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BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key messages

A lack of precise understanding of key business terminology is limiting the ability of some candidates to achieve in this paper. This is an area, which must be addressed by centres when preparing candidates for this examination

Application within answers was an improved area of candidate responses, but several candidates still struggle to demonstrate this aspect in their work particularly in **part c** of each question.

The lack of effective evaluation continues to be a problem within many scripts. Candidates should be reminded that an evaluation must be a justified decision that follows from the points raised in the answer not a repetition of points already explained. Candidates would benefit from greater guidance in how to produce an evaluative answer to **part (e)** questions.

General comments

There was some evidence that this question paper tested areas of the syllabus that candidates did not fully understand. This can be seen in **Questions 1** and **2**. Understanding the purposes of financial documents continues to be a weak area.

Candidates should be encouraged to:

- Learn precise definitions for key terms.
- Refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate for that organisation.
- Ensure that within **parts (c)** and **(d)** of each question a different point of application is used for each separate point made.
- In **parts (d)** and **(e)** of each question it is important to explain the impact of points identified on the business described in the stem of the question.
- Provide a conclusion in each **part (e)** justifying this conclusion with a point that has not been discussed earlier in the answer.

Comments on specific questions

Question 1

(a) Candidates were generally not secure in their knowledge of this term. Precise definitions were rarely provided. Most candidates showed some understanding of the term but very few were able to gain both marks available. Weaker candidates identified this as a document showing income and expenditure, which could also be a cash flow forecast.

(b) A well-answered question. Some candidates thought, incorrectly, that cost of sales was price.

(c) This question differentiated well between candidates. For many candidates this was the most challenging question on the examination paper. A small number of candidates did not attempt this question. Only the most able explained two different ways that the managers would use the information. The most frequent correct answers were, to calculate profitability and compare performance with competitors. A common error was to state that the information could be used to make decisions without further explanation. Such answers were too vague to be credited.

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(d) Candidates who had clearly understood the business as outlined in the case scored highly on this part of the question. For many candidates however this was a challenging question. A significant number of candidates did not focus on technology used in production but focused on more general uses of technology such as selling though the internet. Such answers could not be credited. Examiners credited a wide range of answers such as those outlined in the mark scheme. Possible improvements to quality were also accepted as a possible benefit as this is stated in one of the textbooks accredited for the syllabus.

(e) This area of the syllabus was well understood by many candidates who were able to apply their knowledge to the material provided. However, candidates often did not include an evaluative comment but repeated points previously credited. Only the very strongest candidates provided a justified conclusion and gained evaluation marks. Weaker candidates gained only the knowledge mark by producing a list of general statements covering the advantages and disadvantages of increasing prices.

Question 2

(a) Candidates were not secure in their knowledge of this area of the syllabus. A significant number of candidates confused the business cycle with the product life cycle. Such responses often gained one mark for stating growth, which is a part of both concepts.

(b) The majority of candidates were aware of this term but struggled to provide precise definitions. A number of candidates focused upon why workers could be made redundant rather than providing a definition of the term.

(c) This question clearly differentiated between candidates. Only the most able gained all the marks available by using two different pieces of application. Most candidates were aware of the purpose of trade unions but struggled to provide two separate points of application.

(d) The most able candidates made use of the information provided and explained how loyal customers would provide free word of mouth advertising therefore further increasing sales. Many answers however were repetitive stating only that customer loyalty would guarantee sales or retain customers. Such answers explained the phrase customer loyalty rather than explaining why it would be an advantage and gained no credit.

(e) Candidates responded with detailed lists of knowledge rather than evaluative applied points. The strongest candidates identified the importance of cost saving by not having to advertise for new workers in a period of falling profits. A common error was to state that this would save on redundancy payments or training. Evaluation for most candidates was generally very weak being a repeat of the points stated earlier in the response.

Question 3

(a) The majority of candidates provided precise definitions. Some candidates stated that fixed costs would never change rather than not change with output.

(b) Generally, well answered. A significant number of candidates correctly calculated forecast revenue but then continued their calculation to find profit. Although such final answers were incorrect, Examiners awarded total revenue if it was given in the calculation at some point.

(c) Candidates showed a good understanding of this method of marketing. Many answers were awarded full marks. Marks were missed out on because candidates chose answers which were essentially the same such as, 'create awareness' and 'create interest'. Application was generally well done on this question with many candidates applying their answers to food.

(d) As with **part (c)** of the question, candidates clearly had a good understanding of the advantages and disadvantages of primary research. However, candidates did not always develop their answers sufficiently to gain the application and analysis marks available. A small, but significant, number of candidates confused primary and secondary research.

(e) The strongest answers used the information in the case and made good use of the information in Table 1. A wide range of correct calculations were provided by candidates each illustrating the

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ability to analyse data. Only the very strongest candidates were able to make an evaluative conclusion answering the question set. Weaker candidates often simply quoted figures from Table 1.

Question 4

(a) This term was understood by many candidates. However, often there was a lack of precision in the definition.

(b) Specialisation was not clearly understood although many candidates showed some general awareness of the term. A common error was to confuse specialisation and division of labour.

(c) The reasons for growth were understood but candidates struggled to apply this information to the business outlined in the question. The strongest candidates were able to provide two distinctly different reasons such as those listed in the mark scheme. The weakest candidates simply identified that demand had risen.

(d) Candidates were not always able to fully develop their responses to this question. The best candidates gained most of the marks available by providing analysis on the impact of flexible production and the variety of jobs. Even the most able candidates often struggled to provide two distinctly different points of application. A common mistake made by weaker candidates was to state that this method of production was ‘quicker’ or ‘cheaper’ without explaining the alternative method it was being compared to.

(e) Candidates found the analysis and evaluation aspect of this question very challenging. Marks were frequently awarded for the knowledge and application aspects only. The strongest candidates recognised the problem of job rotation when specialist staff are involved in production. Evaluation was frequently awarded to candidates who recognised the cost of offering bonuses to 80 staff was maybe too high for this business.

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BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

Candidates should try to use the information contained in the stem of each question to help answer the questions set, especially as this provides the basis for application. Application marks could not always be awarded because candidates did not refer to the scenario for **parts (c)**, **(d)** and **(e)**.

The lack of effective evaluation continues to be an area of weakness. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up their choice. Candidates would benefit from greater guidance in how to produce an evaluative answer to **part (e)** questions.

General comments

The questions requiring definitions and knowledge, such as **part (a)** and **(b)** of each question were generally well attempted. However, a number of candidates struggled to provide a precise definition to **Question 4(b)**. There were areas of the syllabus with which some candidates were less familiar, particularly the role of pressure groups and diseconomies of scale. A significant number of candidates had clearly misread **Questions 3(c)** and **4(e)**.

Candidates should refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate to the business.

Candidates must ensure that a different point of application is used for each separate point made. In **parts (d)** and **(e)** of each question, it is important to link the point made to the business or context described in the stem of the question.

Candidates should be reminded that for evaluation there must be a justified decision that follows from the points raised in the answer. It should not be a repetition of points already made.

Comments on specific questions

Question 1

(a) Many candidates understood that there was some government involvement in a public corporation. Better responses were able to provide a clear and precise definition of the term. A common error was to confuse the term with public limited company. A number of candidates simply stated it was in the public sector but this did not define the term.

(b) Generally a well answered question. A common error was to identify business rather than government objectives. Some candidates included more than two answers. Candidates who do this should be aware that the Examiner will only mark the first two responses.

(c) This question caused some confusion. Some candidates explained possible external costs and benefits the pipeline could create. Others incorrectly assumed a pressure group had the authority to introduce legal controls or financial penalties. The most common correct answers given were protests, create negative publicity or boycott the business products. Stronger responses were able to relate their answer to the context of an oil business.

(d) This question proved challenging for some candidates. Candidates generally understood the idea of business objectives. Better responses used the information provided to link their answers to the

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context. Many candidates struggled to provide relevant development of objectives identified or explain the difference between the private and public sector objectives. For example, maximising profit was the most common correct answer however instead of development, a common mistake was to explain how this objective would be achieved through higher prices or lower costs. Others confused a public corporation with the government so focused on government objectives such as job creation or restricting imports. Such answers could not be credited as they did not answer the question set.

(e) Candidates clearly understood this topic and were able to provide detailed answers that often showed good knowledge and analysis. Stronger responses made good use of the information provided to explain the possible benefits of creating new jobs for a country such as lower unemployment or higher standards of living. A supported judgement usually focused upon the likely long-term benefits of additional tax revenue gained which could help offset negative aspects such as pollution. Weaker responses identified knowledge points but did not develop them. A number of candidates had the wrong focus. These answers incorrectly discussed possible advantages and disadvantage to the business rather than the country.

Question 2

(a) Generally well attempted. Many candidates recognised that a franchise involved using the brand name of an existing business to sell products or that it involved a need for payment to use the brand name. A common error was to assume the franchisee bought the brand rather than the right to use it. A number of candidates confused franchise with setting up another branch of the main business in a different country.

(b) Generally well answered. Many candidates included a correct revenue calculation. A common error was to calculate profit. A number of candidates did include 900 as part of their answer rather than as their final answer. Such responses were only awarded one mark as the final answer was incorrect.

(c) This question differentiated well between candidates. Most candidates could identify at least one reason with pay expenses or profit being the most common answers. Only the best responses gained both application marks available by using different points from the scenario to support their answers. A common mistake was to identify two different day to day costs which could only be awarded once. A number of candidates confused revenue with profit.

(d) The majority of answers focused on factors such as demand, competition and the various costs associated with starting up a new service. Most candidates were able to identify one relevant issue that this food business would need to consider. Most candidates struggled to develop points identified so were unable to gain the analysis marks. Instead of analysis, candidates tended to repeat the knowledge point. A number of candidates had the wrong focus so identified factors such as infrastructure and location which were relevant to a new business rather than an existing business looking to expand. Such responses could not be credited.

(e) This question was poorly answered. Most of the responses were descriptive as candidates offered only points of knowledge but did not develop them to gain analysis. Judgements repeated earlier knowledge rather than supported evaluation. The most common answers were that secondary market research was cheaper but could be out of date while a focus group was more expensive but would provide more detailed information. Only the strongest responses were able to explain why issues such as relevancy of information may be important factors for a business to consider when looking to expand. For example, cost may be an issue for a business whose revenue was falling as they may not have sufficient funds to pay for primary research. A number of candidates made vague statements about accuracy of different methods. Others incorrectly discussed whether the business should use any market research. Such answers could not be credited.

Question 3

(a) Many candidates were able to give a clear and precise definition of this term. Most understood that it involved new employees. Incorrect answers often focused on a general definition of training or confused induction training with on-the-job or off-the-job training.

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(b) Generally well answered with most candidates able to identify points such as customer loyalty, increased revenue or improved brand image. A common incorrect answer was to make a profit. Some candidates included more than two responses. Candidates who do this should be aware that the Examiner will only mark the first two answers.

(c) This question caused some confusion. Weaker candidates did not take note of the fact that this business was an online retailer. Some misread the question and answered it from the viewpoint of customers so focused on the issues such as too much choice which would make it difficult to decide what to buy. Such answers could not be credited as they did not answer the question set. Most correct answers focused on the cost of storage as a larger space would be needed or recognised that as the products were clothes they could easily go out of fashion and therefore be left unsold.

(d) This question differentiated well between candidates. The strongest responses made good use of the information provided to explain possible advantages and disadvantages to this online retailer of opening its first shop(s). These answers recognised that having a shop could provide access to a wider customer base but at the same time lead to additional costs such as rent and hiring more employees. Weaker responses identified issues but did not develop them. Others restated the same application point for both answers. A number of candidates misread the question and incorrectly assumed it was a new business start up rather than the expansion of a current business.

(e) This question proved challenging for most candidates. Good knowledge and analysis were evident in the stronger answers. Such responses made good use of information such as the 25 per cent increase in revenue or the fact the business plans to add 3500 new styles of clothing each week to support their answers. Only the strongest candidates were able to identify more than one appropriate source of finance. This made it difficult for most candidates to access the evaluation marks as they did not have two options upon which to base their decision. Weaker candidates struggled to identify appropriate sources of finance that could be used to purchase inventory such as overdraft or trade credit. The most common incorrect answers were bank loan, selling shares or selling fixed assets which are more appropriate as long term sources of finance.

Question 4

(a) This term was generally understood. A common error was to assume that it was the goods and services being exchanged between the two countries rather than the respective value of each currency.

(b) Most candidates struggled to provide a clear and precise definition of capital employed. A common error was to define other terms such as working capital or revenue. Others confused non-current liabilities with non-current assets. A number of candidates correctly provided a definition from the endorsed textbooks. While some of the definitions are not considered 100 per cent accurate they were accepted as BOD due to them being in the textbook.

(c) This was one of the most difficult questions on the paper as it focuses on a topic that is not well understood by candidates. Weaker responses incorrectly assumed that financial accounts are used for day-to-day decision making. The most successful candidates recognised that the information contained in the accounts could help make investment decisions as well as calculate appropriate ratios which would allow the business to analyse its performance. Weaker responses were often able to identify general reasons why a business might use such documents but did so without any reference to the context of this brick making business which was necessary to access the application marks.

(d) It was clear that many candidates were unfamiliar with the concept of a diseconomy of scale. The most common correct answers were low morale and poor communication. These candidates made good use of the fact that this business operated in 18 countries and had 400,000 employees to support points made to show how these diseconomies could result in problems such as increased cost or lower productivity. Weaker responses attempted to switch what they knew about economies of scale into a negative rather than identify actual diseconomies of scale. A number of candidates incorrectly focused on the fact this was a multinational company so answered it as a relocation question and discussed issues such as the cost of labour or access to resources. Such responses were not credited as this was not the question set. A significant number of candidates did not attempt this question.

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(e) This question confused a number of candidates. Although some candidates were aware of relevant advantages or disadvantages only the stronger answers were able to develop points, such as increased competition and potential access to new technology to show how these issues might impact other businesses in country B. Often evaluation marks were not awarded as candidates offered an unsupported decision or simply restated previous made points from their answer. A common error was to answer the question from the wrong viewpoint. For example some discussed the benefits and limitations to the country or Government, while others considered whether NBV would benefit from opening a brick factory in country B or not.

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BUSINESS STUDIES

Paper 0450/13
Short Answer/Structured Response

Key messages

Candidates should try to use the information contained in the stem of each question to help answer the questions set, especially as this provides the basis for application. Application marks could not always be awarded because candidates did not refer to the scenario for **parts (c)**, **(d)** and **(e)**.

The lack of effective evaluation continues to be an area of weakness. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up their choice. Candidates would benefit from greater guidance in how to produce an evaluative answer to **part (e)** questions.

General comments

The questions requiring definitions and knowledge, such as **part (a)** and **(b)** of each question were generally well attempted. However, a number of candidates struggled to provide a precise definition to **Question 2(a)** and **2(b).** There were areas of the syllabus with which some candidates were less familiar such as job enrichment. A significant number of candidates had clearly misread **Question 3(c)**.

Candidates should refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate to the business.

Candidates must ensure that a different point of application is used for each separate point made. In **parts (d)** and **(e)** of each question, it is important to link the point made to the business or context described in the stem of the question.

Candidates should be reminded that for evaluation there must be a justified decision that follows from the points raised in the answer. It should not be a repetition of points already made.

Comments on specific questions

Question 1

(a) Many candidates understood that limited liability offered some protection to owners personal assets. Better responses were able to provide a clear and precise definition of the term. A common error was to confuse the term with separate legal identity.

(b) Generally well answered. The majority of candidates recognised at least one way that businesses could increase added value by identifying either an increase in price or lower material costs.

(c) This question differentiated well between candidates. Most candidates could identify at least one barrier to communication with the most common answer being language. Only the best responses gained both application marks available by using different points from the scenario to support their answers. A common mistake was for candidates to focus on issues such as distance or that the message might not be understood without explaining what the barrier was.

(d) This question proved to be a good discriminator. Most candidates recognised a possible effect of an increase in tariffs, with increased cost or prices being typical responses. Better responses developed these points to show the consequences of these changes on this spice importer. Some candidates confused tariffs with quotas. Weaker responses found the second part about legal controls more challenging. A common mistake was to incorrectly assume the business was a

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producer. Such responses identified points such as the possible need to recruit more workers to ensure quality without relating it to increased costs. The best answers recognised that because this business already sold high quality products they may not be affected by the new legal controls and may even benefit from the new standards.

(e) This question was poorly answered. Most of the responses were quite descriptive as candidates offered only knowledge points but did not develop them to gain analysis. Judgements repeated earlier knowledge rather than supported evaluation. The most common answers were that emails could be sent to many people at once or the emails may end up as junk mail so would be missed. Only the strongest responses were able to explain why this may be helpful or not to a business whose customers expected up-to-date information. A number of candidates made vague statements such as quicker, cheaper or easier without identifying how or why this was the case. Such answers on their own cannot be credited.

Question 2

(a) Only the strongest responses were able to provide a clear and precise definition of sustainable development. Many understood that it involved considering the environment but not the impact on future generations. A number of candidates did not attempt this question.

(b) The concept of a 'business cycle' was not well understood. Only the best responses were able to define the term. Some responses identified appropriate stages of the business cycle, but most candidates incorrectly confused the term with product life cycle. A number of candidates did not attempt this question.

(c) This question was one of the most challenging on the paper. Although candidates recognised this was a non-financial method of motivation, very few could identify an advantage or disadvantage to the business of using job enrichment. There were two common mistakes. Some misread the question and answered it from the viewpoint of the impact on employees. Others considered the general impact of higher or lower levels of employee motivation on a business without relating it to the use of job enrichment.

(d) This question proved to be a good discriminator. Most candidates could identify at least one way with quality control and quality assurance being typical answers. Better candidates used the stimulus material to link their answers to this steel rod manufacturer. The strongest responses were then able to show how ways such as quality control and quality assurance would work to ensure the quality of production could be maintained. Instead of analysis, weaker responses simply stated it would maintain quality rather than how this would be achieved.

(e) Good knowledge was evident in most responses with many candidates showing good use of the source material to support their answers. Better responses tried to develop points to show the possible impact of higher costs and additional output. For example, having the higher output may be beneficial due to increased demand in the market while the business may not be able to afford the additional cost of buying the other business. Weaker responses tended to quote data from the table rather than manipulate it. Often evaluation marks were not awarded as candidates simply made an unsupported decision or restated points previously made in their answer.

Question 3

(a) Generally well answered. Most candidates understood that customer loyalty involved customers choosing your business over another. The best answers were able to provide a precise definition. A common error was to repeat the word loyalty without explaining what this involved.

(b) This question produced a range of responses. Stronger responses were able to identify points from the mark scheme with economies of scale and better reputation being typical responses. A common mistake was to repeat the same instead of two separate advantages. Others offered vague points such as more profits or revenue which on its own could not be awarded. Some candidates included more than two responses. Candidates who do this should be made aware that the Examiner will only mark the first two answers.

(c) This question caused some confusion. Weaker responses misread the question and discussed the implications of lower costs rather than lower prices. Some incorrectly assumed that reducing prices would automatically result in lower profit. Others made vague statements such as lower quality.

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Although lower price may give the impression of lower quality, answers which simply stated lower quality were not credited unless clearly explained. The most common correct answer was reduced revenue. Those candidates who were able to identify valid points were often able to link their answer to the context and so were able to gain an application mark as well.

(d) Most candidates were able to identify ways a business could increase its market share and there were some very good answers to this question. Such answers explained how actions such as taking over a rival business or offering new routes would help increase their customer base at the expense of other businesses. Instead of analysis, weaker answers restated that it would increase market share without showing how the way identified would do this. Others suggested alternative examples of advertising which could only be awarded once.

(e) Most candidates identified a correct way and applied this to the context of an airline business. Stronger responses then attempted to explain how methods such as having fewer employees or reducing the number of locations could help the business lower its costs. The best answers considered the merits of different options before reaching a justified decision as to which was the most appropriate option to lower costs. Instead of analysis, weaker responses simply restated that it would lower cost without showing how this would be achieved. Weaker candidates did not make a decision, or if they did, it was not supported by their answer.

Question 4

(a) Generally well attempted. Many candidates understood that a non-current liability represented a debt. The best answers provided a clear and precise of the term. Some provided vague responses stating it was long-term but failing to explain that it related to debts. Others simply repeated that it was a 'liability' or confused the term with non-current assets.

(b) A generally well answered question. Some candidates incorrectly calculated working capital rather than the current ratio.

(c) This question produced a range of responses. Many candidates correctly identified relevant ways each stakeholder group could use the accounts. Only the strongest responses were able to relate their answer to this car manufacturer. A common mistake was to confuse suppliers with customers as the first stakeholder group. A number of candidates did not attempt this question.

(d) Most candidates recognised that a joint venture could offer access to new markets but would also mean they would have to share profits. The most successful responses made good use of the information provided to explain how such points could represent either an advantage or disadvantage to this car manufacturer. For example, sharing profits may reduce funds for investment which could limit their ability to develop electric cars. Weaker responses identified knowledge points but did not develop them. Some misread the question to focus on general issues such as location factors as possible disadvantages rather than specific features related to a joint venture.

(e) This was one of the more challenging questions for some candidates. The strongest answers focused on calculating the ratios and analysing the results which allowed them to reach a supported judgement as to whether the liquidity position has improved or not. Any supported judgement usually focused on the fact that while the current ratio had improved, the acid test ratio had decreased and this meant the business had fewer liquid assets to pay its debts immediately. Weaker responses were characterised by simple statements such as the acid test ratio had decreased but did not show any analysis or use the data to support points made. A number of candidates did not attempt this question.

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BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This will ensure that responses are appropriate for each given situation.

To do well in this paper, candidates must make clear reference, or application, to the accompanying case. 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 food producer, Main Foods (MF), which has become the largest food producer in country X.

Candidates should try to give a full explanation of positive and negative consequences of a business decision. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 credit whereas an explanation of a point could move the answer to Level 2.

Some of the questions on this paper ask the candidates to make a justified recommendation. It is important to offer a decision based on balanced argument. The recommendation should compare and explain why the alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well-prepared for this examination. The context of MF producing food for the mass market and possibly extending its range to produce a new ice cream free of sugar provided an accessible scenario for candidates. Those who were able to use the information in the insert to contextualise their answers accessed the highest marks.

There is a requirement that candidates should be able to handle numerical data. Examination preparation should include learning how to calculate financial ratios and break-even so that valuable marks can be gained from demonstrating good numeracy skills.

Comments on specific questions

Question 1

(a) Most candidates made a good start by successfully identifying one cost and one benefit to MF of developing the new product. Frequently answers referred to the benefit of potential increased revenue or diversification. This product would be sold in a niche market which would have little competition. Conversely, the cost of developing the new product that was most often outlined was the significant capital costs of setting up a new automated production line. Some of the marks rewarded here were given to application in the context of MF. Good use was made of reference to no sugar ice creams, the need to recruit skilled workers and the new equipment that would be required. The question specifically asked about the benefit and cost to MF which meant that answers discussing the impact on customers or the environment did not earn marks.

(b) This question tested candidates' knowledge of the marketing mix in launching the new ice cream. Many responses mentioned a pricing strategy such as price skimming or penetration pricing but very few developed the discussion to explain **how** such a strategy would result in success for the new ice cream. The second part of the answer concerned place. The candidates who discussed

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distribution methods earned credit for their answer. However, some candidates focused on location which is not an element of the marketing mix. In the third part of the answer some good answers mentioned giving away free samples of the new ice cream as a suitable promotion strategy but few developed the reasoning of **how** this would result in a successful launch. To earn Level 3 credit candidates were expected to make a clear judgement about the most important element of the marketing mix in the product launch. Good answers took into account the fact that there was little or no competition and that MF was already a large successful company with established promotion and distribution methods.

Question 2

(a) This question focused on two stakeholder groups, employees and customers. In the first section, many answers explained that the current employees would need to undergo extra training to work on the new automated production line which may result in increased motivation and more job satisfaction. Good use was made of the case study material and application marks were frequently awarded. Customers are a stakeholder group who would benefit from an increased choice of products meeting the needs of those who were health conscious. Here again the best answers were those which used the case study material to make a point, explained it and used the context.

(b) This question asked candidates to consider the use of financial statements by the Government, bank and shareholders. Good candidates used the financial data in Appendix 1 to support the points they made. Tax, loans and dividends were the key points of discussion in each section. To earn Level 3 credit the answer should have been concluded with a justified decision of which user would find the information most helpful. The majority of responses identified shareholders finding the data most helpful with the justification that their own capital was at risk and careful monitoring of financial statements gave them reassurance about their investment.

Question 3

(a) Most answers to this question were relatively simple explanations of the functional role of each department. Answers that related to the role of each department, specifically at MF, scored higher marks. For example, the HR department at MF needed to recruit extra workers and retrain existing workers. This would increase their workload. Meanwhile, the production department would need to install the new automated equipment and reorganise the workers and production process to extend the range of foods produced.

(b) Candidates had the opportunity to demonstrate their numeracy skills in this question. Some responses showed sound numerical understanding by interpreting data from the break-even charts in Appendix 3 but stronger responses earned Level 2 credit by calculating the new break-even output if price were to be increased or if variable costs were reduced. The recommendation at the end of the answer was expected to judge which of the two options would ensure the highest profit from MF's new ice cream. The best answers compared profit levels at the highest level of output on each option and used that evidence to offer a justified decision. Further development mentioned the likelihood of price inelastic demand for the ice cream and a concern that lower variable costs would cause product quality to fall.

Question 4

(a) (i) To answer this question successfully candidates needed to make a comparison of the structure of MF as a public limited company with the structure of an unincorporated business. Clear reference to features of MF such as the fact it had limited liability, it was a separate legal entity and could sell shares to raise capital were rewarded. To earn maximum marks this had then to be contrasted with the features of an unincorporated business. Some responses did not develop the comparison sufficiently well and therefore did not focus on the differences.

(ii) In the second part the candidate also needed to make a clear comparison between MF, a public limited company, and public sector organisations. Some responses explained about the difference in ownership, noting that private individuals owned MF whereas the state-owned public sector businesses. Others recognised that there was a difference in business aims. However, too often full marks were not earned because candidates failed to make the comparison of the two business structures, offering a simple statement about one feature of just one organisation.

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(b) The final question tested candidates' knowledge of external costs and external benefits. The best responses made good use of the case study material, identifying farmers, health organisations and society as third parties who would be affected by the development of the new product. Many candidates explained carefully how the new ice cream would impact on these groups and were thus rewarded with Level 2 credit. This allowed them to make a meaningful recommendation about whether the Government should encourage MF in its new product development. A justified decision, balancing the extent of the external costs and benefits, would have earned Level 3 credit.

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BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a company that provides catering services for various events.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. 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, without full repetition of the previous analysis.

General comments

The context of QC, a catering services business, provided an accessible scenario for candidates. Those who applied their skills to the context of QC boosted their marks much further.

The standard of written English was generally good. The majority of candidates 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.

Comments on specific questions

Question 1

(a) In this question, candidates were asked to identify and explain two ways QC can create added value for its new service. Those candidates who clearly understood the ways a business could create added value, such as by raising the price or reducing input costs, scored higher marks. Better responses contained an explanation of how the price could be raised with popular answers being improving the quality of the service or providing extra services. However, where full marks were not awarded for a good explanation it was because the answer given was generic and not applied to the business in the case. If answers had referred to the case study such as providing additional services to catering for weddings and birthday parties or changing to buying locally produced ingredients that were cheaper, then answers would have been clearly in the context of this business and the marks achieved would have been higher. Quite a large number of candidates confused added value with profit and so their answers focused on how to increase profit or even increase sales rather than added value. Weak candidates gave repetitive answers for Way 1 and Way 2 meaning they lost half their marks.

(b) Many candidates showed a clear understanding of the three ways to research the market for wedding catering and their advantages and disadvantages. The best answers explained that carrying out their own questionnaire would provide focused responses but that QC was

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inexperienced at carrying out market research and therefore the information collected may not be accurate. The advantages and disadvantages of using a market research agency were often clearly explained by many candidates as they recognised that the agency would be more experienced in carrying out primary research and hence focus on the target market but would too be expensive to use. Government statistics could be out of date but it would be cheaper and quicker for QC to collect the information. Stronger candidates ended with a justified conclusion of which method would provide the most accurate results. Answers that did not justify why the alternative methods did not result in accurate data scored less well. Weaker answers just repeated earlier points in the conclusion without commenting on the accuracy of the data gathered by each method and therefore were not answering the question.

Question 2

(a) Many candidates identified and explained objectives that are likely to be the same for the two stakeholders but found conflicting objectives more difficult to identify. Where these answers made good use of the case material, including points such as wanting to maintain a good reputation or wanting to expand the business, responses were rewarded . However, quite a number of answers were generic and only explained why both stakeholders would share the same objective or would have conflicting objectives. The most popular shared objectives were to increase profit, increase sales or to expand the business and these enabled shareholders to gain more dividends and employees to receive higher wages. The most popular conflicting objectives were for employees to want higher wages, job security or work more sociable hours and these may conflict with the owners wanting to expand the business, reduce costs and increase profit. Weaker candidates found it difficult to explain why it would be the same for Neil and for the part-time employees and made general statements that were too vague, for example they both wanted high profit because they both wanted money. Candidates should have commented on why Neil wanted the objective and then why the part-time employees wanted it.

(b) Leadership styles were well understood by the majority of candidates and the advantages and disadvantages of each of the styles were often explained, although some candidates were less familiar with laissez-faire. However, many answers were generic and not applied to this business in the case. Those that did apply their answers most often referred to there being 100 employees or stated that the catering services were for either weddings or birthday parties but there was little reference to anything else from the case. Recommendations usually did contain some justification for the chosen leadership style but often did not include discussion of why the alternative styles were rejected as less suitable for this business. Weaker recommendations simply repeated earlier points when justifying the chosen style to use. Weak candidates focused on a definition of the leadership style and not the advantages and disadvantages of the style. There were also a minority of candidates who confused autocratic with democratic leadership styles.

Question 3

(a) Many responses correctly identified an advantage and a disadvantage of using email for communication between the owners and the employees. Most popular advantages were that it was quicker and cheaper than many alternative forms of communication or a written record was provided that could be referred back to later. The most popular disadvantages identified were that the message might not be understood particularly if there were language problems, there may be no internet access or the internet may not be accessible at all for some employees or there was no certainty that the message had been received. However, the majority of answers were generic and there were few examples of answers that made use of the context of the catering company expanding and providing the new service of catering for weddings or birthday parties. Stronger candidates applied their answers for example stating there are 100 employees, 90 of which were part-time, making communication more difficult and that email may be a good way of communicating with so many employees at once by only sending out one message to them all.

(b) Many candidates correctly calculated total revenue, total cost and profit for the two options and found it relatively easy to score marks on this question. Some candidates could calculate all the relevant figures but they did not understand what the figures meant. However, weaker responses forgot to add fixed cost to total variable cost or did not multiply variable cost per person by the number of people attending the event. There was often good application as the answers did make reference to the options being catering for weddings and birthday parties and a few made use of the information in Appendix 1 about average spending on weddings and birthday parties. Strong responses calculated the profit for each event and for each month for the two options. It was then

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clear that while the profit was higher for each wedding when the number of such events per month was taken into account the profit was greater for birthday parties. Weak responses just repeated the information provided in Appendix 3 without any comment and hence scored no marks or they gained limited marks for stating the differences between the two options, such as the price per person is $30 higher for weddings than birthday parties. Only better answers contained an evaluation of the figures and went on to fully justify the conclusion of which option to choose.

Question 4

(a) Many candidates showed knowledge of suitable ways to improve cash flow. The most popular answers were arranging trade credit for ingredients, changing to local suppliers that are cheaper or reducing the credit terms for clients. However, only better responses explained how the way would lead to an increase in cash inflows or a reduction in cash outflows and hence improve the cash flow for this business. Some answers were totally generic and hence lost opportunities to gain application marks. Common mistakes from weaker candidates related to the use of long-term solutions and also a failure to differentiate between profit and cash flow. Many suggested a bank loan, with no clarity that this needed to be a short-term loan. Also 'reduce cost' was used often as a method, but it was not made clear how or which costs were to be reduced.

(b) This question posed a challenge for quite a number of candidates. There are still many who confuse income tax with corporation tax and therefore related their answers to profit of the business paid to the government rather than reduced disposable income for employees and consumers. The appreciation of exchange rate was answered well by many candidates, understanding the effect on the price of imported raw materials. However, some failed to use the case study and talked about the impact on the business as if it exported goods, which this business did not do. Better candidates recognised that a boom would lead to an increase in sales due to higher incomes in the economy. Strong candidates developed their explanation of these three changes to give a chain of reasoning as to how they would be likely to affect the profit of QC. Better responses were applied to the case, identifying that the ingredients were imported or there might be reduced spending on weddings or birthday parties as a result of higher income tax. Strong responses included a well justified conclusion of which change was likely to have the biggest impact on the profit of QC. It was possible to argue that any of the changes could have the biggest impact but arguing why the alternative changes would have less effect on profit was only seen in the best answers.

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BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

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- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a)** and **(b)** for application. In this particular case study, candidates were expected to refer to a restaurant owned by a sole trader.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument. A recommendation should compare and make reference to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination. It is good to see that many candidates have developed a strong examination technique and clearly understand what is expected of them. The context of RR, a restaurant business, provided an accessible scenario for candidates. Those who applied their skills to the context of RR boosted their marks much further.

The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by defining business terms and using them confidently.

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.

Candidates should be reminded to contextualise their answers and not provide generic textbook responses. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 2(a)** a number of candidates just listed and then explained why a business may need well-motivated employees without any application of the answer to the restaurant in the case. Better responses interpreted the roles and explained how they would be relevant to this restaurant such as to ensure the good reputation and customer recommendations continue or that employees remain loyal to the restaurant and do not leave to work for the multinational that has just set up nearby.

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Comments on specific questions

Question 1

(a) The majority of candidates demonstrated sound knowledge of why a sole trader might want to expand their business. To increase profit and increase market share were the most popular answers but to spread risk and benefit from economies of scale were responses that were also given. The majority of candidates used material from the case study to explain why the sole trader might want to grow his business. Weaker answers merged together and repeated explanations of increased profit and increased market share. Stronger candidates were able to explain that increased market share might lead to more dominance in the local market while increased profit would provide retained profit to finance the expansion.

(b) This question was well answered by the majority of candidates. Although private limited company was the least well understood of the three. Better answers fully explained the advantages and disadvantages of the three types of business organisation and then went on to justify their choice but also justify why the other two alternatives were rejected. Forming a partnership was the most popular choice but any of the three types could and were justified as the most appropriate. The main reasons for lower marks were a lack of application with just generic textbook responses, or a lack of explanation as to why a point is an advantage or disadvantage, such as stating rather than explaining why it might be easier to raise finance.

Question 2

(a) This proved to be a straightforward question for many candidates as they correctly identified two reasons why well-motivated employees are important to a business. Encouraging employees to work hard to improve productivity, lower labour turnover, providing a better service to maintain the good reputation of the business were the most popular answers given. Candidates seemed to be able to access the scenario well and were thus able to gain the application marks here by referring to the restaurant staff, the new multinational restaurant chain encouraging staff to leave RR, maintaining a good reputation to keep customer loyalty, chefs producing excellent meals and waiters providing excellent service. Weaker candidates often gave the same explanation to both their stated reasons and hence limited their marks.

(b) Many candidates were able to identify advantages and disadvantages for each of the three ways the new restaurant could be staffed. The majority of candidates gained Level 1 and application marks but many answers moved into Level 2 by explaining in detail both the benefits and drawbacks to the business of each way. It was good to see that many candidates gained all the available application marks for using the case material well as part of their answer. However, in the recommendation candidates still struggled to justify their responses and generally repeated earlier points.

Question 3

(a) Many candidates knew this topic well and could give two suitable ways to promote the new restaurant. The most popular promotional ways were leaflets, posters, billboards, local newspapers, social media and discount vouchers. However, quite a number of candidates did not recognise RR as a small business and gave promotional methods, such as television advertising, which is usually available to larger businesses. Also the ways to promote a business should be specific rather than vague, for example just stating 'the internet' is not enough. To gain full marks candidates should be reminded to always contextualise their responses.

(b) Many candidates found this question hard to achieve the higher mark range. They could give statements as to why each of the factors helped in location decisions, such as made it easier for Richard to manage the two restaurants, but candidates found it difficult to develop their answers to explain how this affected his location decision. Better candidates recognised that the restaurant would be targeting high income consumers, and therefore locating in an area that had many of these consumers would be beneficial and be likely to increase the number of customers, leading to success for the new restaurant. Weaker candidates just discussed location 1 and 2 and did not focus on the question, which was about the factors influencing the location decision. The information about location 1 and 2 could have been used to support arguments about which factor was most important when deciding where to locate the new restaurant.

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Question 4

(a) This question was answered well by the majority of candidates with many referencing the multinational encouraging increased footfall and encouraging people to eat out hence benefitting RR. The threat of taking employees or customers away from RR was often highlighted as well. This meant that many answers were well applied to the case and therefore application marks were often awarded even for weaker answers. Some candidates gave two opportunities or threats but they could only be given credit for one of them.

(b) Many candidates did not read the question carefully and discussed the two locations and whether location 1 was the best location for the new restaurant instead of focusing on the cash flow forecast in Appendix 3. Many of these answers did not address the question and therefore scored low or no marks. Only better candidates realised that by choosing location 1 the cash flow would have a large cash outflow at the beginning of the year but that it would be 6 months before the new restaurant would be open and cash inflows would increase. These stronger answers also included calculations to show the actual impact on the cash flow forecast indicating that the new closing balance would be a large negative of $37,000. It would not be until July that the cash flow was predicted to return to a positive balance. The conclusion required some suggestions for avoiding this cash flow problem and long term finance for the large capital outlay may be suitable but also trade credit or an overdraft might be used to increase the available working capital to get the new restaurant up and running successfully.

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