

Question 1

(a) Many candidates were aware that customer loyalty is related to brand loyalty. The strongest candidates were able to give clear and precise definitions that identified loyalty means purchasing multiple times rather than just visiting.

(b) The majority of candidates were able to correctly calculate both numbers**.** The strongest provided a calculation to illustrate how they had derived the result, showing excellent exam technique.

(c) Although candidates were aware of the impact of reducing prices, many struggled to correctly apply their answers to the information given concerning EDGE as a business. An error made by many candidates was to discuss the impact on total profit rather than the profit margin. The strongest answers identified and explained how the price inelastic nature of demand would suggest that lowering price would lead to lower total revenue.

(d) This section of theory was understood by candidates and many were able to correctly identify two advantages. The most frequent suggestion was increasing sales and improving the business' profile in the market. The better answers identified pieces of information from the material provided in order to explain the advantages in the context of a competitive phone market. Some responses confused new products and extension strategies for existing products, therefore producing answers better suited to part (e) of the question. Weaker responses explained the advantages to the customer not the business.

(e) A small number of candidates did not attempt the question**.** The best answers identified two distinct strategies and provided detailed reasoning as to why one was preferable in this context. Such answers often focussed upon introducing new features to the phones or seeking new markets. Weaker responses focussed on marketing strategies and the 4Ps instead of extension strategies. A significant number of candidates provided only one strategy, credit for evaluation could therefore not be given, as those candidate could not effectively justify their decision.

Question 2

(a) Primary sector activities were well understood by the majority of candidates who gave appropriate examples.

(b) This question required candidates to select suitable places to advertise a job vacancy for a local farm. The best answers chose methods clearly suitable for a farm or small business. A large number of candidates gave generic answers such as newspapers, which could imply local, a suitable method, or national which clearly is not suitable. Such answers could not be credited.

(c) Taylor's theory was not well understood by many candidates. The strongest candidates identified that Taylor focussed upon financial reward by results and then outlined the difficulty of using this method on a farm where workers were already enjoying their work. A significant number of candidates misinterpreted the question and discussed the effect of the changing legal aspects of employment that formed the basis of part (e) of the question.

(d) Relevant advantages were identified by many candidates, most commonly the impact upon costs and flexibility of the labour force. The stronger candidates provided some explanation as to why those factors would be important for a business. Very few answers attempted to apply the factors to the context i.e. the operation of a farm where the majority of workers are part-time. The weakest responses provided very general points i.e. it is cheaper. Without further development such answers could not be given credit, as they do not relate specifically to part-time employees.

(e) A number of candidates found this question challenging. The strongest candidates were able to recognise the advantages to employees of higher pay and better working conditions. Such candidates used their knowledge, and the evidence provided, to evaluate the impact of the changes and provided a final justified decision for the employees of Bushall. Weaker responses listed the pros and cons to the employer and could not be given credit.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

Question 3

(a) This term was not well understood by the majority of candidates and many provided an imprecise definition. A common mistake being to explain the cost per item rather than the money spent producing all of the items sold. The very weakest responses identified this as the cost of advertising and marketing.

(b) Candidates were not always confident in calculating revenue and expenses from the data provided.

(c) A large number of candidates found this question challenging. Profit is an area of the syllabus that often proves challenging. A large number of responses did not demonstrate knowledge of the meaning of profit and suggested that profit would help to pay for the costs of running the business. Although the strongest candidates were aware that profit could be reinvested to provide funds for the business, very few could correctly apply this information in the context of this business. Credit for application was therefore rarely given.

(d) The strongest candidates appreciated the effect of fewer requirements for storage upon costs and warehouse space in this small factory. A number of candidates did not fully understand the concept of inventory control. Such candidates focussed their answers upon the finished product rather than the supplies arriving just in time. Such answers demonstrated knowledge but could not be credited for any resulting analysis.

(e) The topic of methods of production is one that candidates' clearly understood and this strong knowledge was often applied well to the business under discussion. The strongest answers identified the problems of introducing flow production when the factory produces a range of different drinks and compared this to the benefits of the batch production currently used. It should be noted that only one mark is available in part (e) for knowledge of methods of production. Long lists of unapplied knowledge gained very little credit.

Question 4

(a) This question was well understood by the vast majority of candidates. A number of candidates identified that the term referred to running a business alone rather than owning it. Such answers were awarded one mark for an imprecise understanding of the term.

(b) A generally well-answered question. A small number of candidates explained policies to cause economic growth rather than features that show the economy growing.

(c) The impact of increased interest rates was not well understood by many candidates. Better answers identified the potential impact upon the cost of loans and customers spending. The best responses applied the points raised to the context of a specialist shop.

(d) A large number of candidates were able to clearly explain the advantages of this business using appropriate information from the material provided. The best answers explained the ease of communication and improved service suggested by the information. A number of responses focussed on the different costs faced by small and large firms often stating simply that a given cost would be lower for a small business. These responses showed no appreciation of the economies of scale savings that might apply to larger retailers and were not given credit.

(e) This question required candidates to make a justified evaluation based on some analysis of the impact of the action on profit margins. Only the very strongest candidates understood the concept of the profit margin as opposed to profits in general. A large number of candidates misinterpreted the question and discussed a reduction in prices rather than costs; such answers gained very little credit.

Downloaded from eduresourceza.com
© 2016

Downloaded from eduresourceza.com

BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

- Candidates should 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)** required candidates to identify and explain points. To gain full credit development of each point in context is required.
- Part **(e)** required 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, give a two-sided argument.

General comments

Knowledge of concepts such as ethics and exchange rates was not well demonstrated.

Candidates must try to use the stimulus information provided to link their answer to the business in question, this will ensure that credit for application and analysis can be given. Candidates should avoid using the same application and analysis point more than once in any given answer as credit can only be awarded once.

Part **(e)** questions were challenging for all candidates. The best responses to these questions suggested and justified decisions successfully. Credit was given when evaluative statements were backed up by reasons.

Comments on specific questions

Question 1

(a) Most candidates knew that a trade union tried to protect workers rights. Better candidates were able to give a precise definition.

(b) Well answered by most candidates. A common error was to repeat the same point for both situations.

(c) This question was generally well attempted. Most candidates identified at least one problem with storage costs and risk of damage being typical choices. Better candidates made good use of the source material to develop their answers recognising that Saltan made cars. Weaker responses were general and did not apply to any business. A few responses focused on why the business may have a high level of inventory which was not the question asked.

(d) Most candidates were able to correctly identify at least one way. Better candidates were able to explain how methods such as automation and kaizen might work. Many responses were not linked to the scenario. Weaker answers did not develop the points made but repeated that it would improve efficiency rather than offer any explanation as to how this could be achieved.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

(e) This question proved challenging for many candidates. Those who did well were able to identify and explain why points such as redundancy costs or the fear of job losses might be factors that needed to be considered. These candidates made good use of the source material to support the points being made. Many responses lacked evaluation. Weaker responses offered simple statements but no development. Some made generic statements suggesting either output or cost could be lowered, which could apply to both solutions. Some responses discussed the impact of a loss of jobs on the workers or the economy, which did not answer the question set.

Question 2

(a) Many candidates knew that a marketing budget was a financial plan for marketing. Better candidates were able to give a precise definition. There were two common errors. A number of responses simply repeated the words in the question without offering any explanation of the terms. Others assumed a budget was a historical document.

(b) Generally well attempted.

(c) Most candidates could identify at least one relevant benefit. Better answers explained how being able to 'identify gaps in market' and 'knowing what to produce' might help a clothing retailer. Weaker answers ignored the context of the question. There were two common errors. Some simply defined what segmentation was. Others repeated the same benefit for both points.

(d) This question proved challenging for many candidates. Some responses identified at least one reason such as inappropriate advertising or inaccurate market research. Better responses attempted to show why this could result in the marketing not being cost effective. The best responses used facts such as that the business sold clothes or aimed its products at men aged 25-40 well to provide context. Instead of development, weaker responses just repeated the knowledge point or restated that it would not be cost effective. A number of responses used the numbers to prove that the marketing budget had not been well spent rather than identify the possible reasons, which did not answer the question set.

(e) Good knowledge was evident in most responses. Better answers developed points made and also used the information from the stem to help them make a justified decision about whether F&G should close its shops or not. Weaker answers were characterised by simple statements such as less rent or not everyone had access to the Internet. These responses did not develop the points to show how or why they might influence F&G's decision. Evaluation in many responses was simple or not attempted.

Question 3

(a) Most candidates understood that it referred to money owed. Better candidates were able to provide a precise definition. There were two common mistakes. Some repeated liabilities as part of their answer rather than define what it was. Others gave a definition of the term with fixed costs or current liabilities.

(b) Well attempted by many candidates. The most common mistake was to calculate the current ratio, which was not the question asked.

(c) Many candidates could identify at least one relevant reason. Good responses then went on to explain how points such as 'pay day to day expenses' might be important to this bicycle repair business. Application was limited or not attempted in most responses. A common error was to confuse working capital with profit or a cash flow forecast. Others repeated the same point for both reasons.

(d) Most candidates could identify at least one benefit. Better responses provided development to show why points such as 'share workload' and 'access to more capital' might be relevant. Only the best answers were able to link the points to the scenario. There were two common errors. Instead of development some repeated the knowledge point or explained how the advantage arose rather than how it was could be beneficial.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

(e) This question produced a mixture of responses. Most candidates were able to identify relevant points such as providing a sense of direction or could be quickly out of date. Better responses developed their answers to show how or why these points might help this business be successful (or not). Weaker responses stated advantages or disadvantages of a business plan. There was little attempt at evaluation in most responses.

Question 4

(a) Generally well attempted. Most candidates knew it was a tax. Better candidates were able to provide a precise definition. There were two common mistakes. Some confused the term with a quota. Others explained why a tariff was used rather than what one was.

(b) Well attempted. Most candidates were able to identify at least one benefit. The most common mistake was to confuse the term with a niche market.

(c) This question produced a range of responses. Many candidates were able to explain how an increase or decrease in exchange rates might affect a business. The best answers were then able to explain how changes might affect this manufacturing company.

(d) This question proved to be a good discriminator. Most candidates were able to identify at least one factor. Many candidates developed points raised to show how or why they were important to a business. Some did well as they were able to link their answer to the scenario. Weaker answers were characterised by two common errors. Repeating the same point for both factors or using the same development point for each factor. In both instances, the answer could only be credited once.

(e) To gain full credit on this question responses needed to focus on the relationship between profits and being ethical. Some candidates were able to identify relevant issues. Better answers recognised that there might be advantages such as the chance of a better reputation which could lessen the impact of higher costs on the business. Only the best answers linked the points made to the scenario. These candidates then offered an appropriate decision based on their argument, this often tried to weigh up the relative merits of short-term costs against the possible long-term benefits of being ethical. Weaker answers simply stated that costs might increase. A number of responses incorrectly stated that being ethical was the same as meeting legal controls. Others gave examples of ethical issues that did not answer the question set. Evaluation in most answers was simple or not attempted.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

BUSINESS STUDIES

Paper 0450/13

Short Answer/Structured Response

Key messages

- Candidates should 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)** required candidates to identify and explain points. To gain full credit development of each point in context was required.
- Part **(e)** required 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, give a two-sided argument.

General comments

The demonstration of knowledge of concepts such as efficiency and limitations of motivation theories was limited.

Credit for application and analysis was often not awarded. Some answers did not constitute an explanation of point identified but were often further knowledge or a repetition of the initial point. Candidates must try to use the stimulus information provided to link their answer to the business in question. Candidates should avoid using the same application and analysis point more than once in any given answer as credit can only be given once for the same point.

Part **(e)** of all questions were challenging for all candidates. Only the best responses suggested and justified decisions successfully. Other responses were often a simple list of knowledge points. Of those who did attempt an evaluative statement, many were did not provide reasoned statements to back up their choice thus limited the credit that could be given.

Comments on specific questions

Question 1

(a) Well attempted. Many candidates understood that a financial bonus involved an extra payment for good performance. Better candidates were able to give a precise definition. A common mistake was to say why it was used which did not explain the term. Others stated it represented extra money without explaining what it was for.

(b) Well answered by most candidates.

(c) This question proved challenging for most candidates. Those who did well were able to identify at least one method with praise and promotion being typical choices. Only the best responses linked points to this business. The common mistake was to identify hygiene factors which do not act as motivators.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

(d) Generally well attempted. Most were able to identify at least one problem. Better candidates developed points such as 'cost of equipment' and 'need for retraining' to show how they could hinder a business. There were two common mistakes. Instead of development, some candidates identified a different knowledge point or stated that a certain issue would be problem without saying how it would impact on the business. Many candidates did not link answers to the scenario.

(e) Good knowledge of issues was evident in most responses. Better answers attempted to consider the possible benefits (or not) of using efficiency as a way to improve profits. The best answers made good use of the information provided to help support their final decision. A large number of responses identified simple points such as less wastage but were not able to develop the points. Evaluation in most responses was simple or not attempted.

Question 2

(a) Well defined by most candidates.

(b) This question was generally well answered. The most common mistake was to omit the units.

(c) Most candidates were able to identify at least one relevant benefit with increased retained profit and higher demand being common choices. The best responses were then able to link their answers to the scenario to show how it would help KC's business.

(d) Most responses identified relevant factors. Better responses developed the points such as available land or proximity to suppliers to show why these issues needed to be considered. The strongest answers used the information well and related it to this business. A common error was to use the same analysis point for both factors, credit can only be given for the same point once.

(e) Good responses idenitfied and explained at least one point either for or against multinationals to show how or why this might affect individuals or businesses in country Y. These responses demonstrated good use of the source material to support points made and a judgement was then attempted. Weaker responses offered simple statements, which were not developed. Evaluation in many responses was simple or not attempted. Many responses discussed the possible impact on KC which was not the question asked.

Question 3

(a) A number of responses showed imprecise definitions of this term not gaining full credit. There were two common mistakes. Some repeated the words used in the question without explaining what an asset was. Others defined the term with fixed costs.

(b) This question produced a range of responses. Many correctly calculated the current ratio. Some responses included the formula, but gave the wrong answer, so could still gain some credit. A number of candidates did not attempt this question.

(c) Most candidates could identify at least one way. Candidates who did well were then able to show how points such as check business performance and help make investment decisions would help JT's shareholders. Weaker answers ignored the context so offered general points that could be related to any business.

(d) This question proved challenging for most candidates. Good responses identified at least one way and then showed how cutting the number of shops or workers might help reduce costs. Only the best answers applied their answers to JT by making good use of the source material provided. A large number of responses discussed ways in which the business could increase sales or profits which did not answer the question asked.

(e) Good knowledge of issues including the impact of changing prices and variety was evident in many answers. Better responses developed their points to show how or why such factors might affect customers. The best answers then offered an appropriate decision based on points made. Weaker answers were characterised by simple statements that were not developed. Many responses did not make a justified conclusion as the evaluation was often a repeat of an earlier point or an unsupported statement.

Downloaded from eduresourceza.com

CAMBRIDGE
International Examinations
© 2016

Downloaded from eduresourceza.com

Question 4

(a) Generally well attempted by most candidates. Better candidates were able to offer a precise definition.

(b) Most candidates understood that market research involved collecting information about customers or the market. Better candidates were able to provide a precise definition.

(c) Most candidates could identify at least one reason with building reputation and gaining repeat customers being popular answers. Application in many responses was limited as candidates offered theoretical explanations, which would apply to any business.

(d) Most candidates were able to identify and explain at least one benefit to a business of using social networks for promotion. The best answers made good use of the context to show the possible implications for this small phone repair company. Weaker responses did not develop the points made and repeated the knowledge point rather than offer any explanation. Application in many responses was limited.

(e) Only the best responses included a fully supported evaluation. Such answers tried to discuss both advantages and disadvantages of becoming a franchisee. The best answers used the information provided in the stem to help them reach their decisions. A large number of candidates identified a number of simple points such as loss of control or help with marketing but offered no development. Evaluation in many responses was simple or not attempted.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

The syllabus was revised for 2015 and some centres may have been entering candidates for the first time using the revised syllabus. 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 new specification.

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 while 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 dental services business called Diaz Dentist Clinic. This would include mention of teeth cleaning, repairs to teeth and teeth whitening services, 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 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 some individuals reflected this new focus and is to be commended. The context of Diaz Dentist Clinic operating a successful dental service for ten years in country X provided an accessible scenario for most candidates. No question appeared to be too challenging for most students. 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.

The layout of the examination paper provides side headings to prompt candidates in their responses. This seems to work well. 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.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

Many candidates showed good knowledge and understanding of the full range of the topics which were tested. Candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of Diaz Dentist Clinic boosted their marks much further.

The standard of written English was, in most cases, very good. The majority of 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 stakeholder groups 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 an objective of each of the following three stakeholder groups of DDC. Do you think there will be conflict between the objectives of each of these stakeholder groups? Justify your answer.**

The initial instruction is to consider one objective for each of the stakeholders – owners, patients and employees. Candidates would earn application marks for being able to successfully identify these in the context of Diaz Dentist Clinic. It is worthwhile for candidates to pause and think carefully about the information which is presented in the case study. This gives some clear hints for ideas to select an appropriate objective. It is only necessary to identify one and not several objectives for each stakeholder group.

There are three levels of response to this answer where candidates are expected to explain and justify the objectives of owners, patients and employees. It is important to recognise that the case study indicates that this is a ten-year partnership offering a highly priced dental service in one location which is becoming too small for the dentists to work comfortably. Answers which simply offer generic statements about owners aiming to make high profit, patients expecting a good quality service and employees seeking higher wages or better working conditions would only be rewarded with Level 1 credit. Good answers show an understanding of the specific characteristics of the Diaz Dentist Clinic, such as the two owners are considering relocating the clinic, it has a good reputation but the treatment rooms are very small.

In the case of the owners, their objective might be to move the clinic to a nearby new location with more space to expand their services, providing an opportunity to earn more profit as reward for Rosa and Eduardo, the owners. Such reasoning earns Level 2 credit. Using the context of the dental services market, a strong answer would contain analysis of how even more profit might be earned if the new clinic was not too close to their present three competitors.

In the case of patients their objective might be to ensure they have the highest quality service which reflects the high prices they are paying for dental treatment. This might mean caring attention from the dentist or a willingness to offer emergency appointments if they are in pain. This might justify choosing Diaz Dentist Clinic rather than one of the competitors close by.

In the case of the employees their objective might be to work in a clinic with larger rooms so that they can perform high quality treatment for their patients. This would ensure that the good reputation of Diaz Dentist Clinic would be maintained and they, as dentists and assistants, might be even better rewarded by their employers, Rosa and Eduardo.

In the final part of the answer, candidates are expected to evaluate the objectives of the three stakeholder groups and to judge whether or not there would be any conflict. This tests the candidates' ability to synthesise and requires a clear justification as to why different stakeholder interests might cause conflict in running the business. For example, moving to new premises would be expensive for the Diaz Clinic and may result in a price rise for their services which might make the patients displeased because they are already paying high prices for their treatment. The employees may be demotivated if there is a delay in moving to larger premises because it may cause dissatisfaction to patients who feel the existing treatment is not good enough since the treatment rooms are too small.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

- 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 ensure they do not repeat themselves in the explanation section**.

For example, **Identify and explain four factors Rosa and Eduardo should consider when choosing larger premises.**

Marks will be given for demonstrating application of four relevant points which Rosa and Eduardo would consider in moving their clinic to larger premises. If the explanation restates the point in a few more words then no extra marks will be awarded. One important consideration might be that DDC should find somewhere with parking spaces. A weak explanation might follow with a comment that more parking would give more space. Instead, the explanation that follows should make clear that: DDC would please their patients since the current location has no parking at, or nearby, their clinic and this would build important customer loyalty in this competitive market.

Another consideration would be the rent of larger premises which would most likely be higher than their current location. This could mean a reduction in profit for Rosa and Eduardo because costs would rise.

Comments on specific questions

Question 1

(a) The majority of candidates made a good start by correctly identifying one advantage and one disadvantage of forming a business partnership. Advantages were often identified as raising more capital from two owners rather than just one or the benefit of sharing ideas in running the business. The key disadvantage of forming a partnership that was mentioned by many candidates was the risk of disagreement and argument. 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 $50 000 that was invested by each partner and that the investment had resulted in the development of one of the largest dental clinics in country X.

(b) It was pleasing to see strong explanation and reasoning from some candidates as they considered an objective of each of the three stakeholder groups. The best Level 2 responses were most often the ones offering a developed analysis of each objective. Some good answers explained the importance of the owners obtaining a good return on their investment as a reward for the risk of operating a business. Others reasoned that the objective for the patients would almost certainly be pain-free treatment from skilled and attentive dentists. Weaker candidates insisted that employees would always be seeking a pay rise, yet the case study clearly indicates the employees' main concern was regarding insufficient space to work properly. Those candidates who gained Level 3 credit were able to make a clear judgement about the most likely source of conflict between stakeholder groups, contrasting the desire of owners to build stronger profits while the patients might wish to pay a more reasonable price for their dental treatment.

Question 2

(a) This question tested candidates' ability to identify and explain two methods of training employees to use the new computer system. Good answers offered developed explanations about on-the-job and off-the-job training. Often there was detailed information about the nature of the training and comments about the time taken and the skills that would be acquired when it had been completed. The highest credit for this response was given to candidates who successfully related to dental services rather than a generic good or service. Unfortunately, some weaker candidates wrote about induction training as though the receptionists were new employees, which they were not.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

(b) In this question, candidates were asked to consider three receptionists who were at risk of being made redundant. A clear, justified recommendation for one employee to be made redundant was required in the conclusion. Most candidates were able to use the information presented in Appendix 2 effectively. Good responses discussed the appropriateness of making redundant a receptionist who was unqualified and therefore unskilled at key elements of the job, whereas another receptionist who had experience of working at other dentists and might introduce new ideas for the Diaz Clinic might not be an appropriate employee to make redundant. However, there were weaker responses which merely copied the profiles of each receptionist from the table, offering no interpretation or analysis of them. Some recommendations for redundancy focused too heavily on the age of each receptionist rather than the lack of skills and inexperience. In a minority of cases candidates selected a receptionist for retention rather than redundancy, showing a misreading of the question.

Question 3

(a) This was a challenging question for many candidates. Some candidates mentioned the benefit of reducing unemployment in terms of new jobs being created in the new dentist clinics proposed by the Government. Positive marking was also applied to students who offered an answer in the context of fewer days lost at work from tooth pain which might result in increased productivity in country X.

(b) The answer to this question tested candidates' financial knowledge and understanding.

(i) Although candidates might sometimes struggle with financial calculations, most were able to correctly complete the four boxes on the cash flow forecast.

(ii) The majority of candidates identified increasing cash inflow and decreasing cash outflow as methods of improving cash flow. However, to answer this question most effectively it was important to explain the impact that increasing the number of patients or reducing overheads would have on the forecasted monthly balance. Unfortunately, some answers referred to profit levels, showing a confusion between cash flow and an income statement.

Question 4

(a) The majority of candidates successfully identified four factors to be considered when moving DDC to larger premises. It was important to focus on the context of an existing dental clinic needing more treatment space. Stronger answers explained about the importance of staying in the same area so that existing patients and employees would have convenient access. Others mentioned having premises that were large enough for all of the eight dentists to work comfortably which was not possible at the current location. Generic answers offering simple statements about factors affecting the location of business did not show sufficient application to the context of DDC.

(b) This question was concerned with choosing a suitable method of promotion for the new premises of DDC. Simple statements showing basic knowledge of advertising methods scored Level 1 credit, but many answers gained Level 2 marks by offering more detailed explanation of the advantages and disadvantages of each method. For example, with regard to the money-off coupons, DDC might attract new patients with reduced prices but they might not remain loyal when the prices returned to their normal high levels. The opportunity of advertising on a website with full details of the range of treatments was often recommended as the best option. Some answers gained Level 3 credit by not only justifying the strength of website advertising compared to the other two methods but also linking their answer to a longer term benefit of using the website to access the new computer booking system which is planned to be introduced very soon.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

- Candidates must make clear references, or application, to the case study which is issued at the start of the examination. In this particular case study, candidates were expected to refer to a photography company called Foto Favourites (FF). This could have included mention of, for example, photographs being taken at weddings, birthdays and other celebrations, the business being set up 5 years ago and being profitable, the main business objective is providing excellent customer service, there are changes in IT that are affecting the photography industry, photographs can be downloaded and printed by the customer, Business A and Business B are being considered for a take over as the owners want FF to grow externally.

- 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.

- 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 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 the strong performance of many is to be commended. The context of a photography company owned by Thao and Liang provided an accessible scenario for most candidates. Time did not appear to be a problem. Rarely did a candidate not complete their answers in the one hour thirty minutes allowed.

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

The layout of the examination paper provides side headings to prompt candidates in their responses. This seems to work well. 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 and candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of Foto Favourites gained most credit.

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 how to calculate and interpret the results of profitability ratios for a given business.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

For example, **Consider the income statement extracts for the two businesses in Appendix 3. Include profitability ratio calculations in your answer. Recommend which business FF should take over. Justify your answer.**

There are three levels of response to this answer where candidates are expected to calculate the profitability ratios for both businesses and analyse what the ratios show. Answers that simply offer generic statements, such as – the revenue of Business B is $400 000 more than business A -would only be rewarded with level 1 credit. Answers that correctly calculated the gross and net profit margins would earn level 2 credit. Using the information about the two businesses to enhance the answer would gain credit for application. In the final part of the answer, candidates are expected to evaluate the profitability ratios of the two businesses and recommend which one is the better one to take over to gain level 3 marks. This tests the candidates' ability to calculate and then interpret the profitability ratios and requires a clear recommendation as to which business to take over and why it is better than the alternative business.

- 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 ensure they do not repeat themselves in the explanation section.

Comments on specific questions

Question 1

(a) Many candidates made a good start and were able to identify that good customer service would lead to repeat business, brand loyalty and brand image. Application marks were often gained for discussing photography or information about the business, i.e. that it has been established for five years. However, with no application to the case study credit was limited. Weaker responses identified the outcomes of higher sales and higher profit without explanation of how good customer service would lead to these outcomes. There was, at times, repetition in each of the two explanations which could only be credited once.

(b) Many candidates found this quite a difficult question. Often responses did not include the health and safety aspect, resulting in a more generalised response. A few candidates did recognise that photographers could not provide a service while the training was taking place, but many just talked about the higher costs to provide training. Weaker responses were focused on 'training' in terms of skills, which was not the focus of this question. The majority of candidates were able to identify and develop an explanation based on increased costs and reduced profit resulting from the increased minimum wage credit was given for application when candidates were able to identify that originally their wage rate was 50 per cent above the minimum wage. Better candidates discussed the erosion of differentials but weaker answers just related the effect to increase in wage costs. The majority of candidates stated that FF could no longer make employees redundant, which highlighted confusion between dismissal and redundancy. Many responses stated the company would never be able to get rid of staff, that the employer was powerless and could not dismiss any of the workers even on justified grounds. The better responses included a discussion of the importance of the recruitment process. The very best responses gave correctly justified recommendations as to which legal control will have the biggest effect on FF.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

Question 2

(a) This proved to be a straightforward question and many answers identified and briefly explained benefits such as reduced cost, ease of access and time saved. Also 'attraction of customers' because of the faster service was discussed well. However, weaker responses tended to focus on the benefits to the customer and their families rather than FF, which was not the focus of the question. A minority of responses were related to e-commerce which could not be given credit.

(b) In this question candidates were asked to consider three methods of market research to identify the needs of potential customers. The better answers discussed the relevant advantages and disadvantages of each method but application was often missing. There seemed to be limited understanding of secondary research demonstrated with some vague responses given such as – 'secondary research will give more information on weddings'. There were a large number of candidates who were able to form a balanced argument for questionnaires, analysing the advantages and disadvantages of completing questionnaires. A minority had the misconception that questionnaires are cheap. Very few responses included reference to the other types of photographs that FF were interested in, not recognising that the first two sections of this question only referred to weddings. There was often good application to the answers such as brides, grooms, couples and photographs. Better answers provided the analysis for a good recommendation. However, weaker responses lacked further development.

Question 3

(a) This question was well answered by the majority of candidates. However, weaker responses were related to stakeholders in general, rather than those concerned with the accounts. Some responses identified both shareholders and owners as stakeholders and these are the same thing.

(b) Many candidates were able to work out the calculations correctly and also gain credit for application for discussing the age and the cost to buy each of these businesses. However, there were some issues where the GPM and NPM were written as fractions or as 0.25 and not as a percentage. Many candidates correctly worked out the profitability ratios and then used them and other information to make good recommendations. Many candidates gained level three credit by comparing the two net profit margins as being the same but the gross profit margin differing and that it therefore said something about controlling expenses. They also used the fact that the businesses had been operating for different lengths of time and sold to different markets.

Question 4

(a) The majority of candidates demonstrated good knowledge of the ways an increase in interest rates might affect a business. The majority of candidates discussed how an increase in interest rates would impact loan repayments and would reduce demand for FF services, as consumers would save rather than spend on a luxury product such as wedding photographs. Other better responses linked the increase in interest rates to the expansion of the business. Weaker responses were often a 'reduction in profit' or a 'reduction in sales' as a reason without properly explaining why this resulted from increased interest rates. Quite a number of candidates mistook the interest rate for inflation and explained how inflation and the increase in overall prices will affect the business.

(b) This question was concerned with choosing between three options to finance the takeover of another company. Retained profit as a source of finance was very often correctly given as a good source of finance as it is already available and you don't have to pay interest. The disadvantage of the company not having enough retained profits for the takeover was often given. However weaker responses included statements such as 'less money to pay expenses'. The majority of answers for issuing more shares recognised that as a private limited company, shares could only be sold to family and friends with the expectation that dividends would be paid. Weaker responses showed a misunderstanding of the issue of shares and discussed how they could be sold on the stock exchange. A large number of candidates possessed a stronger understanding of the impact of FF taking out a loan; this resulted in these candidates giving a more developed explanation. In the recommendation candidates were able to gain credit by discussing which method of finance would be the most suitable for FF, including consideration of the current profit of the business and the amount of capital needed for the takeover.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

- Candidates must make clear references, or application, to the case study, which is issued at the start of the examination. In this particular case study, candidates were expected to refer to a dance studio and gymnasium called DADS. This could include mention of qualified teachers of ballet and modern dance, fitness instructors, the owners being in a partnership for 5 years, each partner having little experience in running a business, the dance studio being rented and located on the edge of town, the studio lacking space with classes that are full and the owners wanting to expand by moving to larger premises, classes that are for children and adults, a government that wants people to get fitter and improve their diet.

- 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 that was chosen.

General comments

Candidates had been generally well prepared for this examination with the strong performance of many reflecting this. The context of Danielle and Anthony setting up a dance studio and gymnasium provided an accessible scenario for most candidates. No question appeared to be too challenging. Time did not appear to be a problem. Rarely did a candidate not 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 the first **part (a)** of each question. They were then expected to offer analysis and reasoning in answer to the second **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.

The layout of the examination paper provides side headings to prompt candidates in their responses. Candidates should 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. Candidates could earn some credit by defining business terms and using them confidently. Those who answered in the context of Danielle and Anthony's Dance Studio gained further credit.

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 most credit by using their knowledge in an effective way.

- Knowledge and understanding of balance sheets and liquidity ratios is part of the assessment in this subject and candidates should prepare for a question, which will ask them about this topic.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

For example, **look at the financial information in Appendix 2. Do you think DADS Is in a good financial position? Justify your answer using liquidity ratios.**

There are three levels of response to this answer where candidates are expected to calculate the liquidity ratios for both years and analyse what the ratios show. Answers that simply offer generic statements, such as – the current liabilities increased by $100 between 2014 and 2015 – would only be rewarded with level 1 credit. Answers that correctly calculated the current and acid test ratio would earn level 2 credit. Using the context of a dance studio and gymnasium to enhance the answer would gain up to credit for application. In the final part of the answer, candidates are expected to evaluate the liquidity position of the business and recognise that the liquidity has deteriorated between the two years. This tests the candidates' ability to calculate and then interpret the liquidity ratios and requires a clear conclusion as to whether or not this business is in a good financial position.

- 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 ensure they do not repeat themselves in the explanation section.

  For example, **identify and explain two reasons why well qualified employees are important for this business.**

  Some credit will be given for demonstrating knowledge of two reasons for employing well qualified employees such as it will give the business a better reputation, ensure higher quality classes or be less likely to have customers injure themselves. A weak explanation might follow that well qualified employees will ensure good quality classes. However, a better explanation made clear that good quality classes will lead to a good reputation for the dance studio encouraging dancers to tell their friends leading to more people wanting to join the classes. There could then be higher revenue and possibly higher profit for the partnership. Children will improve their dancing skills and move to higher level classes more quickly as they are taught by highly qualified teachers.

Comments on specific questions

Question 1

(a) The majority of candidates made a good start by correctly identifying four stakeholder groups such as Danielle and Anthony the owners, customers taking dance lessons, employees such as gym instructors, the finance manager and other businesses such as those selling dance shoes and clothing. Many responses then went on to explain the objective of each stakeholder. Some responses included Danielle and Anthony as two stakeholder groups and could only be given credit for one stakeholder group.

(b) The answers to this question were generally good. Most responses discussed the advantages and disadvantages of three factors when deciding where to locate the dance studio. Strong responses demonstrated a recognition that most of their customers live near to the existing dance studio and therefore would need to be careful about moving too far away from them. Also, there was a need for a new larger building so that the business can expand. Better responses included detailed analysis earlier in the answer and then used this to compare the three factors before deciding which factor was the most important when deciding on the new location. Weaker responses were often repetitive, restating earlier points in the recommendation and hence gained no further credit or made a weak judgment selecting only one method to justify and gained some additional credit.

Question 2

(a) This question required candidates to identify and explain why well qualified employees are important for DADS business. Many answers discussed the benefits such as improved reputation, high quality classes and that injuries were less likely if classes were taught by well qualified teachers. The highest credit for this response was given to candidates who successfully related their explanation to the dance studio and gymnasium rather than those who gave a generic answer. The best responses gained full marks by fully applying the analysis to the business in the case study.

Downloaded from eduresourceza.com

© 2016

Downloaded from eduresourceza.com

(b) Many candidates scored very well by calculating the current and acid test ratios for both years. Better candidates identified in the recommendation that the business had reduced liquidity and was in fact in danger of not being able to meet short-term debts. Weaker responses only considered what was happening to the figures, e.g. inventories fell by $200 or incorrectly calculated the ratios. Only the few best responses were applied to the business in the case study and were able to gain full credit.

Question 3

(a) Candidates often gave answers that recognised delegating to the new manager released time for Danielle and Anthony to make better use of their time on other areas of the business such as teaching classes. Many answers did not recognise that the finance manager was not qualified to carry out marketing functions and therefore may not make good decisions about marketing. The weaker responses did not demonstrate application or showed a lack of knowledge of what is meant by delegation, discussing instead the benefits and drawbacks of employing a new manager.

(b) Many of the answers to this question were good. Most candidates could offer benefits of secondary research being cheap to collect but the other two methods being more expensive. Weaker responses were focused on competitors, existing customers and parents of children who attend classes rather than the three methods of market research being used. This approach often resulted in vague answers that did not go beyond level 1. Better responses gave a consideration of the advantages and disadvantages of each method of research and then justified which method of research was the best one, thus gaining some level 3 credit. Stronger responses justified why the alternative options were rejected, gaining further level 3 credit. Weaker responses simply repeated earlier points in the recommendation, such as by using questionnaires they would find out what customers wanted. A minority of responses discussed the use of the information rather than the methods of research, which was not the focus of the question. Application was present in many answers.

Question 4

(a) Many responses included lower unemployment and lower spending on health care but sometimes did not go on to apply the explanation to this context. Some responses wrote about the effects on the business of an increase in the number of dance studios, which was given no credit. Many answers were generic and so could only be given limited credit. Those candidates who applied their explanation of the external benefits to the increase in the number of dance studios gained the credit available for application.

(b) This question was concerned with the effects of three changes on DADS. Many candidates identified that higher levels of employment might lead to higher incomes and consequently increased number of customers for the studio although it might be harder to find suitable employees leading to increased wage rates. While an increase in annual tax paid on buildings might result in DADS reconsidering the move to larger premises due to increased costs. Finally, as more children want to dance it might mean that DADS will need to expand or it will not be able to offer more classes and take on more customers, as many classes are full. A minority of responses incorrectly stated that a reduction in unemployment would lead to fewer customers. Better responses gave a conclusion of which change would have the greatest effect on DADS based on the earlier analysis and in the context of DADS. Weaker conclusions were usually a repetition of earlier statements and gained no further credit. Answers were often well applied by referring to the need to increase the size of the business so they do not have to turn away dancers and increasing the number of classes for adults as well as children, they also recognised that dance lessons were a luxury that may be paid for if incomes were rising from higher levels of employment leading to more customers for the dance studio and gymnasium.

Downloaded from eduresourceza.com

© 2016