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BUSINESS STUDIES

Paper 0450/11
Short Answer/Data Response

Key messages

- Questions which require application, such as **part (c)** and **(d)** of each question, refer to the business in the scenario by name. Candidates should be reminded to use information from the stem to help answer such questions as this provides the basis for application.
- **Part (e)** of each question is no longer marked for application. These questions now have 2 knowledge, 2 analysis and 2 evaluation marks.
- 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 may be demonstrated in the answer.

General comments

Questions requiring definitions and knowledge, such as **parts (a)** and **(b)** of each question were generally better attempted this session. Some candidates needed to be more precise when defining the requested terms. This was a particular issue in **Question 4(a)**.

Weak understanding of business terminology was also a factor in the low marks awarded for **Questions 1(d)**, **3(e)** and **4(e)**.

There was some evidence that candidates were not reading the entire question. This was an issue within **Question 3(d)** where candidates did not explain the effect of the change.

Comments on specific questions

Question 1

(a) The majority of candidates were able to provide at least a partial definition for this term, most frequently training whilst working. Candidates lost marks by specifying that this was training for new workers and therefore providing an explanation that could be related to induction. Such answers gained no marks.

(b) The strongest candidates illustrated how they had achieved their correct answer by providing their workings. Many candidates were unclear on this calculation frequently dividing output by variable cost per unit.

(c) This **part (c)** question required no application to the business stated in the stem. The strongest candidates recognised the importance of the factors noted in the mark scheme when making this production decision. Weaker responses often simply stated the four factors of production, capital enterprise land and labour with no attempt to relate these to the decision being made.

(d) The concept of quality control was not well understood by many candidates. Many incorrectly stated that this method would ensure that no errors would appear in the product, showing lack of awareness that only some products would be checked. Stronger candidates identified that the

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method attempted to reduce errors but could not identify the stage at which the error occurred. Candidates struggled to provide two different points of application for this question.

(e) The strongest answers recognised that adding new features may make a product more appealing to customers increasing sales revenue. Only the strongest candidates were able to correctly explain any problems with this strategy, most often this was that customers may dislike the changes. A mistake made by many candidates was to explain the benefits of designing a totally new product which did not answer the question set. No candidate provided an effective evaluation for this question.

Question 2

(a) Well answered by many candidates. Candidates lost marks by stating that this was the product chosen rather than given up.

(b) Many candidates struggled to answer this question. Answers frequently did not focus on labour but stated other methods to measure size, such as profit or output. The strongest candidates recognised the problems of part-time staff and capital-intensive production.

(c) This **part (c)** question was one of the most challenging for candidates. The strongest candidates explained how personal assets would be protected in the case of business failure for this electricity supplier. A common error was to state that the shareholders would not pay any debts. Such answers showed a lack of understanding that money invested into the business would be used to pay debts.

(d) Although candidates showed awareness of the concept of pressure groups, the focus of their answers was frequently incorrect. Only the strongest responses were able to fully explain two different actions that pressure groups could take. Weaker responses often stated that pressure groups would force the business to change its way of working without identifying how they would do this.

(e) Many candidates had a good understanding of methods of internal communication. Stronger candidates explained why a meeting would be preferred as it allows workers to ask questions to ensure that they fully understand. A mark of 2 was common as many candidates simply stated methods of communication with no development to show application to the question set.

Question 3

(a) This term was generally understood with many candidates offering clear definitions. An error made by some candidates was to state that these assets would not be owned by the business.

(b) Candidates were confident in their understanding of this topic, many gained both marks available.

(c) A variety of correct, appropriately applied points were provided for this question. A common error was to state that wages would have to rise, or staff would be made redundant. These are not direct consequences of a rise in taxation so could not be credited. Some candidates lost the application marks available by not referring to the business in the question.

(d) Many candidates simply identified that both ratios would fall quoting appropriate figures to support their answers. Such answers gained the knowledge and application marks available. Very few candidates were able to answer the question set and explain the effect on CPK of these changes. The mark scheme provides examples of the most appropriate impacts that were credited.

(e) Candidates found this to be one of the most challenging questions on the examination paper. Although many had a general understanding of the terms, they were unable to explain how these motivation methods worked. The strongest candidates identified the benefit of workers feeling valued and money as a major motivator, gaining 2 marks. A mistake made by some candidates was to confuse job enrichment with job rotation.

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Question 4

(a) This term was not well understood. Very few candidates provided clear and precise definitions. Some candidates stated that this meant business failure or identified features of a recession such as high unemployment.

(b) Many candidates provided two correct answers. Weaker responses often stated by price or product, showing some confusion with the marketing mix.

(c) The strongest candidates identified the need to pay day to day expenses and for use in emergencies providing appropriate examples of each situation. Many candidates provided two examples of expenses which could be paid by a hairdresser. Such answers gained a maximum of 2 marks as they illustrated one reason. Some candidates incorrectly stated that working capital would be used to purchase the franchise.

(d) There were some good answers to this question which made effective use of the information provided in the question stem. The strongest answers explained the benefits of purchasing a well-established brand name and the support offered by the franchisor. A significant number of candidates did not apply their answers to the context of a hairdressing salon and lost the application marks available. The weakest responses suggested that the franchisor would operate the business with Beena acting as a manager. Such answers gained zero marks.

(e) A mark of 2 was common for this question as candidates demonstrated appropriate knowledge but were unable to fully develop this to show analysis. Most commonly the knowledge shown was that primary research would be up to date, but expensive, while secondary may be outdated. The strongest candidates recognised that a start-up business would have limited finance and therefore may be unable to afford effective primary research. Candidates struggled to provide effective evaluation of the two methods. A small number of candidates confused primary and secondary research.

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BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

- Candidates need to be able to provide clear and precise definitions of business terms.
- Many candidates missed application marks. Candidates should be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application.
- Candidates should use a different point of application for each point made. The same analysis point should not be used for both points within the same question.
- Evaluation is more than a decision, or a summary of earlier points made. Evaluation requires candidates to make a supported judgement which should follow on from points raised in the answer. It should clearly answer the question set. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

General comments

This paper included some topics which candidates found challenging. It is important to remember that any area of the syllabus can be assessed. Many candidates demonstrated good knowledge of concepts but found accessing the application, analysis and evaluation marks more difficult.

Parts (a) and **(b)** of each question were generally well attempted. However, many candidates lacked the necessary precision in their definitions or range of knowledge to access all the marks available.

For most **part (c)** (excluding **3c** which only assessed knowledge) and all **part (d)** questions, it is important candidates use the information from the stem to link their answers to the context. Candidates should use a different point of application for each point made.

Candidates need to be aware of which skills are being assessed in each question. Many continue to include analysis in **part (c)** questions and application in **part (e)** questions. However, the questions do not assess these skills so marks cannot be awarded. **Part (c)** questions either assess knowledge or knowledge and application whilst **part (e)** assesses knowledge, analysis and evaluation.

Candidates need to develop their evaluative skills. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. One approach 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) Better responses knew that market share is concerned with the value of sales or number of customers. Stronger responses were able to provide a precise definition. A common mistake was to refer to the idea that market share had something to do with percentage of the market but not specify what it was a share of or confused the term with share ownership. Many responses simply reordered the words which demonstrated no understanding.

(b) This question produced a range of responses. Whilst there was an understanding that a statement of financial position shows assets and liabilities most responses omitted to mention it was at a certain point in time, which was necessary for the second mark. Some responses confused the

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term with an income statement or cash-flow forecast. A small number of candidates did not seem familiar with the new terminology for a balance sheet.

(c) Good knowledge was evident in most responses. Application marks were gained for recognising the business sold drinks or operated 150 cafes. A common mistake was to repeat the same application for both ways EQR could increase added value or incorrect reference to production costs instead of the cost of bought in materials.

(d) Most candidates could identify at least one advantage with 'increased brand awareness' and 'receive a licence fee' typical answers. Better responses were able to develop points in the context of this café business. Common mistakes focused on benefits to franchisees rather than the franchisor. Others made vague comments about growth or more profit, omitting the fact that the franchisor only gained a share of the profit or that it allowed for faster growth.

(e) Many candidates identified points such as better reputation or increased costs. However, most responses were unable to develop these points effectively. Instead of analysis, many simply identified additional points of knowledge or stated profit would be affected. Others repeated the knowledge using different words. For example, increased customers and increased sales which are the same point. The development of sales is increased revenue. Stronger responses included good evaluation which compared the likely short-term and long-term effects on profit of being ethical.

Question 2

(a) Most candidates understood revenue refers to money gained by the business. Better responses were able to provide a full definition. A common mistake was to define profit and some responses lacked the necessary precision. For example, many responses mentioned sales without specifying it was the value of sales made.

(b) Candidates who knew the formula gained both marks for the correct answer of 15%. A common mistake was to calculate gross profit margin.

(c) This question was well answered by most candidates. Many responses outlined at least one reason and used information from the stem to apply their answer to Kamala's business. A common mistake was to repeat a similar point for each reason which can only be awarded once.

(d) This was a challenging question. Stronger responses understood that the lack of alternatives or the product being a necessity were likely reasons why demand is price inelastic. These responses tended to gain application by mentioning beauty products or recognising it was a high-quality product. However, only the strongest responses gained analysis marks for explaining that a change in price is likely to result in a lower percentage change in demand. A common mistake was to identify reasons why a business might charge high prices such as high demand or that this is a luxury item.

(e) There were some excellent responses to this question. Most responses identified advantages or disadvantages of using specialist magazines to advertise high-quality products. Another way to access the knowledge marks was to discuss other methods of advertising such as social media. Either approach is acceptable. Introducing alternative methods was a good strategy as stronger responses then used the comparison as the basis for their evaluation. Weaker responses were descriptive with additional points of knowledge offered and no analysis.

Question 3

(a) This question was poorly answered by many candidates. A common mistake was to identify features of effective communication instead of the benefits of communication being effective. For example, fewer mistakes are a benefit whereas knowing what to do is why communication happens.

(b) Stronger responses gained both marks. Most candidates recognised that the organisational structure shows the levels of hierarchy or span of control but did not mention that it also indicates the responsibilities of employees.

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(c) Most candidates could identify at least two factors, notably experience and behaviour. Only the best responses identified four different factors. Many responses repeated points using different words. For example, performance and experience are classed as alternatives. Others made vague statements about employee's potential or value to the business. It is important to understand that in terms of redundancy it is the role itself and not the actual employee who is at risk. Some candidates misread the question so identified reasons why a business might make workers redundant.

(d) Good knowledge of democratic leadership was evident in most answers. Stronger responses were then able to explain how employees providing ideas or increased motivation could represent an advantage. The strongest responses also used the stimulus materials appropriately to link points to the context to access application. For example, having ideas from 2000 employees could allow for better decisions to be made. A common mistake was to repeat the knowledge point rather than offering development. Some responses wrongly confused a democratic leadership style with delegation.

(e) This question was a poorly answered by many candidates. Many responses did not identify any benefits or drawbacks of government spending. Instead of identifying the impact on a business they discussed the effect on consumers or the economy. Other candidates suggested competition might increase without explaining the link between this and government spending. Some responses identified the split between public and privately owned businesses as being a key factor, however, this is not necessarily accurate as both sectors could benefit or not depending on where the spending is aimed. Knowledge was mainly awarded for identifying the availability of grants or recognising that taxation might increase. Only the strongest responses were successful in developing points, for example that taxation might increase business costs. Effective evaluation was rare. Some candidates did attempt a decision but often this simply repeated earlier points made.

Question 4

(a) This question produced a range of responses. Some responses recognised that globalisation involves trading goods and services. Better responses were able to provide a precise definition. A common mistake was to confuse globalisation with a business being a multinational company. Other candidates understood it involved countries being interconnected but did not specify how they were linked.

(b) Most candidates could identify at least one fixed cost with rent or electricity typical responses. A common mistake was to identify variable costs such as wages or raw materials.

(c) Most candidates found this question challenging. Many recognised limited liability as a feature of a limited company but then needed to outline how this was different to an unincorporated business. Instead of outlining the difference, candidates tended to list additional features which was unnecessary. Most responses needed to link their answer to TYA, so missed the opportunity to gain application marks. A common misconception was to assume one of the business organisations must be government owned. Other incorrect answers focused on the size of business and number of employees, whilst some focused on the difference between private limited companies and public limited companies.

(d) Many responses demonstrated good knowledge and application. However, instead of analysis some responses simply repeated it would increase efficiency without explaining how the chosen way would help achieve this. For example, training employees could lead to fewer mistakes while introducing automation could help increase the output of cars. Incorrect answers included identifying ways to increase output. Other responses included different examples of ways to increase motivation, which can only be awarded once.

(d) This question was poorly answered. Many candidates were unable to identify the implications of legal controls on a business. However, some still gained marks for identifying other factors a business would need to consider when deciding which country to locate in, notably access to raw materials and availability of labour. Stronger responses were able to develop points. Others repeated the same analysis for multiple points which can only be awarded once. Evaluation was limited or not attempted. One common mistake was to identify factors such as competition and demand, which are not classed as significant factors for a manufacturing business. Some responses focused on the scenario which was unnecessary as this is a general question.

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BUSINESS STUDIES

Paper 0450/13
Short Answer/Data Response

Key messages

- Candidates need to be able to provide clear and precise definitions of business terms.
- Many candidates missed application marks. Candidates should be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application.
- Candidates should use a different point of application for each point made. The same analysis point should not be used for both points within the same question.
- Evaluation is more than a decision, or a summary of earlier points made. Evaluation requires candidates to make a supported judgement which should follow on from points raised in the answer. It should clearly answer the question set. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

General comments

Overall, many candidates demonstrated good knowledge of concepts but found application, analysis and evaluation marks more challenging to obtain. This paper included some topics which candidates found challenging. It is important to remember that any area of the syllabus can be assessed.

Part (a) and **(b)** of each question were generally well attempted. However, many candidates lacked the necessary precision in definitions or range of knowledge to access all the marks available.

For most **part (c)** (excluding **3c** which only assesses knowledge) and all **part (d)** questions, it is important candidates use the information from the stem to link their answers to the context. This helps ensure that any point raised is appropriate to the business. Candidates should use a different point of application for each point made.

It is important to understand which skills are being assessed in each question. Many candidates continue to include analysis in **part (c)** questions and application in **part (e) questions.** However**,** the questions do not assess these skills so marks cannot be awarded. Most **part (c)** questions assess knowledge and application whilst **part (e)** assesses knowledge, analysis and evaluation.

Candidates need to develop their evaluative skills. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. One approach 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) This question was answered well by most candidates. A common mistake was to identify examples of primary sector activities. Others confused the term with the secondary sector.

(b) For this question, where candidates who knew the formula to calculate current liabilities gained full marks. A common mistake was to include non-current liabilities in the total. Some answers were incorrect but were still able to gain one mark as they had included the correct working as part of their response.

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(c) Most responses evidenced good knowledge and stronger responses answers linked answers to the context to access the application marks. A common mistake was to identify external sources of finance. Instead of application, some responses described how the source worked. Others repeated the same application for both answers which can only be awarded once.

(d) This was a challenging question for most candidates. Better responses recognised that a high level of debt could make it difficult for a business to gain more loans or lead to cashflow problems. However most struggled to develop these points. Application was rarely included which meant a missed opportunity to gain two additional marks. For example, responses could have included the bank loan of $200 000 or that this was a fishing business. A common mistake was to identify reasons why a business might have a high level of debt or offer solutions. There was a common misconception to assume profit is used to pay interest.

(e) Many responses to this question demonstrated a good knowledge of methods. Many answers focused on using renewable energy and reducing the number of materials being extracted. Many responses attempted to link points to the context, however, this is a generic question and there are no marks for application. Most responses struggled to develop points. Many made vague comments about reducing pollution which applies to all methods, rather than explaining how the chosen methods could help achieve this. For example, extracting fewer resources would leave more for future generations. Some responses did make a decision, but invariably this was not supported by points made which was necessary for evaluation to be considered.

Question 2

(a) Most candidates recognised that a limited company had limited liability or could sell shares. Stronger responses were able to provide a precise definition. A common mistake was to define other terms such as a private limited company, public limited company, or private sector business. Others made vague statements about 'not losing assets' which could not be awarded.

(b) This question was answered well by most candidates. The best responses included having a target and motivating employees. A common mistake was to repeat a similar point for both answers which can only be awarded once.

(c) Most responses included good knowledge for this question. A common mistake was to repeat the same point of application for each answer. For example, instead of using shoes each time, responses could have mentioned the business made 18 000 pairs each week.

(d) Most candidates were able to gain knowledge marks for recognising employees might want higher wages and suppliers may want to charge higher prices. However most struggled to analyse why these stakeholder objectives might create a conflict with GBR's own objective. Many responses identified lower profit without explaining why this may happen. For example, higher wages could result in higher costs, and it is the higher costs which could lower profit. Many candidates attempted to apply their answers by recognising that the business made shoes.

(e) This was a challenging question and poorly answered by most candidates. Those who gained knowledge marks understood that the size of the market could help determine the level of demand, and if high demand was expected then the business needed a method of production which could help meet this demand, otherwise it risked losing potential sales. Another way to access the knowledge marks was to identify other factors such as availability of suitable employees or initial cost. Better responses then went beyond this to compare the importance of each factor and attempted to use this information as the basis for evaluation. However, most responses struggled to make the link between size of the market, demand and the most suitable method. There were many vague statements about issues such as speed and type of market. Other incorrect answers simply described various methods of production.

Question 3

(a) This question was answered well. A common mistake was to repeat similar points, using different words. For example, earning money and pay for basic needs are alternative ways of expressing the same idea, and will only be awarded once.

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(b) Most responses either identified a trade union was a group formed of workers or it was an organisation that existed to protect rights. Stronger responses were able to provide a precise definition. A common mistake was to confuse the term with a pressure group.

(c) Most candidates gained at least one knowledge mark for identifying growth. The strongest answers gained full marks for identifying all four stages of the business cycle. A common mistake was to confuse the term with product life cycle. Others identified the factors of production.

(d) This question produced a range of responses. Stronger responses explained how induction training allowed new employees to become familiar with the workplace leading to fewer mistakes. Application marks were often awarded for recognising this was a hotel and had 20 employees. Most responses struggled to explain possible limitations. Some responses recognised it could be time consuming or increase cost but were not able to develop this into analysis. A common mistake was to confuse the method with on-the-job or off-the-job training. Others discussed general reasons why training was necessary.

(e) This question was answered well by most candidates. Good knowledge of the interview stage was evident. Stronger responses were able to develop points to demonstrate why the stage was important. Common mistakes included identifying documents or describing activities rather than identifying specific stages in the recruitment process. Some responses identified additional points of knowledge or defined the terms which the question did not require and were unable to gain analysis marks. Most responses discussed points in the context of a hotel, which was unnecessary, and carried no marks.

Question 4

(a) Most answers lacked the necessary precision needed to gain both marks for this question. Some responses understood niche market represented a smaller segment of a market but were unable to provide a full definition. There were vague statements about the size of the market or assumptions made about the product such as it must be high-quality or have a high price. Others confused niche market with market segmentation.

(b) This question was poorly answered by most candidates. Stronger responses identified points such as 'avoid misleading advertising' however, responses did not develop to identify a second impact. A common mistake was to discuss other areas of legal control concerning the environment or employment. Some responses confused legal controls with tariffs and quotas. Others repeated similar points for both impacts which can only be awarded once.

(c) This question was answered well by most candidates who understood a good brand image could help increase customers or provide opportunities to charge higher prices. There was good application for this question as responses recognised this was a new business or that it made furniture. A common mistake was to forget to use different points of application to link each answer to the context, which meant responses could not be awarded the second application mark.

(d) Most responses identified at least one reason, for example, increased competition. Weaker responses did not develop points to access analysis marks. Instead of development some responses repeated the knowledge or simply stated it would be a threat. There were also many vague statements about not 'being seen' without identifying why. For example, customers may have limited access to the internet. Application was often awarded for references to handmade furniture or niche market.

(e) There were many good responses to this question. Stronger responses were able to explain why factors such as access to customers and cost of rent needed to be considered. For example, being close to customers could increase revenue. Weaker responses listed additional factors or repeated the knowledge point instead of offering any effective development. Any evaluation tended to be a decision, however, this usually lacked a supporting reason.

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BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one **(a)** question that will 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 small business that organises safari tours. It is advisable for candidates to ask themselves about the size of the business, is it a service or manufacturer and what is the type of business organisation? This may add to the quality of their answers.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2. Few well developed points will score higher marks than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument 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 make reference to why the alternative option(s) was rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of SA, a small business organising safari tours, provided an accessible scenario for candidates. Those who applied their answers to the context of SA boosted their marks much further. The majority of candidates seemed to have time to complete the paper and attempted all questions.

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. Also the question should be read carefully to ensure answers are appropriate and clearly address the question asked, such as answering from the point of view of a business rather than its employees. 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 of ecommerce and the impact of a rise in inflation.

Overall, the standard was good with very few weak scripts. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not 2a on this particular paper) and the conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower-level mark band. Candidates should aim to consider the consequences/implications/long term/short term/balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

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Comments on specific questions

Question 1

(a) The majority of candidates could name and explain four business objectives and make an appropriate link to the context of SA. The business had started just two years ago so one example of a strong response was to identify the objective of survival so that Tokumbo could focus on establishing his new safari business with a secure future. Many responses mentioned making profit, providing good customer service and increasing market share as objectives and then offered explanations in the context of SA to earn additional marks. Weaker responses discussed strategies rather than objectives, sometimes copying points made in the case study.

(b) This question required candidates to consider the opportunities and threats of e-commerce for SA. Many candidates discussed the benefit of customers being able to make a direct booking with SA which would remove the need to use holiday companies as an intermediary. This would increase profit margins for SA. Stronger responses supported their answer by referring to the flexibility of a website being able to change prices and holiday details, easily linking with other aspects of tourist services such as booking hotels and travel. Consideration of the threats of ecommerce often cited the need for expertise to set up and maintain a dynamic website to attract customers. Mention was frequently made about hacking or poor internet connection. Ecommerce does not bring face to face contact between SA and its customers so the website would need to be more attractive and informative than the many competitors also offering safaris. Only a few candidates went on to offer a meaningful judgement as to whether or not the opportunities outweighed the threats. SA is only a small, relatively new business so the threat of competition in ecommerce would be very hard to overcome without a comprehensive website gaining many hits on search engines to give SA the best chance of increased sales and profit.

Question 2

(a) Knowledge of why quality is important to a business was generally strong. Many candidates identified brand image, customer loyalty and not having to replace faulty products as important factors. There were no application marks in this question, so it was possible to earn maximum marks by making four clear points with additional development or reasoning for each. Some weaker responses offered repetition of points or focused on the importance to customers rather than the business and consequently did not earn the highest level of reward.

(b) The majority of candidates showed sound knowledge of sources of business finance. There appeared to be less confidence in discussing leasing as an option to finance new vehicles compared to bank loans and retained profit. Stronger candidates explained that leasing allowed payments to be spread out each month and included vehicle maintenance. However, at the end of the lease there would not be an asset for SA to sell since they did not have ownership of the vehicle. This might make it more expensive to replace the vehicles later on. The option of a bank loan as a source of finance was related to the context by candidates who pointed out that although interest rates had fallen to 2 per cent, a relatively new business, such as SA, might not be able to secure a loan of sufficient size at this lower rate of interest. To earn Level 3 credit in the conclusion, responses needed to make a justified judgement about which option would be the best choice. Stronger answers avoided repeating points made earlier in the response and related to why one choice was more suitable and the other two options less suitable for SA.

Question 3

(a) This was a well-answered question. Many candidates were able to outline independent decision making, keeping all profit or being easy to set up as an advantage of being a sole trader. The disadvantage of this type of business was identified as having unlimited liability, difficulty in raising finance or having a very heavy workload. To gain the highest number of marks on this question additional explanation was required which also referred to the context of Tokumbo's business. Some responses discussed **two** advantages or **two** disadvantages, but this did not gain access to maximum marks because the question clearly asks for one advantage and one disadvantage.

(b) Strong numeracy skills were displayed by candidates answering this question. Many candidates were able to make good use of the data in Appendix 3 to calculate levels of profit and average costs for each of the three options for expansion. Correct calculations of this nature earned Level 2 credit with additional application marks for referring to the appropriate data in the case study. Such

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calculations provided evidence to support a justified decision by the candidate. The best answers earned Level 3 credit by using the calculated data to explain which option would be a better option for growth and why the other options would not be such a good choice. Weaker responses simply copied data about forecast number of tourists and total costs which did not earn any credit.

Question 4

(a) This question required candidates to explain the effects of an increase in inflation on Tokumbo's business. Strong responses mentioned that SA would experience increased costs of fuel and accommodation which would force SA to increase prices. The increase in the cost of living, caused by inflation, might reduce demand for safari tours and lower sales revenue and profit. Good application explained the likelihood that potential customers would not choose a safari holiday when rising prices meant they would decide to spend their income on basic wants and needs instead. Some responses offered brief outcomes of inflation without explaining the sequence of economic principles and, more importantly, not linking their answer to SA itself.

(b) The topic of training employees was widely known. Most responses discussed the advantages and disadvantages of on-the-job and off-the-job training. Candidates should be mindful that brief definitions and mirror image statements do not earn credit when developed explanations of advantages and disadvantages are required. On-the-job training would be a cheaper method of training and would be specifically planned for SA's own safaris. However, it might lead to bad habits being passed on and if this resulted in a bad reputation amongst customers SA might experience a fall in sales and profit. Off-the-job training would teach a wider range of skills and may lead to expert qualifications, but the risk would be that tourist guides might take their expertise to a rival safari business. Stronger recommendations weighed up the benefits against the drawbacks of each possible method of training as part of the justification for the decision made. These recommendations took into account the one that would have the most positive impact on the reputation of the safari tours whilst not being too costly for a small business, like SA.

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BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **(a)** questions which will be generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To achieve 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 chocolate bar manufacturer business . It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or manufacturer and what is the type of business organisation. This may add to the quality of their answers.
- Candidates should try to give a full explanation of 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. A few well developed points will score higher marks than a long list of simple statements.
- Several questions on this paper asked 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 by making reference to why the alternative option(s) was rejected.

General comments

Candidates had generally been well prepared for this examination and clearly understood what was expected of them. The context of CC, a manufacturer of chocolate bars, provided an accessible scenario for candidates. Those who applied their skills to the context of CC achieved higher marks. The majority of candidates seemed to have time to complete the paper and attempted all questions.

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 required for each answer. Many candidates demonstrated good knowledge and understanding of the full range of the syllabus that was assessed, in a number of cases it was clear that some topics were not well understood, these included opportunities and threats of globalisation for businesses, diseconomies of scale and how and why specific users of accounts and ratio results might use financial information to help make decisions. Candidates should ensure they are prepared to respond to answer questions on the whole syllabus, as they could earn marks by using business terms confidently.

Overall, there were a number of good scripts. Candidates often provided answers in context which enabled access to application marks. However, where there were weaker responses, candidates should make sure that different examples of application are included in each section of the **(a)** questions. The conclusions/recommendations should also be applied to the case. Many responses to the **(b)** questions lacked analysis and evaluation which resulted in answers remaining in the lower level mark band. Candidates should aim to consider the consequences / implications / long term / short-term / balance issues of the decisions made to secure Level 2 and Level 3 marks.

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Comments on specific questions

Question

(a) Candidates were able to identify appropriate reasons why the business might want to expand. The most popular reasons were gaining higher profit, larger market share, more status and prestige or lower average costs. Some responses made basic statements such as 'To gain more profit'. Better responses often added that as the business expanded and produced a higher output of chocolate bars, then sales and revenue might increase leading to higher profit. Economies of scale were generally well explained as was reduced competition. Only a very small number of candidates did not recognise the question was in relation to owners and discussed employees and wage increases. Candidates often made good use of the case study material by including mention of the product being chocolate bars, the takeover of the other business in country Z and low wage costs in the other country. Weaker answers sometimes referred to globalisation rather than expansion or focused on how a business expands rather than why.

(b) Many candidates found it difficult to develop the points and listed opportunities such as increased sales in new markets in other countries or lower costs from operating in low-cost countries. The most popular threat listed was increased competition. Stronger responses developed the explanation of what made these points an opportunity or a threat. For example, the opportunity to produce chocolates in a low wage country resulting in lower unit costs and enabling the business to lower its prices to become more competitive leading to increased sales. Very few candidates considered the threats on the home country with increased competition from overseas, again focusing more on the implications of competition when selling in other countries. Some weaker responses confused globalisation with selling abroad. Application of answers usually included reference to lower wage costs in the other country, chocolate production and importing raw materials such as cocoa beans. Better responses made a decision as to whether opportunities were greater than threats and justified it with more than a repeat of opportunities and threats included earlier in the answer.

Question 2

(a) This question was answered well with candidates demonstrating a good knowledge of the roles of packaging. The roles most often stated were protection of the product, promoting the brand image, making the product eye-catching / attracting customers, providing information, and making it easier to transport. The second mark for application of each role was not always gained as candidates explained the role with only reference to chocolates whereas different examples of application were required for each role. A minority of weaker responses listed the steps of the production process from packaging to shipment such as moving chocolates from the warehouse to the shop.

(b) Many candidates displayed a good knowledge of the different stages of the product life cycle. Some candidates could correctly identify the stage in the product life cycle for each product however then repeated the data provided in Appendix 1 without showing any understanding of the relevance as to whether or not to stop producing the product. Weaker responses occasionally gave unrewardable value statements about adults liking chocolate less than children, or children becoming bored of a particular brand more quickly than adults when there was no evidence for these statements in the insert. Stronger responses included analysis of why the advantage meant production should be continued or the disadvantage as to why it should be stopped. For example, Tiabar is in the growth stage of the product life cycle and has the potential to benefit from growing sales in the future leading to increased revenue if it remains competitive against multinationals trying to increase sales. Strong responses included a recommendation that justified which product should no longer be produced such as Choco bar as it is likely to move into the decline stage of the product life cycle and sales will fall. Whereas Tiabar may benefit from increasing sales and increasing revenue in the future. Stronger recommendations also focused on extension strategies that could be used to justify why Choco bar should still be produced. Weaker recommendations simply repeated earlier points without any further development of the answer to justify why the product was chosen to stop being produced.

Question 3

(a) This concept was not widely known. Stronger responses could identify diseconomies of scale with poor communication and lack of commitment being the most popular. This question did have a number of No Responses which indicated this concept was not well understood by some

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candidates. Strong responses could explain why the diseconomy would result in higher unit costs for the business. For example, poor communication may be as a result of the chain of command becoming longer making it more difficult to ensure tasks for employees were clearly passed down to the lower levels, leading to messages being distorted and work not being carried out efficiently.

(b) Overall candidates made good use of the data in Appendix 2. Stronger responses analysed and evaluated the relevance of material well, realising that Samuel had a lot more experience than Ritesh and this may mean that he was more knowledgeable about the manufacture of CC's chocolate products. He would therefore be able to implement these methods in the NM factory after the takeover. Weaker responses listed an advantage and a disadvantage of each applicant rather than developing the point as to why it was an advantage or a disadvantage to the business. In the conclusion, better responses explained which applicant was the more suitable, for example Ritesh was more familiar with the production methods at NM and the tastes of consumers in country Z therefore possibly making the takeover of NM more successful. Samuel was chosen as the better applicant where his 10 years as an Operations Manager was seen as superior to Ritesh's 2 years therefore making the NM factory run more efficiently after the takeover. Application was often gained by the use of the information in Appendix 2 to support answers.

Question 4

(a) The majority of candidates could score marks for stating 2 or 3 benefits for employees of being a member of a trade union. The most popular benefits included possibly higher wages, improved working conditions, providing job security such as if unfairly dismissed, providing advice, representing employees and giving strength in numbers when representing employee issues with employers. Weaker responses often remained at one mark for each benefit whereas stronger answers gained the second mark for explanation of the benefit for the employee. This question was generic, but some responses tried to apply their answer to the business in the case.

(b) This proved to be the most challenging question on the paper as many candidates found it difficult to explain why and which piece of information may be useful to each of the three stakeholder groups. Most responses were general, with comments for shareholders being around dividends and investing more shares; manager comments being around identifying profits; and bank manager comments about seeing if the business can pay back the loan. Stronger responses were able to explain which piece of financial information would be useful and how it affected the decisions made by the stakeholder. A few candidates mistakenly thought the bank manager worked for CC. The best developed answer for a stakeholder group was for CC's bank manager to see if the amount of loans already outstanding, profit made, and liquidity ratios were useful to assess the ability of the business to repay the loan and whether CC should be granted the loan. Often answers showed some understanding of how the financial data might help the stakeholder group or candidates could interpret the financial data. However, only the strongest candidates could put the two together to show an understanding of specific financial data and how that would inform a judgement. Most responses did not use the data in Appendix 3 to support comments. This did mean that few Level 3 answers were seen.

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BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **(a)** questions which will be generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To achieve 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 dairy business. It is advisable for candidates to ask themselves about the size of the business, is it a service or manufacturer and what is the type of business organisation. This may add to the quality of their answers.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 in **(b)** questions whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument 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 make reference to why the alternative option(s) was rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of DD, a dairy business, provided an accessible scenario for candidates. Those who applied their answers to the context of DD boosted their marks much further.

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. Each question should be read carefully to ensure answers are appropriate and clearly address the question asked, such as answering from the point of view of a business rather than its employees. 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 for the role of marketing.

Overall, the standard of scripts was good. Application marks were often gained but candidates should make sure that different examples of application are included in each section of an **(a)** question. The conclusion/recommendation should also be applied to the case in **(b)** questions. Candidates should aim to consider the consequences / implications / long term / short-term / balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation .

Comments on specific questions

Question 1

(a) This question was generally answered well. Many candidates identified within responses factors such as speed, the number of employees the message is going to, whether feedback is required,

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cost, and the how much/type of information being communicated. Applying the explanation to the dairy business was evident less often. Each explanation needed to be in the context of DD to gain the additional mark for each factor.

(b) Whilst the majority of candidates gave rewardable answers, such as increasing the price or buying cheaper ingredients. Better candidates went beyond this to consider the effectiveness of each of the ways DD could increase added value before justifying their choice in the recommendation. Improving the quality of the product or improving the packaging to enhance the brand image were the most popular ways identified that could lead to an increase in price and the consequences were often a loss of sales. Weaker answers focused on how to increase profit rather than added value.

Question 2

(a) Many candidates confused the roles of marketing with the four P's of the marketing mix. Stronger responses did identify marketing roles and recognised that this was a generic question. Weaker responses were written from the point of view of the dairy which often meant the marketing role was not always fully explained even when identified.

(b) The majority of candidates gained marks for making statements about a DD shop increasing costs to set up and run as well as it being 30 miles away from Main City which would restrict the number of new customers. Supermarkets and wholesales were identified as enabling a larger increase in sales however, the price charged by DD would have to be reduced to allow supermarkets to add their own profit margin. Weaker responses where simple statements were made without explaining how the business would be affected could not be awarded above Level 1. Strong responses developed an explanation of how DD's costs, revenue, sales etc. would be affected by the distribution channel. Stronger responses included a recommendation which fully justified one choice of distribution with comparative comments about why the alternatives were not chosen. Answers were often well applied by recognising the distance of 30 miles from the dairy to the city and the type of products sold by DD.

Question 3

(a) This question was generally answered well. Most responses were well applied to the business and recognised the products were perishable and could not be stored for very long. The cost of new refrigerators was also given as a reason why storage space was limited.

(b) The majority of candidates gained marks for identifying employees would benefit from lower priced essential products. Many responses mentioned not all employees may consume dairy products making the method ineffective. Profit sharing and job rotation were both well understood. Stronger responses explained the advantages and/or disadvantages in detail to move answers into Level 2. The recommendation was sometimes a repeat of the earlier points made without any consideration of why a chosen method might be more effective than the two methods that were rejected. The job being boring was the most common application in answers but mention of the dairy products or that employees were dissatisfied and left to work for a competitor were also often included as part of the explanation.

Question 4

(a) This question was generally well answered. Most candidates recognised the interest on bank loans would be lower and therefore more affordable. The second reason was sometimes a repeat of taking out the bank loan to purchase new refrigerators. Better responses went beyond this to give a second reason, for example that customers may increase their purchases of dairy products if they had a higher income from the economy growing. Answers were often applied well by referencing new refrigerators or the dairy products sold by DD.

(b) Candidates need to be reminded to read this question carefully. Marks were gained for comparative statements about the two businesses. However, stronger responses calculated the current and acid test ratios for DD and its competitor. This enabled access to Level 3 when candidates explained the significance of the different liquidity ratios and the difference in revenue. A common misunderstanding in some responses was that profit could be calculated.

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