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BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key messages

This was the first examination paper for this variant following the introduction of the new syllabus. There have been slight changes to the way some questions are marked which was not always clearly understood by candidates.

Candidates should be made aware that there are application marks available in most **part (c)** questions, in this paper, **Questions 1, 2** and **4**. Stating the name of the business in the question is a signal that points should be applied to this business. **Part (e)** of each question has two knowledge, two analysis and two evaluation marks available. Candidates will not gain credit for application points in **part (e)** questions.

The lack of effective evaluation continues to be an issue in many scripts. Candidates should be reminded that evaluation must include a justified decision that follows from the points raised in the answer, not a repetition of points already explained. The mark scheme for each **part (e)** question gives an example of how this may be displayed in the answer.

General comments

It was good to see an increasing number of candidates attempting to apply their answers to the relevant business.

There was some evidence that this question paper tested areas of the syllabus that candidates did not fully understand. Areas of confusion include:

- the business cycle,
- levels of hierarchy,
- quotas and tariffs,
- takeovers and mergers,
- stakeholders and shareholders.

In some cases, candidates needed to carefully read the question to have the correct focus in their answer. Issues were seen in **Question 2b** where candidates discussed technology, and **Question 4d** where internal rather than external stakeholders were often explained.

Candidates should be encouraged to:

- Learn precise definitions for all key terms in the syllabus.
- Practise developing points of knowledge to show the possible impact on a business.
- Refer directly to the information within the stem of the question throughout answers to ensure that points raised are appropriate for that organisation.
- Ensure that a different point of application is used for each separate point made.
- Provide a conclusion in each **part (e)** question justifying the decision made with a point that has not been discussed earlier in the answer.

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Comments on specific questions

Question 1

(a) Precise definitions were provided by many candidates. Some less successful candidates referred to a group of people rather than workers. Weaker candidates identified this as a union of different businesses.

(b) For many candidates this was one of the most challenging questions. Only the most successful gained both marks by providing a precise definition. An error made by many was to explain a hierarchical organisational structure, rather than one level of that structure.

(c) A small but significant number of candidates did not attempt this question. The most frequently presented correct answers included the reduction in workload for managers and possible motivation for workers. Many candidates then needed to apply their answers to a bank to achieve application marks. Some candidates stated, incorrectly, that delegation would lead to improved communication.

(d) Many candidates were able to identify two factors. Some then needed to explain why these factors should be considered. Candidates who focused on the skills/performance of the manager and the amount of time they had been employed were most successful in achieving analysis marks. The strongest candidates linked their point to the banks need to save $1 m when faced with increasing competition.

(e) Candidates clearly understood this topic and showed strong knowledge particularly of advertising. Many applied this knowledge to the material provided, although no application marks are available for **part (e)** questions. The strongest candidates explained a benefit of each option before making a justified choice by explaining a disadvantage of the option not chosen. The weakest answers provided lists of knowledge. Some candidates explained in detail the type of advertising a business might use. These answers could gain no credit as they did not answer the question set.

Question 2

(a) Many candidates were aware that the flow production method leads to high output but needed to show that production is continuous. Some candidates confused flow with batch production.

(b) The majority of candidates were able to identify two correct methods. Several candidates lost marks by ignoring the instruction to identify methods other than technology. A common error was to state that employing more staff would improve efficiency.

(c) This question clearly differentiated between candidates. Most candidates were aware of appropriate sources of finance. Only the most successful achieved full marks by using two different pieces of application. The weakest candidates stated short term sources, which would not be appropriate for purchasing new technology.

(d) This question was divided into two parts. Candidates showed better understanding of the lack of local knowledge than of import quotas. A significant number of candidates concentrated upon the general problems of entering new markets rather than problems caused by lack of local knowledge. These candidates often discussed the problems caused by language difficulties which was not rewarded. Quotas were often confused with tariffs.

(e) Many answers consisted of lists of knowledge with no appropriate development of points. Candidates generally did not attempt to provide evaluation. Those that did attempt to conclude often repeated points made earlier in the answer. The strongest answers explained how gaining local knowledge and reduced competition would benefit a business. Common errors were to explain in detail how language barriers could be avoided or confused a joint venture with a merger.

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Question 3

(a) The majority of candidates provided a precise definition. Some candidates confused a sole trader with an entrepreneur.

(b) Generally, a well answered question. A small number of candidates correctly calculated the figures but placed them next to the wrong letter in their answer. Unfortunately, the Examiner could not award marks to these answers.

(c) This question was the only **part C** question which did not require application. Many answers were awarded two marks as candidates struggled to identify four different factors. Candidates who lost marks often repeated costs or stated the size of the market.

(d) Candidates clearly had a good understanding of niche markets. Many answers contained a definition of the term which could not be rewarded as candidates needed to explain an advantage or disadvantage. The most successful answers explained the benefits of possible higher prices and problems of lack of economies of scale. Candidates did not always develop their answers sufficiently to gain the application and analysis marks available. Application was often limited to stating the type of products sold. A small, but significant, number of candidates discussed higher or lower profits rather than profit margins. These answers were too vague to be credited.

(e) Candidates found this question straightforward. Many were able to demonstrate analysis with a wide range of correct calculations. The strongest answers used the advice in the question and calculated the gross profit and profit ratios. Only the very strongest candidates were able to make an evaluative conclusion answering the question set. To gain knowledge marks candidates were required to show understanding of whether the figures had improved or worsened over the period shown. Weaker candidates often either repeated the figures from Table 3.1 or presented calculations without comment. These answers gained no credit as the candidate had not shown understanding of what the figures meant.

Question 4

(a) This question was the most challenging on the paper for many candidates. A large number of candidates confused the business cycle with the product life cycle or simply listed the terms used in the business cycle chart.

(b) Many candidates gained full marks on this question by stating two distinctly different reasons. A common error was to repeat the same point, for example, stating two changes in economic conditions. Some candidates did not understand the question and stated two possible objectives rather than the reasons why they may change.

(c) The advantages of a takeover were understood but candidates often struggled to explain any disadvantages. The strongest candidates were able to explain points such as those listed in the mark scheme. The weakest candidates simply stated that the business would gain more customers after the takeover. Application was noticeably weak in this question. Some candidates were able to gain one application mark by stating that the business produced building materials.

(d) Stakeholder groups were not well understood. Several candidates did not attempt this question. Some candidates confused internal and external stakeholders and a significant number thought that stakeholders were shareholders. Candidates who could correctly identify two external stakeholders often struggled to fully develop their answers. The best candidates explained the impact on customers, suppliers, and banks. Even the most able candidates struggled to provide two distinctly different points of application.

(e) Candidates found the analysis and evaluation part of this question particularly challenging. The effect legal controls and interest rates would have on business were not always fully understood. This made evaluation difficult for candidates. The strongest candidates recognised that legal controls would limit what a business would be allowed to do, and interest rates would add to the cost of loans. The weakest candidates confused interest rates with taxes and thought that legal controls could be ignored.

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BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

- This is the first year of a new syllabus. Whilst the style of the question paper is broadly the same, the weighting of the assessment objectives, notably **part (e)** has changed.
- Some candidates would benefit from a more precise understanding of key business terminology in order to achieve in this paper.
- Candidates should be reminded to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application. Candidates should not repeat the same application for different points. Candidates should not use the same analysis twice in the same question.
- Effective evaluation is an area which requires development.

General comments

The weighting of the assessment objectives has changed for this new syllabus. The main difference is that **part (e)** is now a general question. Many candidates contextualised their **part (e)** answers but there are no marks available for application.

Questions requiring definitions and knowledge, such as **part (a)** and **part (b)** of each question were generally well attempted. Although many candidates lacked the necessary precision when defining concepts, especially for **Questions 2(a), 3 (a)** and **4 (b).**

For most **part (c)** (excluding **3c** which only assessed knowledge) and all **part (d)** questions, it is important to link the point made to the context. To do this, candidates should use the information from the stem to ensure that points raised are appropriate to the business. Candidates should use a different point of application for each point made.

Part (e) questions assess evaluation. This requires candidates to make a supported judgement. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. To access the evaluation marks, there must be a justified decision that follows on from the points raised in the answer. It should not be a repetition of points already made. For example, candidates could explain why they have reached this decision and why it is better than the alternative option discussed.

Comments on specific questions

Question 1

(a) A well answered question. A common mistake was to state gross domestic product (GDP) would increase rather than that GDP would be rising rapidly.

(b) Well answered by most candidates. A common error was to describe the process rather than identify the stage.

(c) Good knowledge was shown by most candidates. The strongest responses were then able to link points such as share workload and new ideas to the scenario to access both application marks. A common mistake was to repeat similar points about sharing workload for both problems.

(d) Candidates were familiar with concept of location factors. Better responses were able to develop points such as proximity to customers and cost of rent to show why such factors needed to be considered. A number of candidates identified close to suppliers as a factor without recognising

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that a hairdresser is unlikely to take this factor into consideration when deciding on a location. A common error was to use the word salon as application, which could not be awarded as it was stated in the question.

(e) Good knowledge was shown by all candidates with many recognising qualifications and leadership style as relevant factors. Better responses were able to develop points to show why having an experienced manager could be helpful for a business. Weaker responses identified additional knowledge points rather than demonstrating development. Many candidates linked their answer to the scenario which was unnecessary as there were no marks available for application. Evaluation was rarely awarded. Some candidates did make a decision, but often this was not supported, or simply restated points made earlier.

Question 2

(a) Only the strongest responses were able to provide a clear and precise definition. Some understood that a pressure group would try to influence the actions of a business or government. A common error was to identify specific issues a pressure group might campaign about or simply describe how they would try to influence business decisions.

(b) Most candidates were able to provide at least a partial definition. A common mistake was to repeat the words brand and image rather than defining the term.

(c) Good knowledge was evident in most answers. The strongest responses gained both application marks available by using different points from the scenario to support the points made. A common error was to include points of analysis which could not be awarded as only knowledge and application were being assessed. Some misread the question and incorrectly outlined advantages and disadvantages of a private sector business.

(d) This question produced a range of responses. The best answers explained why a car manufacturer would consider factors such as cost and demand when deciding which method of production to use. Instead of analysis, weaker responses repeated their knowledge point(s) or identified another factor. A number of candidates misread the question and incorrectly focused on how to market the product or simply identified methods of production.

(e) This was one of the most challenging question on the paper. Many candidates gained knowledge marks for recognising the potential for high sales and that a high level of competition might affect pricing decisions. Only the best responses were able to develop these points to show the impact on revenue or profit margin. Instead of analysis, weaker responses made vague statements about how it would be difficult or risky to compete but were unable to explain why this would be so. Evaluation was rarely awarded. Of those that did attempt an evaluation, these tended to repeat earlier knowledge points or did not relate their answers to businesses in general.

Question 3

(a) This was a challenging question. Only the best responses were able to provide a precise definition of the term. Some understood micro-finance involved offering financial services for poorer people or that the money was not provided by traditional banks. Others made vague statements about money for start-ups or small loans. A number of candidates did not attempt this question.

(b) Many candidates gained at least one mark for a correct calculation. Some candidates found dealing with negative numbers challenging. Others calculated the new closing balance as 900 but omitted the brackets to signify the amount was negative. A number of candidates did not attempt this question.

(c) Most candidates could identify at least one reason. A common error was to repeat similar points rather than identifying four different reasons. There were a number of vague statements about having higher cash outflows or lower cash inflows without identifying the reasons for this. Some candidates included more than four answers. Candidates who do this should be aware that the examiner will only mark the first four responses.

(d) Good knowledge and application were evident in many responses. Candidates who did well were able to explain why methods such as questionnaires and government statistics would be appropriate for this new business. Incorrect answers often focused on explaining two methods of

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primary market research. Others misread the question so focused on why market research would be helpful to a business rather than identifying methods. A number of candidates repeated the same application or incorrectly explained disadvantages of each method.

(e) Good knowledge was evident for all candidates. The strongest responses acknowledged that whilst being creative was important other skills such as risk-taking and hardworking were also necessary to ensure new ideas could be successfully introduced into the market. Weaker responses were descriptive as candidates identified additional characteristics of successful entrepreneurs but did not develop their points to gain analysis. Many candidates linked their answer to the scenario which was unnecessary. Evaluation in most responses was limited or not attempted.

Question 4

(a) Many candidates understood that break-even occurred where a business made no profit or loss or when total costs were the same as revenue. Only the strongest responses were able to provide a precise definition. A common incorrect answer was to confuse sales with total revenue or describe a break-even chart.

(b) It was clear that many candidates were unfamiliar with the concept of Return on Capital Employed. Only the strongest answers were able to provide a full definition. Incorrect answers often focused on defining other financial terms such as dividends or profit margin. Some candidates simply reordered the words from the question whilst others incorrectly referred to machinery or employees. A number of candidates did not attempt this question.

(c) Most candidates showed good knowledge of the effects of inflation. The best responses were then able to link both answers to the scenario. A small number of candidates outlined the impact on customers rather than the business which was not what the question asked.

(d) Good knowledge and application were evident in many responses. The best responses were able to explain how advertising and lower prices could help a fast-food restaurant increase the number of customers. Instead of analysis, weaker responses simply repeated words from the question without explaining how the way identified would help achieve this. Incorrect answers tended to identify different examples of the same way, such as promotional pricing and discounts, or repeated the same analysis for both answers.

(e) Methods of communication was clearly a topic that candidates were familiar with. The strongest responses were able to offer relevant analysis and evaluation. For example, regular meetings could allow for immediate feedback and by being able to clarify points straightaway this could lead to fewer mistakes. Instead of analysis, weaker responses identified additional knowledge marks or offered vague statements about the level of understanding or providing workers with a sense of belonging without explaining why this might be the case. Evaluation was rarely awarded as most candidates simply restated points previously made in their answer. Others did not refer to part-time employees in their decision so did not fully answer the question.

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BUSINESS STUDIES

Paper 0450/13
Short Answer/Structured Response

Key messages

- This is the first year of a new syllabus. Whilst the style of the question paper is broadly the same, the weighting of the assessment objectives, notably **part (e)** has changed.
- Some candidates would benefit from a more precise understanding of key business terminology in order to achieve in this paper.
- Candidates should be reminded to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application. Candidates should not repeat the same application for different points. Candidates should not use the same analysis twice for the same question.
- Effective evaluation is an area which requires development.

General comments

The weighting of the assessment objectives has changed for this new syllabus. The main difference is that **part (e)** is now a general question. Many candidates contextualised their **part (e)** answers but there are no marks available for application.

Questions requiring definitions and knowledge, such as **part (a)** and **part (b)** of each question were generally well attempted. There were a number of concepts and areas from the syllabus such as sampling, import quotas and the acid test ratio which candidates were less familiar with.

For most **part (c)** (excluding **3c** which only assessed knowledge) and all **part (d)** questions, it is important to link the points made to the context. To do this, candidates should use the information from the stem to ensure that points raised are appropriate to the business. Candidates should use a different point of application for each point made.

Part (e) questions assess evaluation. This requires candidates to make a supported judgement. Of those who did attempt to make an evaluative statement, most were unable to provide reasoned statements to back up the decision made. To access the evaluation marks, 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. For example, candidates could explain why they have reached this decision and why it is better than the alternative option discussed.

Comments on specific questions

Question 1

(a) This term was understood by many candidates. A common mistake was to confuse entrepreneur with sole trader. Others made vague statements about having an idea for a business or taking risks without linking it to an individual starting up a business.

(b) Only the strongest responses to this question were able to identify reasons for the use of sampling. The majority of candidates confused the term with test marketing or incorrectly identified reasons for carrying out market research.

(c) The benefits of being ethical were well understood by most candidates. The best responses were then able to link both answers to the scenario.

(d) Most candidates showed good knowledge of market research. Better responses were able to explain how finding out consumer preferences and evidence to support pricing decisions could be

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helpful to this ice cream business. Weaker responses identified issues but did not develop them. Some restated the same application for both points. A common error was to answer the question from the viewpoint of customers rather than the business.

(e) This was a challenging question. Many candidates gained knowledge marks for identifying that it could mean more customers or that a business may be able to set higher prices, but explanations of these points in terms of the impact on revenue or market share were rare. Instead of analysis, weaker responses made vague statements such as less risk or easier to compete without explaining possible reasons why this would happen. Evaluation was rarely awarded. Some candidates did make a decision, but often this was not supported, or simply restated points made earlier. Many answered the question based on the scenario rather than small businesses in general.

Question 2

(a) This question produced a range of responses. The best answers were able to provide a precise definition. A common error was to refer to 'products' rather than a single item which meant the definition could apply to several methods of production and was therefore too vague.

(b) A well answered question. Incorrect answers focused on vague statements about space for machinery or to lower cost, but these are not reasons why a business would want to expand. Others misread the question and incorrectly identified external factors such as inflation and interest rates.

(c) Good knowledge was evident in most responses. The most successful candidates outlined how a website could be used to sell and promote products and linked their answers to the context. There were two common errors. Some candidates focused on the benefits to customers and not the business. Others repeated the same application for both answers.

(d) Good knowledge and application were evident in many responses. Although candidates were able to identify points such as 'shared risk or workload' and 'unlimited liability' most found it difficult to develop their points to show how these represented an advantage or disadvantage to a partnership. Instead of development, many candidates repeated the knowledge point. Some candidates did not attempt to link their answer to the scenario so were not able to access the application marks.

(e) Good knowledge was shown by most candidates. Better responses were able to develop points to show how using labour or machinery could benefit a business. Instead of development, many candidates identified additional knowledge points. Others linked their answer to the scenario which was unnecessary. Many decisions tended to focus on whether employees or machinery were better without any reference to the impact on output. It should be noted, that in order to access both evaluation marks, candidates needed to clearly relate their answer to small businesses.

Question 3

(a) Stronger answers were able to provide a precise definition. Many candidates understood that non-current assets referred to items the business owned or that they lasted for more than one year. Others made vague references to long-term but did not specify what the period of time this covered. Some confused the term with current assets or current liabilities.

(b) Better candidates included a correct revenue calculation. There were two common errors. A number of candidates included 0.66 as part of their answer rather than as their final answer. Such responses were only awarded one mark as the final answer was incorrect. Others incorrectly calculated the current ratio. A number of candidates did not attempt this question.

(c) Most candidates who attempted this question could identify at least one factor. A common error was to repeat similar points rather than identify four different factors. Some misread the question and incorrectly identified possible sources of finance or stated reasons why a business might need finance. A number of candidates did not attempt this question.

(d) This question produced a range of responses. Most candidates were able to identify one relevant way. Better responses recognised that the business sold electrical products and planned to close 30 shops which allowed them to access the application marks. Only the strongest responses were

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able to explain how the loss of jobs and lack of local facilities might affect the local community. Instead of analysis, weaker responses attempted to explain the possible impact on the business or other stakeholders such as competitors or government.

(e) This was a challenging question. The best responses recognised that high sales alone might be misleading especially if the business had high costs as any revenue gained might not result in additional profit. Stronger responses considered the merits of alternative ways such as number of competitors or costs. Instead of analysis, many candidates simply repeated the knowledge point and were not able to offer any relevant evaluation. A number of candidates incorrectly assumed that an increase in sales is the same as higher profit or discussed ways a business might compete which was not the question set.

Question 4

(a) Well answered by most candidates. A common mistake was to include vague descriptions such as check products without identifying how this would be done.

(b) Well answered by many candidates. Others incorrectly focused on benefits to the employee and not the business.

(c) Good knowledge was evident in most responses. Better answers linked points made to the scenario. Some misread the question and incorrectly focused on who to recruit or confused job advertisements with different methods of marketing.

(d) This question proved challenging for many candidates. Only the most successful candidates were able explain how issues such as lower employment and import quotas might affect this furniture business. Many misread at least one part of this question. Some candidates assumed that lower levels of employment would make it more difficult to find workers so wrongly stated that the business would struggle to find workers or that it would have to pay higher wages. For the second part, many confused quotas with tariffs so explained how extra taxes on imports would increase costs rather than the effect of only being able to import a limited number of products.

(e) Most candidates found this question challenging. Many understood that wages may only provide a short-term boost but could not develop the point. Profit sharing was less well understood as a concept with many confusing the term with share ownership. The best answers built on the idea that profit sharing could help create a team spirit which then could help increase productivity. Others made vague statements about quality which were not relevant to this question. Some candidates did attempt to make a decision, but often simply repeated earlier points made.

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BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

This is the first November paper for the new syllabus. The style of the question paper has remained broadly the same. However, the differences in the weighting of the assessment objectives have resulted in small changes to the mark scheme. This has meant the **(a)** questions have more analysis marks awarded and fewer application marks. The **(b)** questions have had no change to the weighting of the assessment objectives but have had the level descriptors amended slightly. This has not changed the awarding of marks on the 12-mark questions. These small changes have not made any significant difference to the marks achieved overall; in fact, for some candidates, they may have raised their marks.

Candidates should still 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 is except for one of the **(a)** questions that will now usually be generic. 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 jewellery retailer.
- Candidates should try to give a full explanation of both the 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 or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case, and compare options including reference to why the alternatives were rejected.

General comments

Candidates had generally been well prepared for this examination. Many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of GJ, a jewellery retailer, provided an accessible scenario for candidates. Those who applied their skills to the context of GJ were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a minority of cases it was clear that some topics were not well understood. These included the purpose of business objectives, recruitment, the concepts of liquidity and profitability, sales promotion and external influences on business operations. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn marks by using business terms confidently.

Overall, many good scripts were seen; very weak ones were less common. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and the conclusion/recommendation in the **(b)** questions should also be applied. Candidates should aim to consider the consequences/implications/long-term/short-term/balance issues of the decisions to secure Level 2 and Level 3 marks.

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Comments on specific questions

Question 1

(a) The majority of candidates demonstrated good knowledge of the purpose of business objectives. Strong responses focused on discussion of goals and giving the business a sense of direction. There were several ways of developing the answer, for example, making links to strategy and decision-making. Application marks were awarded to candidates who referred to the case study, noting Gemma's aim to increase sales and market share. Weaker candidates tended to describe business objectives rather than explain the reason for them.

(b) Many candidates were confident in their knowledge of franchise operations. They were able to explain benefits such as a well-established business reputation and support from the franchisor with regard to advertising and training. The best answers then gave a balanced discussion about the disadvantages of not being able to make significant decisions or operate independently. Candidates who achieved Level 3 marks were able to make a supported decision about using a franchise agreement, often mentioning that Gemma would be the only business in the area selling Beautywise jewellery and that the help from the franchisor reduced the risk of business failure.

Question 2

(a) This question required candidates to consider the job specification for the new shop manager. Relevant points included experience of selling jewellery, communication skills to ensure excellent customer service and product knowledge appropriate to the jewellery business. The strongest answers identified these requirements and then applied them to the context of selling high-priced rings and bracelets and knowledge of gem stones. Some candidates confused job specification with job description and listed the shop manager's responsibilities.

(b) The information in Appendix 3 provided the data needed to compare the three possible locations for a new shop in Town A, B or C. Too often there were detailed answers merely copying figures from the case study for rent, running costs and estimated gross profit. Candidates needed to use the data to make comparisons and calculate potential net profit. Better responses not only included net profit calculations for each location but also concluded that by choosing Town A, Gemma would make nearly twice as much net profit as Town B and over five times as much as Town C. Successful calculations in this response produced effective analysis and given candidates access to Level 2 and then Level 3. Candidates should always prepare for a question that tests numeracy skills using data from the case study.

Question 3

(a) This was a generic question testing candidates' knowledge of liquidity and profitability as well as their ability to explain their importance to a business. No application marks were available in this question. Good responses explained that liquidity was important to enable short-term debts to be repaid to avoid selling business assets. Sometimes reference was made to calculating current and acid test ratios to judge the liquidity position. Amongst the responses about profitability, the best answers identified how to calculate profit margins or ROCE and then explained the importance of being able to use these to analyse business performance and hopefully secure bank loans or attract investment from new shareholders.

(b) Many candidates found this question accessible at the lower end of the mark range. They could explain that reducing the price of a second purchase or offering a discount of 10% on all stock would likely increase sales. The majority of candidates then needed to develop their analysis to discuss the impact that such price reductions would have on gross profit and the quality image of the jewellery being sold. Candidates were generally more successful in considering the advantages and disadvantages of paying a celebrity to open the new shop. Well-balanced answers mentioned the expense of inviting a famous celebrity to be offset against the extra sales revenue that might be earned from increased numbers of customers. Responses which judged the most effective promotion to maximise revenue over the longest time period achieved Level 3.

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Question 4

(a) This question required candidates to consider the external influences of exchange rate depreciation and increases in income tax. Better candidates could explain that a depreciation in the exchange rate would result in higher costs for importing the jewellery. This might require prices to be increased to maintain profit margins which would, in turn, cause demand for Gemma's Jewels to fall. On the other hand, export prices would become more competitive so GJ might experience increased sales from overseas customers, especially now that Gemma has a website for online ordering. The discussion about the impact of an increase in income tax most often referred to decreases in disposable income, reducing spending power and a consequent fall in sales of luxury items like jewellery.

(b) Many candidates realised that GJ's jewellery is ethically sourced so stating the country where the product has been made would likely improve the reputation of GJ and boost sales and profit. Features of a boom phase include higher levels of income and increased consumer confidence, both of which would make higher sales of jewellery more likely. There would be an opportunity to raise prices and hence increase profit at the same time. The impact of increased mobile (cell) phone usage was discussed effectively by many candidates, mentioning Gemma's new website and phone app for ordering items from GJ across a wider market. Better candidates explained the disadvantages of each of these changes and included a conclusion that made a judgement about which change resulted in the greatest effect on GJ's profit without simply repeating earlier points, and then went on to justify why this would have a greater effect than the two other changes. Application, particularly in the conclusion enabled candidates to achieve higher marks.

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BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

This is the first November paper for the new syllabus. The style of the question paper has remained broadly the same. However, the differences in the weighting of the assessment objectives has resulted in small changes to the mark scheme. This has meant the **(a)** questions have more analysis marks awarded and fewer application marks. The **(b)** questions have had no change to the weighting of the assessment objectives but have had the level descriptors amended slightly. This has not changed the awarding of marks on the 12-mark questions. These small changes have not made any significant difference to the marks achieved overall; in fact, for some candidates, they may have raised their marks.

Candidates should still 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 is except for one of the **(a)** questions that will now usually be generic. Applying answers to the case 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 business that manufactures mobile phone covers.
- Candidates should try to give a full explanation of both the 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 or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and compare options including reference to why the alternatives were rejected.

General comments

Many candidates had been well prepared for this examination. They had developed strong examination technique and clearly understood what was expected of them. The context of CC, a manufacturer of mobile phone covers, provided an accessible scenario for candidates. Candidates who applied their skills to the context of CC were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a minority of cases it was clear that some topics were not well understood, these included quality control and quality assurance, methods of employee selection, pricing strategies, channels of distribution and government controls over advertisements. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn marks by using business terms confidently.

Overall, many good scripts were seen, very weak ones were less common. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and the conclusion/recommendation in the **(b)** questions should also be applied to the case. Candidates should aim to consider the consequences/implications/long-term/short-term/balance issues of the decisions to secure Level 2 and Level 3 marks.

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Comments on specific questions

Question 1

(a) The majority of candidates were familiar with the reasons why finance is needed by a business. Many candidates included a reason and then gave an example of what the finance paid for, such as purchasing new equipment/machinery or providing working capital to pay the expenses of wages or raw materials. Stronger candidates went on to apply the reason to the business in the case, for example, by recognising that this is a new business which needed working capital to pay expenses before they had regular cash inflows or that the business produced mobile phone covers. Weaker candidates needed to go beyond giving a reason with a generic example or gave the same reason twice, such as expenses to pay for wages and raw materials.

(b) Many candidates showed a clear understanding of quality control and quality assurance and answers included the benefits and limitations of both. Although a large number of weaker candidates mixed up the two methods and explained quality assurance under the heading of quality control and quality control under quality assurance. Another error was for candidates to discuss quality in general and its benefits rather than the methods. Better candidates included a recommendation that justified one method, gave a reason for this choice without simply repeating earlier benefits and then justified why the alternative method was rejected. The recommendation also needed to be in the context of this business producing mobile phone covers to move to the higher part of Level 3 mark band. Weaker recommendations simply repeated earlier benefits without any further development of the answer to justify why it had been chosen.

Question 2

(a) The reasons for setting up a business as a partnership were well understood by the majority of candidates with the need for more capital, shared risk, shared responsibilities, new ideas and shared workload the most common answers. Better candidates gave two reasons why the partnership type of business organisation might be chosen and then explained why this was a benefit. Many candidates did apply their answers to this case such as by referring to the amount of capital invested by each partner of $10 000 or that the business produced mobile phone covers. Weaker answers were either generic or needed to explain why the reason was a benefit to Aisha rather than simply repeating the reason, such as 'the risks are shared and 'Aisha does not take all the risks'.

(b) Many responses identified an advantage and/or a disadvantage of each of the three methods of employee selection. Some candidates had a better understanding of application forms and interviews than aptitude tests. Statements about each method being costly/cheaper or more time/less time were made without any explanation as to why they might be more or less costly or take more or less time to complete. Mirror arguments such as interviews take longer whilst application forms are quicker or face to face for one method and not face to face for another, need to be clearly explained if both are to be credited. Better candidates applied their answers to recruiting two new production workers to make mobile phone covers and finally ended with a recommendation of which method was most suitable for this business and why the other two methods were less suitable. Weaker responses simply stated an advantage or a disadvantage of the methods with no follow up comments that explained why this will help to ensure a suitable applicant is appointed. A generic answer was another weakness in many responses. Some weaker candidates focussed on the employee perspective, not what was best for the employer.

Question 3

(a) This question was generic as there was no reference to the business in the question and so application was not being tested. Many candidates gave two reasons for the greater risk for a new business of failing than an established one, with lack of planning, competition (brand loyalty) and lack of finance being the most common responses. Better candidates stated a reason and then explained why this reason made a new business more likely to fail, such as discussion of problems with cash flow when the new business does not have reserves from retained profit to see them through difficult times or does not have a steady cash inflow from sales when first opening. Weaker candidates sometimes listed more than one reason in their answer but only two reasons can be rewarded.

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(b) The majority of candidate answers were more generic rather than specific to the new personalised phone covers and therefore did not approach this question with much consideration for this particular product. This meant that the question was not well answered by many candidates. Each of the elements of the marketing mix needed to have a method applied to the new product, i.e. which pricing method, promotion method and channel of distribution should be used for the new personalised phone covers. Weaker candidates simply referred to the element itself and did not attempt to apply it to the new product, such as '*setting a low price is important to attract customers*', whereas better candidates gave answers that referred to a suitable pricing method and then explained why it was suitable for this new product.

Place, in particular, had some vague answers, for example '*sell at a retailer where there will be lots of people*'. Weaker candidates were confused over Place and thought it related to actual locations rather than a channel of distribution. The most common examples of application were the target market is aged 18–25-year-olds, has a high income and it is a niche market. Better candidates included a justified conclusion about which element was the most important for the launch of the new product and why it was more important than the other elements. Promotion was often selected as the most important because if potential customers did not know about the new product then it would not matter if the Price was suitable or Place was through a suitable distribution channel it would not have high sales. The best answers ensured that the recommendation was applied to this case and was not generic. The conclusions of weak candidates were often vague, unsupported or irrelevant to the question.

Question 4

(a) The majority of candidates correctly calculated that gross profit margin was 50%, profit margin was 18.75%, current ratio was 1.33 and the acid test ratio was 1. Weaker responses gained some credit for knowledge of the formulas but then they did not use the correct figures in the formula and arrived at an incorrect answer. Weaker candidates did not always know the correct formulas. Some candidates were accurate with current ratio and acid test ratio calculations but incorrect on gross profit margin and profit margin ratios.

(b) The responses for this question were varied in their understanding of how the legal controls could affect the business. Answers for the increase in the minimum wage centred around the decrease in profit for CC although better candidates explained that employees may be more motivated by the increase, particularly if this increase was also consistent with their current 'above minimum wage' pay. Better answers contained a chain of reasoning, i.e. how the change affects the business, the impact on the business from the change and then the effect on the profits of the business. Weaker candidates missed out some of the explanation and just made statements such as '*higher wages will lead to lower profits*' without any explanation of why profits will be lower.

Of the three changes, more controls over what can be stated in advertisements was the least well answered. The most common answer was that it would fail to attract customers and therefore sales would fall. Only a minority of candidates referred to the advertisement in the insert and very few realised that it would only affect adverts that were misleading. In addition, very few candidates referred to the fact that all businesses would be affected by this change. The no waste plastic sent to landfill sites produced better answers and most candidates realised that they would have to find alternative ways of disposing of waste which was likely to increase costs.

Better candidates included a conclusion that justified which of the changes would have the greatest effect on profit and why, without simply repeating what had been said earlier in the answer. Weaker conclusions just repeated earlier points without any comparison as to why one change may have a greater effect on profit than the other changes or they simply summarised the effects of the changes without linking them to profit. Weaker candidates did not apply their answers to this business, especially in the conclusion. Candidates could have made reference to, for example, the ten skilled production workers or that the business was already paying just above the minimum wage or refer to the claims made in Appendix 2 about the mobile phone covers, to apply their explanation to the case study and gain higher marks.

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BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

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Candidates should still 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 is except for one of the **(a)** questions that will now usually be generic. Applying answers to the case 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 manufacturer of agricultural equipment.
- Candidates should try to give a full explanation of both the 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 or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and compare options including reference to why the alternatives were rejected.

General comments

Many candidates had been well prepared for this examination. They had developed strong examination technique and clearly understood what was expected of them. The context of AD, an agricultural equipment manufacturer, provided an accessible scenario for candidates. Candidates who applied their skills to the context of AD were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a minority of cases it was clear that some topics were not well understood, these included economies and diseconomies of scale, niche markets and the effect of inflation on a business. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn marks by using business terms confidently.

Overall, many good scripts were seen but there were more weaker scripts than in previous series. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and the conclusion/recommendation in the **(b)** questions should also be applied to the case. Candidates should aim to consider the consequences/implications/long-term/short-term/balance issues of the decisions to secure Level 2 and Level 3 marks.

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Comments on specific questions

Question 1

(a) The majority of candidates demonstrated sound knowledge of the benefits and limitations to a business of becoming a public limited company. To sell shares to the public and limited liability were the most common benefits and no privacy for accounts, more legal formalities, original owners losing control as shares sold to the public, were the most popular limitations. Many candidates were able to explain at least one of the benefits or limitations. Weaker candidates did not realise this was a generic question that did not require any application to the case or focused on the size of business being large, rather than the type of business organisation.

(b) Although objectives could be identified by many candidates, such as shareholders wanting dividends, employees wanting high wages and customers wanting lower prices or high-quality products, only stronger candidates went on to explain why the stakeholders had these objectives. Weaker candidates needed to include more application, especially in the conclusion, which resulted in few high scoring responses. Better candidates could identify a conflict between specific stakeholders and the most popular was between employees and shareholders where the conflict was employees wanting higher wages and shareholders wanting lower wages to keep down costs and increase profits. A minority of candidates discussed the conflicts within a single stakeholder group such as conflicts between shareholders on the decisions the business could make but this was not what the question asked.

Question 2

(a) This was a straightforward question for many candidates as they correctly identified three or four possible responsibilities of the Operations Director. Liaising with the other directors, overseeing the production methods used, communication between the different layers in the organisational structure were the most popular answers given. The application marks proved more difficult to gain and few candidates applied all four responsibilities to the business in the case. Explanations could have referred to the production of agricultural equipment such as diggers, ploughs and tractors, 100 production workers, farmers, the business wanting to maintain a good reputation for its diggers, planning to expand output and start selling in other countries. Weaker candidates often gave the same application more than once, hence limiting their marks as application needed to be different for each responsibility.

(b) This was one of the most challenging questions on the paper. Better responses included discussion about using retained profit from the increasing profits even though profitability was falling, and others considered the effect of lower liquidity on the business' ability to take out a bank loan, realising that liquidity is not so low as to cause concern, even though it had been falling. The majority of candidates gained Level 1 and application marks for making comparative statements about the figures provided in Appendix 3. Very few candidates made use of the figures provided to calculate profitability and then realise that whilst profit was increasing profitability was falling. Weaker candidates read the figures the wrong way around and thought profits were falling and liquidity was improving. In the recommendation candidates still struggled to justify whether profitability or liquidity would have the most effect on AD's objective of expansion.

Question 3

(a) Many candidates knew this topic well and could explain one economy of scale even if they could not remember the term such as purchasing, financial or technical. For diseconomies of scale poor communication, weak coordination and low morale of employees were the most popular answers, although weak coordination was often not explained correctly. To gain full marks candidates should have contextualised their responses, such as buying components to produce agricultural equipment. A number of candidates could not name or explain an economy or diseconomy of scale.

(b) Many candidates found the first two parts of the question accessible. At the lower end of the mark range they were able to state why the factors were problems for a business when entering new markets in other countries, such as promotional materials may be misunderstood, the business may not understand the wants and needs of consumers. The majority of candidates found it difficult to explain the problem of changes in exchange rates for the business. Better candidates

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recognised that a lack of knowledge would mean that the business may not adapt its products to meet the needs of this market and therefore find it difficult to make sales. Weaker candidates just listed that language differences would make it difficult to be understood by employees or customers. Candidates found it easier to identify ways to overcome these difficulties such as employ an interpreter, teach language skills, employ local people, form a joint venture, however, there were few solutions to changes in exchange rates and better candidates realised that this was something that the business would find the most difficult to overcome. To gain higher marks candidates needed to include application, particularly in the conclusion.

Question 4

(a) The advantages of niche markets were more clearly explained than disadvantages. Better candidates could explain that niche markets often better met the needs and wants of customers as the products were produced for this specific smaller market. This often led to customer loyalty and making it easier for the business to be competitive and possibly being able to charge higher prices. The most popular disadvantage was the limited size of the market, hence limiting sales. Application to this agricultural equipment manufacturer was often included in better responses. Weaker candidates needed to better understand the meaning of niche markets and tended to make basic statements about competitiveness and lack of sales.

(b) Many candidates realised that an increase in government grants to farmers was likely to lead to higher sales for AD as farmers had more capital to spend buying equipment, and the decrease in tariffs on imported food was likely to lead to lower farm sales from home producers leading to lower sales of agricultural equipment. Higher costs from higher inflation rates leading to an increase in expenses such as wages and consequently higher prices was only considered by better candidates. Weaker candidates needed to explain a chain of reasoning i.e. what effect does an increase in government grants have, what will that do for sales of AD products, what will that mean for AD's revenue and, if costs do not rise significantly, what will that mean for AD's profit. Better candidates included a conclusion that made a judgement about which change resulted in the greatest effect on AD's profit without simply repeating earlier points and then went on to justify why this would have a greater effect than the two other changes. Application, particularly in the conclusion enabled candidates to score higher marks.

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