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BUSINESS STUDIES

Paper 0450/11
Short Answer/Data Response

Key messages

- This is the second year for this new version of the syllabus. Small differences in the weighting of the assessment objectives since 2020 have resulted in some changes in the mark scheme for some parts of questions.
- **Part (c)** of each question continues to have 4 marks. However, one of the **part (c)** questions is a generic question with 4 knowledge marks. The remaining **part (c)** questions continue to be applied questions. Questions which require application refer to the business in the scenario by name.
- Candidates should be reminded to use information from the stem to help answer question **parts (c)** and **(d)** when appropriate as this provides the basis for application.
- **Part (e)** of each question no longer includes any marks for application. These questions now have 2 knowledge, 2 analysis and 2 evaluation marks.

General comments

Questions requiring definitions and knowledge, such as **parts (a)** and **(b)** of each question were generally well attempted. Many candidates needed to be more precise when defining business terms. This was a particular issue in **Questions 1(a)**, **1(b)** and **4(a)**.

For most **part (c)** and all **part (d)** questions, candidates are required to link each point made to the context outlined within the stem of the question. Candidates should be reminded to use a different point of application and analysis for each point made as each point can be credited only once.

Effective evaluation is an area which requires development. Candidates should be reminded that evaluation must include a justified decision that follows on from the points raised in the answer. A repetition of points already explained in the answer will not gain evaluation marks. The mark scheme for each **part (e)** question includes one example of how evaluation can be demonstrated in the answer.

Comments on specific questions

Question 1

(a) A significant proportion of candidates were unable to give a precise definition of this term. A common error was to confuse the sector with an individual business.

(b) Candidates were generally unsure of the meaning of this term. The strongest responses often provided the formula; total revenue minus total costs. Common mistakes were to define gross profit or to confuse costs with expenses.

(c) Candidates clearly understood this topic. A common error was to identify measures of success, such as profit, rather than size, or to repeat the same measure using slightly different wording. This **part (c)** question did not require application to the business in the stem.

(d) This question produced a range of responses. The best answers clearly stated an objective for the stakeholder in the question and then explained how this would impact upon the costs or revenue for this insurance business. Some candidates lost the application marks available by not referring to the business in the stem. These candidates often mentioned the cost of raw materials which would not be a significant consideration for a service business. Weaker responses were often able to identify stakeholder objectives but could not explain the link to profit.

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(e) This was one of the most challenging questions on the paper for many candidates. The strongest answers recognised that lower unit costs gained through economies of scale are one reason for takeovers, but greater market power may provide an alternative motivation. Very few candidates were able to provide effective evaluation for this question. Many candidates showed some understanding of different economies of scale and therefore gained the two knowledge marks available. A small, but significant, number of candidates did not answer this question.

Question 2

(a) Well answered by many candidates. A common error was to confuse the physical limit of a quota with the financial limit of an import tax.

(b) Generally, a well answered question. Some candidates misread the figures and presented gross profit as 3300 rather than 3330. A small but significant number of candidates did not attempt this question.

(c) This **part (c)** question required application to the business in the question stem. Many candidates were able to show good understanding of a benefit and limitation of developing new products. The strongest responses explained how this fashion business could benefit from increased customer loyalty or have raised costs. A common error was to explain the benefits to the consumer rather than the business.

(d) Candidates found this to be one of the more challenging questions on the examination paper. The strongest candidates were aware that ratio analysis could be used to measure performance. Even the most able candidates struggled to develop their points sufficiently to gain analysis marks. A common error was to describe profit or cash flow rather than profitability and liquidity. A significant number of candidates did not attempt this question.

(e) This was the most challenging question for candidates. Although candidates were aware of the issues surrounding multinationals many needed to address their answers correctly to the question set, i.e. the benefit to a country of accepting multinationals. Frequently candidates discussed the benefits to the multinational business. Many candidates applied their answers to the business outlined in the question although no application marks are available in **part (e)** questions. The strongest candidates discussed the benefits of job creation and increased tax revenue for the government. Very few were able to make effective evaluative comments on this question.

Question 3

(a) Well answered by nearly all candidates.

(b) Candidates were confident in their understanding of this topic. The most frequent correct answers included the level of demand and the number of competitors. Some candidates stated nearness to suppliers, which would not be an important consideration for a service business.

(c) Candidates had good knowledge of this topic and a variety of different correct answers were provided. A common error was to give imprecise answers such as ‘cheaper’. To gain credit for this advantage the candidate would need to state that the method was cheaper than off-the-job training. Some candidates lost the application marks available by providing detailed explanations of points with no reference to the business in the stem.

(d) This question produced a range of responses. The strongest answers explained the motivational benefits and costs in terms of slow decision-making for this small printing business. A mark of three was common as candidates often developed both their points by explaining the impact upon productivity which could only be credited once. Many candidates stated incorrectly that democratic leadership would mean the owner loses all control over the business.

(e) Candidates did not always understand what was required in this question, many simply stated the different methods of finance available to businesses. The strongest answers focused on the idea that a sole trader would be most concerned about the cost of the finance and the time taken to repay the funds. Even the most able candidates needed to sufficiently develop the points made to gain full marks.

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Question 4

(a) This term was not well understood by many candidates. Candidates frequently described signs of economic growth, such as falling unemployment, rather than providing the precise definition required.

(b) Most candidates provided clear and correct definitions of this term. Weaker candidates confused this with quality control or simply restated the question by identifying this as 'assuring quality'.

(c) Many candidates showed good knowledge of the reasons for building customer relationships. The best responses were then able to link both answers to the scenario outlined in the stem of the question. A small number of candidates provided two similar points, such as loyalty and customer retention, which could only be rewarded once.

(d) There were many good answers to this question which made effective use of the information provided in the question stem. Candidates who identified the disadvantage as 'expensive' needed to develop the point sufficiently to gain the analysis and application marks available. A significant number of candidates thought that the business in the scenario produced mobile phones (they produce phone cases), this limited their ability to gain application marks.

(e) A small but significant number of candidates did not attempt this question. Those that did often achieved two marks for demonstrating appropriate knowledge. The strongest candidates recognised the importance of being in a niche market when choosing a pricing strategy. These answers often considered the benefit of an alternative pricing strategy to this business. The weakest responses described pricing methods but needed focus on why they may be the best method in this situation.

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BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

- Most candidates would benefit from a more precise understanding of key business terminology when answering questions requiring definitions.
- 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 both points. The same analysis point should not be used twice in the same question.
- Effective evaluation is an area which requires attention. 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. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

General comments

Overall candidates demonstrated good knowledge and understanding, but many struggled to access the marks available for application, analysis and evaluation.

Questions requiring definitions and knowledge, such as **part (a)** and **(b)** of each question were generally well attempted. However, most candidates lacked the necessary precision when defining concepts**.**

For most **part (c)** (excluding **2c** which only assessed knowledge) and all **part (d)** questions, it is important that each point made is linked to the context. To do this, candidates should use the information from the scenario provided at the start of the question, to ensure that points raised are appropriate to the business described. Candidates should use a different point of application for each answer given.

It is important to remind candidates that **part (e)** is a general question. Many candidates contextualised their **part (e)** answers but there are no marks for application.

Part (e) questions assess evaluation. Candidates are required to make a supported judgement. This should follow on from points raised in the answer but not simply repeat points already made. Of those candidates who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. To access the evaluation marks, one approach that candidates could use is to make a choice, provide a reason for this decision, and then explain why it is better than the alternative option or viewpoint discussed.

Comments on specific questions

Question 1

(a) Most candidates understood that the 'plus' element of the cost-plus pricing related to profit. The best responses provided a precise definition of the term. A common mistake was to reorder the words by stating it was price based on cost, or simply that the price is higher than cost. Others confused the concept of profit with price or extra cost.

(b) Most candidates were able to provide a partial definition as they understood that the marketing mix involved price, product, promotion and place. A common mistake was to confuse the term with market research, product development or incorrectly listing elements of the marketing mix.

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(c) There were many good answers to this question. Candidates were familiar with reasons why being able to offer a high-quality service might be important. Some candidates needed to apply their answers to access the application marks. A small number of candidates misread the question and incorrectly outlined reasons why customers might be interested in high-quality.

(d) Good knowledge was evident in most responses with 'no need to share profit' and 'makes all decisions' being typical answers. Only the stronger candidates were able to develop the points made in the context of this photography business. Instead of analysis, many repeated a knowledge point or identified a different advantage. Others repeated the same application for both answers.

(e) This question provided a range of responses. Many candidates were able to identify at least one relevant advantage or disadvantage of either a niche market or a mass market. Most candidates then needed to develop their answers to gain the analysis marks. Weaker responses tended to offer mirror arguments which could only be rewarded once. For example, many candidates stated that a business is likely to have fewer customers in a niche market whereas there are more potential customers in a mass market. Most candidates ignored the fact that this was a general question about small businesses so lost valuable time trying to apply their answer to the case study.

Question 2

(a) The best responses provided a full definition of 'opening balance'. Many answers lacked precision so used vague words such as 'funds' or 'capital' which are not the same as cash. Some simply reordered the words 'opening' and 'balance' while others stated it was last month's closing balance. None of these answers were credited.

(b) There were many correct answers to this question. A common error was to repeat methods of motivation instead of stating different ways. Others wrongly identified ways to increase output rather than productivity.

(c) Most candidates were able to identify two sources of internal finance, with 'retained profits' and 'sale of non-current assets' being typical answers. A common error was to identify external sources of finance which the question excluded.

(d) This question proved to be a good discriminator. Better answers recognised that buying new technology would increase cash outflows. Most candidates struggled to identify an additional effect. Some suggested that jobs would be lost but did not explain the financial impact of this on the cash flow forecast. For example, it could mean less wages which would reduce cash outflows or redundancy payments which in turn would increase cash outflows.

(e) This question was poorly answered by some candidates. Most candidates gained at least one knowledge mark. The best responses were then able to develop their points, such as full-time employees are likely to be more committed or that part-time employees offer greater flexibility in terms of hours worked, to show how or why it might be beneficial for businesses. Evaluation was rare. There were many vague answers about cost, motivation, skills and experience which needed further clarification to be credited. Other candidates confused part-time workers with temporary workers. A small number of candidates misread the question so wrongly focused on production rather than employees in the tertiary sector. None of these answers were credited.

Question 3

(a) Most candidates understood that fixed costs do not change. Many were then able to provide a precise definition as they recognised the relationship these costs had with sales or output. A common error was to identify examples which were not rewarded.

(b) This question required candidates to calculate the margin of safety. Candidates either knew the formula, so gained both marks, or they did not. A small number of candidates wrongly expressed their answer in monetary terms. Other incorrect answers attempted to calculate profit or performed complex calculations which did not answer the question.

(c) Most candidates understood that a short chain of command was likely to result in improved communication. Better responses also gained application marks for linking their answer to the scenario. A common point of application used was 600 employees. Only the best responses

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identified two relevant advantages. There were two common mistakes. Some candidates repeated the same knowledge point for both answers. Others made vague statements about easier to control, higher standards of work or increased output.

(d) Good knowledge was evident in many responses. Having a flexible workforce and the ability to replace others when someone is absent were correctly identified as an advantage of using job rotation, but most candidates then needed to develop their point. The section on disadvantages was better answered as candidates recognised that workers might not be skilled in all the tasks which could result in lower quality or lower efficiency. Most candidates gained at least one application mark for an appropriate reference to steel production or 600 employees. Some wrongly focused on potential benefits to the employee such as the work might be less boring. Others repeated the wording from the question by simply stating it would motivate or demotivate them. A small number of candidates defined the term which did not answer the question. None of these answers were credited.

(e) Candidates clearly understood this topic and showed strong knowledge of stakeholder groups. Better responses were then able to explain why each stakeholder was important to a business. The best responses built on their analysis and made a supported decision about why one stakeholder group was likely to be more important to the success of the business than another. Instead of evaluation, some candidates repeated earlier points made which had already been credited. Many candidates applied their response to the case study. This was unnecessary and did not gain any credit.

Question 4

(a) This question was well answered by most candidates. A common mistake was to identify examples rather than define the term.

(b) Most candidates were able to identify at least one objective. A common wrong answer was to state ways to achieve the objective rather than identifying the objective itself.

(c) Many answers identified either an external cost or benefit. Examples of pollution were the most common response for external costs while job opportunities were recognised as an external benefit. Most candidates who gained knowledge marks were able to link their answers to the context. Incorrect answers tended to identify private costs or outlined benefits to Raul.

(d) Many candidates found this question challenging. The best responses recognised that selling directly to a manufacturer meant there is no middleman or that it provided a more predictable demand. They were then able to develop these points. Common errors included vague statements about saving time, better communication and less storage. Some candidates suggested it would increase sales which was incorrect as the business in question already sold all its products to a single business.

(e) It was pleasing to see that many candidates understood the difference between an import tariff and an import quota and were able to explain the effect of these different trade restrictions on an export business. There were some excellent answers to this question and the best responses gained both evaluation marks for a fully supported decision. For example, some concluded that it might be possible for a business to find alternative markets which would reduce the effect of a quota, as it would only limit sales in some markets compared to a situation where customers cannot afford to buy the items as the result of higher tariffs resulting in fewer sales overall. Weaker answers confused the two concepts so wrongly stated that quotas would increase price or defined the terms instead of explaining how the two trade restrictions worked.

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BUSINESS STUDIES

Paper 0450/13
Short Answer/Data Response

Key messages

- Most candidates would benefit from a more precise understanding of key business terminology when answering questions requiring definitions.
- 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 both points. The same analysis point should not be used twice in the same question.
- Effective evaluation is an area which requires development. 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 includes one example of how this may be displayed in the answer.

General comments

It was pleasing to see that most candidates attempted every question on the paper. Questions requiring definitions and knowledge, such as **part (a)** and **(b)** of each question were generally well attempted. However, most candidates lacked the necessary precision when defining concepts, especially for **Questions 2(a)** and **3(a).**

For most **part (c)** (excluding **4c** which only assessed knowledge) and all **part (d)** questions, it is important to link each 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. Every point should use a different piece of information from the case material.

It is important to remind candidates that **part (e)** is a general question. Many candidates contextualised their **part (e)** answers but there are no marks for application.

Part (e) questions assess evaluation. Candidates are required to make a supported judgement. Evaluation was rarely awarded. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. Many simply repeated points already made. One approach that candidates could use is to make a choice, provide a reason for this decision, and then explain why it is better than the alternative option or viewpoint discussed.

Comments on specific questions

Question 1

(a) Most candidates were able to provide a partial definition. These answers understood that a partnership involves two or more people who either started the business or were involved in running it but then needed to refer to the element of ownership. Better responses offered a precise definition.

(b) This question was well answered. Many candidates understood the idea that customer loyalty involved customers returning to a business, and stronger responses accurately defined the term. A common error was to repeat the word 'loyalty' without explaining what this involved.

(c) This question proved challenging for many candidates. Better responses recognised that a new business is likely to be seen as higher risk so lenders might not trust them. Only the strongest responses gained both application marks available by using different references from the scenario

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to support each point made. Weaker responses misread the question and wrongly assumed that using e-commerce was the problem or it was simply because the products were sold at low prices. These answers were not credited.

(d) This question produced a range of responses. Many candidates understood that a low price could be perceived as low-quality which could result in lower sales. However, most then needed to successfully identify a second reason. Those candidates who accessed the knowledge marks usually gained the application mark for recognising that the business sold glasses. A common misconception was to wrongly assume that low prices would automatically mean low profit or that the business would not be able to cover costs, whereas it simply means the profit margin is likely to be low.

(e) Many candidates struggled to answer this question effectively. Good knowledge was evident in some responses, but the majority of candidates needed to develop their answers to gain the analysis or evaluation marks. Only the strongest responses were able to develop points such as promotion is used to raise awareness or attract customers. Often evaluation marks were not awarded as candidates simply made an unsupported decision or restated points previously made in their answer. Weaker responses tended to make vague statements about promotion being needed to sell products, without explaining how promotion would ensure sales were made. Some candidates identified methods of promotion which did not answer the question set.

Question 2

(a) Most responses recognised that a business plan includes business objectives, but then needed to build on this statement to gain the second mark. There were two common mistakes. There were several vague statements about information without explaining the nature of the information contained. Other candidates identified why a business plan is useful instead of defining the term.

(b) Well answered by most candidates. A common wrong answer was to identify training as a stage in the recruitment process. Other responses identified actions candidates might take rather than those undertaken by the business.

(c) Many candidates demonstrated good knowledge of the advantages and disadvantages of selling franchises, for example, quicker expansion and the potential damage to reputation because of the actions of a franchisee. Most candidates were able to gain one application mark for reference to hairdressing. Better responses were able to link both points to the scenario. There were several errors. Some candidates stated general reasons for expansion, such as sales and better reputation rather than outline the specific benefits of selling franchises to achieve business growth. Some offered points of analysis instead of application. Others included vague statements about 'making money' without explaining how selling franchises would help achieve this.

(d) This question produced a range of responses. The best responses were able to explain how an increase in inflation might lead to higher prices or increase in costs before showing the effect of these changes on Nadia's business. A common error was to identify actions the business might take such as 'close shops' or 'reduce the number of workers,' but these are not direct consequences of an increase in inflation. Other candidates made statements about the impact on profit or survival, which were too vague to be credited. A small but significant number of candidates did not attempt this question.

(e) This was the most challenging question on the paper for candidates and was poorly answered. Many candidates wrongly assumed that cash flow and profit are interchangeable terms. These answers stated that profit is used to pay day-to-day expenses or that a cash flow forecast records profit. Others simply defined the terms which was unnecessary and did not answer the question. Analysis and evaluation were rarely awarded.

Question 3

(a) This question was poorly answered. Better responses understood that being ethical involved doing the right thing. Only the best responses were able to provide a precise definition. A common mistake was to confuse ethical with environmental awareness or legal controls. Other candidates repeated the word ethical without defining the term. Some provided examples which did not answer the question.

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(b) There were many correct answers to this question. Candidates either knew the formula so calculated total variable cost or they did not. Some simply added or multiplied random numbers from Table 3.1 together to produce answers which did not relate to the question.

(c) Most candidates found this question challenging. Better answers focused on what break-even analysis shows in terms of the output required to cover all costs beyond which a profit is made or the assumption that all output is sold. In weaker responses the points made were often vague. For example, some candidates suggested that it 'helps make decisions' or 'shows profit' which did not gain credit. Others stated the information might be inaccurate but did not outline why this might be the case.

(d) Good knowledge was evident in most responses, with 'increased output' and 'fewer workers needed' being typical answers. Better responses were able to develop the points made in the context of this toy manufacturer. Instead of analysis, a common mistake was to repeat the knowledge point, while other candidates used the same knowledge point for both ways. Some identified production methods which did not answer the question.

(e) This was a challenging question for most candidates. The best responses discussed other factors including tariffs and quotas. These candidates then attempted to explain why a large manufacturer needed to consider each factor when deciding whether to import materials. There were a significant number of vague answers about the need for raw materials to make the product without clearly referring to the characteristics that determine 'reliability' such as timeliness or correct amount. Other responses had the wrong focus so incorrectly discussed why a business needed suppliers, rather than discuss whether reliability was the most important factor when choosing one. Evaluation was rarely awarded.

Question 4

(a) A well answered question. A common mistake was to repeat the word 'objective' without defining the term.

(b) Well answered by most candidates. A common error was to include vague statements about 'harming the environment' without stating how business activity could cause this outcome.

(c) This was the only **part (c)** question which did not require application. Most candidates were able to identify at least two communication barriers. A common error was to identify methods of communication or repeat similar points for different barriers. Other candidates used words such as 'technology', 'not understand' or 'poor communication' without identifying the barrier itself.

(d) This question produced a range of responses. Some candidates identified advantages such as 'share risk' and 'sharing costs', but only the better responses were able to develop these points to gain analysis marks. Application was rarely included. Instead of analysis, many responses repeated the knowledge point. It was clear that many candidates were unfamiliar with the concept of joint ventures or confused the term with franchising or mergers. Others wrongly discussed general reasons why a business might grow. None of these answers were credited.

(e) Good knowledge was evident in many responses. Better responses were able to explain the advantage of the quick decision-making offered by autocratic leadership or the benefits gained from democratic leadership in terms of increased motivation and lower labour turnover. The best responses used the contrast between the different styles as the basis for their evaluation. For example, when there are many employees, it might take too long to ask everyone for their opinions or lead to disagreements, so the potential benefits of democratic leadership do not materialise. A common mistake was to confuse democratic with autocratic leadership style. Other candidates defined the terms which did not answer question set. Some identified points about productivity but did not identify why autocratic leadership might lead to this outcome. In most answers, evaluation was rarely awarded. Where evaluation was attempted, most candidates tended to repeat earlier knowledge points or did not relate their answers to a business which has a large number of employees.

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BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

This is the first June paper sat by candidates for the new syllabus. The style of the question paper has remained the same. However, differences in the weighting of the assessment objectives have resulted in small changes to the mark scheme. 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 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 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 which will now 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 is a manufacturer of wooden furniture. It is advisable for candidates to ask themselves about the size and nature of the business, if it is a new or established business and what type of business organisation it is. This may add to the quality of candidates' answers.
- Candidates should try to give a full explanation of both the 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 a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of FO, a furniture manufacturer established twenty years ago, provided an accessible scenario for candidates. Those who applied their answers to the context of FO were the most successful.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so that 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 some instances it was clear that certain topics were not as well understood. The weakest understanding was apparent in the topic areas of the relative importance of the sectors of an economy and the management and control of growing businesses.

There were a few examples where candidates had continued an answer to a question in the extra space provided on the blank pages at the end of the question paper. It would be helpful if candidates could indicate that they have continued their response and where this answer can be found.

Overall, there were some good scripts seen as well as a number of weaker ones. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)**

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questions and the conclusion/recommendation in **(b)** questions should also be applied to the case. Candidates should aim to consider the consequences / implications / long-term / short-term / balance issues of their decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

(a) Candidates who demonstrated sound knowledge of the changing sectors of the economy included ideas such as industrialisation, increased use of technology and rising levels of economic growth. However, a number of candidates overlooked the focus of the question, reasons for the changes, and simply described the sectors of the economy. Better candidates were able to explain that the depletion of natural resources in an economy resulted in a decline in the size of the primary sector. Other strong answers identified economic growth as a cause of change resulting in higher levels of disposable income bringing about an increase in the demand for services and therefore a growing tertiary sector in a country.

(b) This question was only answered well by a minority of candidates. As a business grows it becomes difficult to ensure close supervision of workers, communication across different sites is challenging and workers may become inefficient. Application marks were easily achieved when answers included reference to FO's three factories being spread across different regions of the country. However, weaker responses repeated that it was difficult to control the business with little or no additional comment. Stronger candidates recognised that lack of finance was, in part, caused by the fact that the business was a private limited company with a relatively small number of shareholders. Weaker responses often confused a clash of business cultures with a clash of regional cultures. The conclusion should have focused on an effective solution to the problems associated with takeovers. Strong responses often suggested the easiest solution would have been to raise additional finance for fixed assets by asking the bank for a loan. Since FO had been a successful business for twenty years it would be likely that a loan of a significant amount would be granted with an extended period of time for repayment. Application as part of this justification raised marks still further for those candidates in the Level 3 mark band.

Question 2

(a) Generally, a well answered question with the most popular points including the importance of minimising waste and the need to avoid underproduction. Good responses discussed managing the inventory to avoid increased storage costs and potential damage to components or finished wooden furniture. Some answers discussed managing labour resources to avoid inefficiency in production. Weak responses often included simple statements which did not develop the chain of reasoning linking insufficient ordering with production levels and meeting customer expectations for delivery. Application marks were often gained when reference was made to ordering nails, brackets, and paint.

(b) The majority of candidates were able to discuss the relevant advantages and disadvantages of the three methods of communication successfully. Weaker responses did little more than identify the expense of each communication method such as mobile phone calls can be expensive whilst sending letters is a cheaper option. Often weaker responses discussed communication with the customer rather than the supplier. Stronger responses discussed the effectiveness of each method of communication such as emails and letters providing a hard copy of the details of the late order whilst mobile phones allowed a direct two-way conversation with the possibility of direct questioning. Recommendation of the most suitable method of communication usually focused on the speed of the response necessary to resolve the problem of the late delivery. The best answers chose the fastest communication so that the delivery of paint, nails and brackets could be speedily organised to avoid delays in production of wooden furniture. This justification in the context of the specific business earned Level 3 marks with additional reward for application.

Question 3

(a) This proved to be a straightforward question with a number of candidates identifying retained profit as a suitable source of internal finance. Many responses indicated that as a successful business running for twenty years there was likely to be a reasonable amount of retained profit at FO which could be used for expansion. Further development of the answer pointed out that there would be

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no interest to pay which would keep expenses down. Many candidates discussed taking a bank loan as a suitable external source of finance. A specific sum could be requested from the bank to purchase particular assets such as electric vehicles and the repayment of the loan could be spread over several years.

(b) The majority of candidates demonstrated sound knowledge of channels of distribution. They were able to discuss the advantages and disadvantages of wholesalers, retailers, and direct selling effectively. The benefit of selling in bulk to a wholesaler was contrasted with the likely reduction in profit margin for the wooden furniture. The experience of retailers in displaying and promoting furniture was contrasted with the likelihood of competitors' furniture being sold at the same shop. Weaker responses showed some confusion by stating that FO might set up their own retail operation and that direct selling requires the customer to go to the factory to collect the tables and chairs. Better responses offered a range of advantages and disadvantages rather than repeating that one channel of distribution was cheaper and another more expensive. The conclusion was often a repetition of earlier statements and did not add anything new. Only the best candidates made a clear decision and explained why the other channels of distribution were less suitable. For example, some chose direct selling because it ensured a stronger relationship between FO and its customers whereas the other two distribution methods would mean a lower profit margin for FO and less direct customer feedback about its tables and chairs. Additional reference to the context of wooden furniture in the conclusion enabled candidates to access the higher marks within the Level 3 band.

Question 4

(a) (i) This question provided candidates with an opportunity to use their numeracy skills. Those who had learned the formula to calculate break-even were able to earn maximum marks with relative ease. A small number of responses stated incorrectly that the unit of measurement was dollars when in fact it was a measurement of tables.

(ii) Fewer candidates were successful in calculating the margin of safety per month for tables but those who did this accurately achieved both available marks. It has been mentioned before that candidates need to develop their numeracy skills and practise calculations regularly so that they can maximise their overall mark.

(iii) Only a few candidates had sound knowledge of the uses of break-even analysis. It is important that an understanding of the limitations of such analysis can be properly explained. Weak responses simply mentioned that break-even was not always accurate. A more specific answer was needed. Those candidates who mentioned that break-even was based on assumptions such as all products were sold, or no inventories were held offered the correct level of detail and were rewarded accordingly.

(b) This question required candidates to use information from the insert to assess the profitability of the three sustainable development options. There were many general answers referring to the impact of each option on the environment whilst other responses simply repeated statements or data from Appendices 2 and 3. To earn higher level marks it was necessary to offer a detailed discussion of the advantages and disadvantages of each option. Some candidates explained that using packaging that can be recycled might attract more sales from ethical consumers, but such packaging may not be suitable for large items such as tables. Level 2 credit was given to answers which used the data in Appendices 2 and 3 to calculate the potential rise in variable costs for option 1, the rise in selling price for option 2 and the fall in variable costs for option 3. To gain the highest marks in the Level 3 band, the conclusion needed to justify why one way to contribute to sustainable development would be likely to maximise profit more than the other two options. Candidates who made reference to specific calculations to support their decision were able to make meaningful judgements. The conclusion also needed to be in the context of FO to move a Level 3 answer higher up the mark band.

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BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

This is the first June paper sat by candidates for the new syllabus. The style of the question paper has remained the same. However, differences in the weighting of the assessment objectives have resulted in small changes to the mark scheme. 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 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 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 which will now 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 is about to open as a toy shop. It is advisable for candidates to ask themselves about the size of the business, consider whether it is a service business or manufacturer and what type of business organisation it is. This may add to the quality of candidates' answers.
- Candidates should try to give a full explanation of both the 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 a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of TT, a new toy shop, provided an accessible scenario for candidates. Those who applied their answers to the context of TT 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 some cases it was clear that certain topics were not as well understood. The weakest understanding was seen in the following topic areas; the importance of a cash-flow forecast and the stages in the recruitment process.

There were a few examples where candidates had continued an answer to a **(b)** question underneath the facing page with the **(a)** question answer. Questions should be answered in the answer space provided or on the blank pages at the end of the question paper, with a clear reference to where the answer has been continued.

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

Comments on specific questions

Question 1

(a) Many candidates demonstrated sound knowledge of the advantages and disadvantages of setting up a business as a private limited company. The most popular answers were related to limited liability and selling shares to family and friends, rather than the public and the legal formalities required to set up as a private limited company. Stronger candidates were able to explain that a private limited company is unlikely to be taken over without the consent of shareholders. Weaker candidates thought governments were involved in running companies, confused limited with unlimited liability or gave vague answers regarding profit and employees.

(b) This question was well answered by many candidates. They were able to use the information given in Appendix 1 to help them consider the factors that could affect the location of the new toy shop. Application marks were easily achieved when answers included analysis of the information provided in the appendix. However, weaker responses included information copied from Appendix 1 with little or no additional comment, or just stated opposite points as explanation, for example, in A rent is expensive but in B rent is cheaper. Better candidates recognised the target market as high income earners and that the shoppers in location B would be less likely to afford expensive toys. High rent was justified by high sales of toys. High/low competition was a very popular answer for nearby shops and that the facilities in the mall brought in potential customers. Many weaker responses included a conclusion that was just a repeat of the statements already made and a minority of candidates did not choose a location. Better responses included a conclusion that chose one location and justified this choice but also included why the alternative location was rejected. Application as part of this justification raised marks still further for those candidates in the Level 3 mark band.

Question 2

(a) Generally, a well answered question with the most popular advantages being that the pushchairs are likely to be cheaper, a more varied range of pushchairs would be available or good quality products can be purchased. Import restrictions such as tariffs and quotas, or increased transport costs were the main disadvantages discussed. Weak answers often identified an advantage or disadvantage but were unable to explain it in context. Some responses needed to understand imports and treated the toy shop as being the exporter or simply answered the question 'why TT should sell pushchairs'. Vague comments, such as 'high costs', 'increased sales' or 'profits increasing', were stated but without further explanation could not be rewarded. Application marks were not often gained as candidates rarely went beyond discussing pushchairs and this was in the question.

(b) The majority of candidates were able to discuss the relevant advantages and disadvantages of each option and apply their answers by using the information about the two options provided in the case study. Weaker responses did little more than repeat the information without including any analysis of the points, such as the wholesaler is more expensive, and the manufacturer is cheaper. Better responses said if buying from the wholesaler TT may have to charge higher prices and be less competitive leading to lower sales, and if buying from the manufacturer although the price is cheaper TT will have higher costs from storage of a large quantity and it may also have cash flow problems from such a large payment. A wholesaler was the choice for the majority of candidates in the recommendation as the quantities purchased were much smaller and could be purchased as and when needed with only one day for delivery which was much more suitable for a new toy shop with limited working capital.

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Question 3

(a) This proved to be a difficult question with a number of candidates confusing a positive cash balance on the cash flow forecast with profit. Many responses indicated that candidates thought it showed what sales and costs had already been made rather than it being a forecast and therefore not happened yet. Where candidates recognised that it could identify possible liquidity problems, help with decision-making or help to apply for a bank loan, they needed to develop these reasons further. Stronger candidates indicated that the forecast is forward-looking and helps the owner plan ahead. Application opportunities were often missed by not using or referring to the information provided in Appendix 3.

(b) The majority of candidates could offer some points worthy of credit but overall, this was a low scoring question for many candidates. The majority of answers were generic and rarely made reference to the recruitment being for a shop manager. Weaker responses were vague, such as a job description explains what someone 'needs to do' or 'describes the job', rather than being more specific and stating that it 'gives details for the tasks and duties of the job'. Only a minority of candidates were able to fully explain how the job description would help the business attract more suitable applicants which could save time and make sure these applicants were clear about the role and responsibilities of the position before they applied. Job specification was the best understood out of the three recruitment processes and candidates often mentioned the 'skills', 'experience' and 'qualifications' required for the job. Stronger candidates developed their answers to include the qualities of good leadership, selling skills or knowledge of the toy industry. Short-listing was not well understood with many candidates confusing it with interviewing to select the best applicant to offer the job to. Vague responses such as 'it makes the list shorter' were often given. Better candidates referred to shortlisting being a pre-requisite to the interview process itself and hence again saving time. The conclusion was often a repetition of earlier statements and did not add anything new. Only the best responses gave a conclusion that answered the question and also explained why the other stages in the recruitment process were less important for the recruitment of the most suitable person to manage the new toy shop.

Question 4

(a) The majority of candidates could successfully identify at least some reasons why the level of inventory is important to TT, but answers were often generic. Weaker responses repeated the same point such as 'meeting customer demands' and hence reduced the number of reasons that could be credited. Better candidates had a good grasp of the concept of inventory, such as how it is important to keep track of inventory in order to meet demand, to avoid running out of certain popular toys, the importance of a buffer for unexpected demand fluctuations and to minimise storage costs. The main reason why marks were not gained was due to the answers not being discussed in context. Only the best responses discussed these reasons in the context of TT as stated in the question.

(b) In this question candidates were asked to consider the effect of three legal controls on TT. Weaker candidates found this question quite challenging. There were many repetitions across the three legal controls such as being sued if the legal controls were not followed. A minority of candidates misunderstood the first legal control and thought that it referred to promotion for employees in their job. The possible impact on sales from misleading promotion was often stated but very little was usually discussed about the costs of having to redo the current promotion or that misleading promotion may not apply to the branded toys TT intends to sell. Legal control two was the better explained of the three and was usually in context. The majority of candidates could confidently discuss 'all goods must be safe for the consumer' and relate their answers to children and the likelihood of children being hurt if the products were unsafe. Better answers for the third legal control referred to changing from plastic to environmentally friendly packaging and included the increase in costs for doing so. However, weaker candidates referred to information provided on the packaging rather than the type of packaging allowed. Weaker responses included a conclusion that was simply a repeat of what had already been said in the earlier part of the answer. Better candidates directly referred to the effects of the legal controls on TT, such as the impact on sales, revenue, profit, or reputation. To gain the highest marks the conclusion needed to justify why one legal control would have the greatest effect on TT and why the other two legal controls would have less effect. The conclusion also needed to be in the context of TT to move a Level 3 answer higher up the mark band.

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BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

This is the first June paper sat by candidates for the new syllabus. The style of the question paper has remained the same. However, differences in the weighting of the assessment objectives has resulted in small changes to the mark scheme. 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 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 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 which will now 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 fast food takeaway business in terms of context. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or manufacturer and what type of business organisation it is. This may add to the quality of candidates' answers.
- Candidates should try to give a full explanation of both the 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 a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without repetition of the previous analysis, be applied to the case and make reference to why the other alternative option(s) were rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of RB, a fast food takeaway business, provided an accessible scenario for candidates. Those who applied their answers to the context of RB 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 some cases it was clear that certain topics were not as well understood. The weakest understanding was shown in the following topics: externalities, reasons for business failure, legal controls over employment and business ethics.

There were a few examples where candidates had continued an answer to a **(b)** question underneath the facing page with the **(a)** question answer. Questions should be answered in the answer space provided or on the blank pages at the end of the question paper, with a clear reference to where the answer has been continued.

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

Comments on specific questions

Question 1

(a) This question was generally well answered as the majority of candidates could identify up to four factors which can influence the location of a tertiary sector business. Weaker responses repeated answers, such as transport and infrastructure, and so reduced their opportunity to score higher marks. Some candidates tried to explain the location factors in the context of RB and needed to recognise that there were no application marks available for this question. This did not mean that the explanation mark was not available, but it often proved harder for candidates to gain the additional marks compared with those who kept their answers generic. Some location factors given, such as access to raw materials, did not apply to a tertiary sector business and were more suited to the location of a manufacturing business.

(b) This question was not well answered. Even better candidates found it difficult to offer explanations as to how these factors would contribute to a business failing. Answers were often general and demonstrated a lack of understanding of the reasons for business failure. Lack of working capital was confused on a number of occasions with capital and candidates needed to appreciate that this was a short-term shortage of capital. Only stronger candidates managed to develop their answers for the three factors and then include a conclusion which justified which factor was most important for Ruben and why the other factors were likely to be less important. The conclusion needed to be applied to this business to move to the higher section of this mark band.

Question 2

(a) Externalities proved a difficult concept for many candidates, although some candidates gained credit for recognising litter and reduced unemployment as an external cost and benefit. However, the majority of candidates needed to appreciate the difference between a private and external cost or benefit. Therefore, many explanations were from the perspective of benefits and costs to the business and not to a third party. Better answers included explanation of the cost or benefit to a third party and included an example to gain application marks.

(b) This question was not well answered. Weaker candidates needed to answer this question from the perspective of the business as they considered the impact on employees, the community or customers and hence did not gain higher marks. Stronger candidates did look at the three issues from the business perspective and offered development or a balanced argument to move their answers into Level 2. Many candidates gained credit for application by including references to the fast food takeaway business, the food ingredients and the largest percentage of customers being 16-18-year-olds. However, few candidates included a justified conclusion of the greatest effect on the business and why the other two ethical issues would have less effect.

Question 3

(a) This proved to be the lowest scoring question on the paper. Stronger candidates correctly recognised that the question required the legal controls to be related to employment. The most popular legal controls were minimum wage, the employment contract, health and safety, discrimination, and the legal minimum age to work. Weaker candidates mistakenly offered general legal controls that a business would have, such as food safety standards, which were not employment controls. There was some repetition from candidates who identified multiple areas of the employment contract, such as holidays allowed for one control and then the maximum hours that could be worked as another. Answers were not often applied to the context. Many candidates did offer good explanations but then did not contextualise their answers and so limited their marks.

(b) Many candidates could offer some benefits of both part-time and full-time employees. Stronger responses developed these benefits into explanations as to why the business would be better choosing one over the other, such as part-time employees may be more flexible in the hours they

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work therefore RB can have more employees working during busy periods. Weaker candidates appeared not to read the question carefully and used their time to provide disadvantages to the business. However, disadvantages were often correctly used in the conclusion to justify the choice of employees. Many responses were generic throughout the answer and the conclusion in particular was often not applied to this business. Candidates could have included reference to the number of employees that would be employed, such as 4 full-time employees or that RB is a fast food takeaway business to apply their answer to the case.

Question 4

(a) The majority of candidates recognised the use of the market research data as a way for the business to identify how to promote their business more effectively. Stronger candidates went on to explain the impact that this could have on increasing revenue and therefore possibly profits. Weaker candidates repeated their point in the second way, which was often a promotion and/or advertising benefit. Application marks were usually gained by making reference to the data contained in Appendix 1 and using the graphs to help explain their answer.

(b) Stronger candidates used the data in Appendix 3 to perform calculations of the interest paid or received by the business. They then used these results in their recommendation to justify which option to take. Weaker candidates obtained some credit for comparative statements such as the total interest paid is lower for the one year loan than the three year loan, or for recognising that one year may not be a long time for a new business to make enough profit to repay the loan and the interest. Application was generally gained for use of the data in Appendix 3, such as identifying the specific interest rate paid for each loan or the price of the franchise. Stronger candidates realised that putting the inheritance into savings would allow the interest gained to cover the interest paid on a loan and leave some cash to help if there were unforeseen capital requirements due to it being a new business.

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