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BUSINESS STUDIES

Paper 0450/11
Short Answer/Data Response 11

Key messages

- As in previous sessions candidates should be reminded to learn precise definitions for all key terms and to use a different point of application and analysis for each point of knowledge. A point can only be credited once within a given answer.
- Effective evaluation is an area which continues to require 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

Candidates this session found some of the questions quite challenging. This was particularly true of **Questions 2(a)**, **2(d)** each of the **part (e)**. Candidates had quite limited knowledge of some aspects of these topics. This led to candidates trying to alter the questions asked to fit with their knowledge base. This was most noticeable in **Questions 1(d)**, **2(d)** and **4(e)**.

Candidates would benefit from a greater depth of knowledge of topics 1.3.3, 1.4.1, 6.2.1 and 6.3.1

Comments on specific questions

Question 1

(a) Candidates were generally aware of this term and recognised that the key elements were the focus and higher skills level. Weaker responses lost marks by confusing specialisation with division of labour.

(b) This topic was well understood by most candidates. Some responses confused methods of production with management to achieve lean production. Such responses incorrectly stated lean, JIT and Kaizen.

(c) Candidates did not clearly understand this topic. Better responses identified the benefits of fewer complaints and less reworking for this manufacturing business. Some strong responses struggled to apply both of their knowledge points to the business in the stem of the question and simply repeated carpet in each answer. Weaker responses incorrectly explained that this would increase quality or missed the focus of the question and described the benefits to the customer not WLT.

(d) This question produced a range of responses. The best answers explained the benefit of increased access to new markets and the potential threat of increased competition for this manufacturing business. Responses needed to develop fully to gain both explanation marks available. Candidates for example who identified increased competition as a threat could not explain the potential of this on WLT. Some candidate's lost marks by confusing globalisation with international trade. A noticeable number of candidates discussed the dangers of child labour, cultural differences and quotas which were irrelevant to the question asked.

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(e) This was a challenging question for candidates and a mark of one or two was common as candidates struggled to provide effective analysis. The strongest answers recognised the improvements may reduce mistakes reducing wastage costs but at a financial cost in terms of training time and money. The weakest answers simply repeated the word efficiency or stated that output would increase rather than output per worker.

Question 2

(a) A common error was to define a cashflow problem i.e., cash inflow less than cash outflow rather than identify the reasons why this might occur. The most common correct answers were a fall in demand and allowing customers too long a credit period.

(b) Over 80 per cent of candidates correctly calculated these two figures. Some candidates lost a mark by indicating incorrectly that X was a negative figure.

(c) A wide variety of suitable cash inflows were given in answer to this question. A small number of candidates did not attempt this question. An error evident in several responses was to state investors and trade receivables which are not inflows of money. Better responses precisely identified funds from investors and payments to clear trade receivables.

(d) Some candidates found this to be the most challenging **part (d)** question on the paper. Advantages were often explained correctly but a suitable disadvantage was not always clearly identified. A common incorrect answer was that funds would be limited as this was not a PLC. The question required a disadvantage of the private limited companies not a discussion of why PLC would be better. The strongest responses were able to explain how limited liability would benefit the owners, but that legal formalities would be a disadvantage.

(e) Candidates frequently misunderstood this question. The strongest answers identified that a lack of finance, a small market size or the fear of diseconomies of scale would limit the ability of a business to expand. Very few candidates were able to offer effective evaluation, those who attempted it often simply repeated points already credited as analysis. Weaker answers offered general statements such as 'because it is expensive to change'. Such points were too vague for credit.

Question 3

(a) Some candidates confused a job description and person specification. Often such candidates were able to gain one mark by showing some understanding of the term. The weakest responses simply reordered the words and stated that this was a 'description of the job' gaining no credit.

(b) All five levels of Maslow were presented in answering this question. Some candidates however, provided answers which were confused such as psychological or self – fulfilment. These answers were not rewardable. A small number of candidates did not answer this question.

(c) This question was generally, well answered by most candidates who explained the qualifications, skills or experience required for this delivery business.

(d) This question produced a range of responses. Candidates who understood suitable methods of finance frequently repeated the same application and analysis points in both parts of the question. Most frequently this was by explaining loans would have interest and retained profit would not. This mirror argument was not sufficient to gain both analysis marks. Several responses confused profit and revenue with retained profit. The weakest responses stated short-term sources such as an overdraft which is unlikely to be sufficient to purchase 20 vehicles. Several candidates did not attempt this question.

(e) Candidates struggled to gain the analysis and evaluation marks available in this question, many simply identified two points of knowledge concerning part-time workers. The strongest answers focused on the view that part-time workers would be more flexible and would create an overall lower wage bill. Weaker answers explained incorrectly that part time workers would be less tired or lack skills. Such candidates seemed to be unaware that highly skilled consultants are often employed on a part time basis as their specialist skills are not required full time.

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Question 4

(a) This question was well answered the most common correct answers being sample size, bias, and poorly worded questions. Weaker responses incorrectly stated that a key factor was the type of research completed. Primary research was often stated incorrectly as being more accurate.

(b) This topic was not well understood. Very few candidates provided two distinct benefits. Many gained one mark by showing some awareness that segmentation would make research simpler. The weakest responses incorrectly stated that segmentation would allow a business to 'charge a higher price'. Some candidates did not attempt this question.

(c) Candidates who recognised that the question required an explanation of methods NLR could use to be more environmentally friendly scored highly. The best responses identified an action, such as using recyclable material and linked this to the skin care producer. Many candidates confused environmentally friendly and ethical actions. Such responses often explained that the business should not test products on animals. These responses gained zero marks.

(d) There were few good answers to this question. Knowledge marks were awarded for correctly stating either two stages of the product life cycle or pricing methods. Responses which stated a stage of the life cycle life and then explained how prices would set in this stage scored highly. Such responses were able to clearly apply their answers to the situation described in the question stem. Responses which identified pricing strategies by name often struggled to develop in the context of the question set. The weakest responses confused the product and business cycle and stated peak and trough as their two stages. A small but significant number of candidates did not attempt this question.

(e) A mark of 2 or 3 was common on this question. Better responses stated two functions of packaging. Very few responses effectively explained the link between brand image and packaging to gain the analysis marks available. Those that did often gained one knowledge mark by explaining the potential to attract customers or stand out from competitor's products. The weakest responses explained the importance of brand image with no link to packaging which was the key focus of the question.

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BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response 12

Key messages

- Definitions need to be clear and precise.
- 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. Different points of application are needed to access both application marks within the same question.
- Candidates should not use the same analysis for both points within the same question.
- Evaluation requires candidates to make a supported judgement which should follow on from points raised in the answer, and clearly answer the question set. A decision alone, or summary of points made, are not evaluation. An example of an answer which includes evaluation can be found in mark scheme for each **part (e)** question.

General comments

This was an accessible paper with most candidates demonstrating good knowledge of most topics. Many candidates continue to find accessing the application, analysis and evaluation marks more challenging.

Parts (a) and **(b)** of each question were generally well attempted. However, definitions often lacked the necessary precision to access the marks available.

Candidates should be reminded that questions can be set on any area of the syllabus. It was clear that some candidates were not familiar with topics such as why markets are competitive and the stages of the business cycle.

For most **part (c)** (excluding **3c** which only assessed knowledge) and all **part (d)** questions, candidates needed to use information from the stem to link their answers to the scenario to access application marks. Candidates should not use the same application for more than one point in their answer.

Candidates must understand which skills are being assessed in each question. Some candidates included analysis in **part (c)** questions and application in **part (e)** questions. However, **part (c)** questions only assess knowledge or knowledge and application, while **part (e)** questions assess knowledge, analysis and evaluation. No other skills can be awarded in these questions.

Developing evaluation skills is important. The School Support Hub provides skills exercises which candidates might find helpful. Many responses still do not include any decision in **part (e)** questions. Of those candidates who did attempt an evaluative comment, most were unable to provide reasoned statements to support 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 discussed.

Comments on specific questions

Question 1

(a) This question was well answered by most candidates.

(b) Candidates who understood break-even charts did well on this question. A common mistake was to represent break-even output as a financial value instead of as units. Break-even output was 500 units and break-even revenue was $60 000.

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(c) There were many excellent answers to this question. A common mistake was to use the same application for both answers. Other candidates focused on the impact of higher prices on sales - forgetting that a break-even chart assumes all items are sold.

(d) This question was poorly answered by most candidates. Responses which gained knowledge marks did tend to gain application for relevant references to this watch manufacturer. However, most candidates struggled to develop their points. Many candidates continue to make incorrect assumptions about full-time employees. For example, they must be more skilled, efficient or motivated which is not necessarily true as this depends on the job and/or the person. Other candidates defined the term or simply stated they would produce more because they were there for longer periods of time. These answers were not awarded any marks.

(e) Good knowledge of job production was evident in most responses. Better responses were able to develop the points made. Instead of analysis weaker responses identified additional knowledge points. A common error was repetition. For example, stating job production has no economies of scale while batch production allows for some economies of scale is classed as a mirror argument so will only be credited once. Flow production was mentioned in many responses, but this is not appropriate for a small business. Other candidates applied their answer to FBW which was unnecessary in this generic question. Where a decision was made, this was either not supported or repeated earlier points made so did not count as evaluation.

Question 2

(a) The best answers identified ways stated in the mark scheme such as help set objectives and support requests for loans. A common mistake was a lack of precision. Answers such as help decision making, avoid problems or be more organised were too vague. Other candidates identified elements of a business plan which was not the focus of this question.

(b) A well answered question by most candidates.

(c) Good knowledge was evident in most responses with speed and no written record typical advantages and disadvantages respectively. A common mistake was a lack of application which meant candidates missed two potential marks. Other candidates outlined general factors such as a language barrier which could refer to any method of communication. Some candidates made vague references that using a phone was easy without indicating why this might be the case.

(d) Most candidates could identify at least one factor with skills and access to finance popular choices. Better responses were able to access the application marks by recognising that Meena was a sole trader or that she was looking to expand her house-cleaning business. Most candidates found it difficult to offer relevant development. A common mistake was to focus on who should be the partner rather than whether she should have one.

(e) Candidates were clearly familiar with the concept of market research and most candidates were therefore able to access the knowledge marks. Better responses tended to gain the analysis marks for explaining either the advantages or disadvantages of the methods discussed. The best answers then used this information as the basis for their evaluation. However, to access both evaluation marks, they needed to focus on this research being for a new product or service. Some candidates described a method without identifying it which was necessary to access any marks. Other candidates made vague statements such as it would be easy to gather information or commented on the accuracy of the data gathered. A small number of candidates had the wrong focus as they identified reasons for carrying out primary market research.

Question 3

(a) Most candidates understood the term but did not gain the second mark as they said the tax was on imported goods without stating what an import was. A common mistake was to confuse an import tariff with a quota. Many responses lacked precision as they referred to money or costs which could be confused with the general costs of international trade. Other candidates identified reasons why tariffs were introduced.

(b) This question was poorly answered by most candidates. A common mistake was to identify factors affecting demand rather than reasons why some markets are more competitive.

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(c) Most candidates could identify at least one stage with growth the most popular correct answer. The most common mistake was to confuse the business cycle with the product life cycle.

(d) This question was split into two parts. Many candidates understood that an import quota is likely to reduce the amount of goods that could be imported. Better responses developed this point to show how this might affect the business in terms of lower output or having to find alternative suppliers. A common mistake was to confuse quotas with tariffs. Most candidates found the second part more challenging. Many confused currency appreciation with currency depreciation, so wrongly assumed that imports would be more expensive.

(e) This question produced a range of responses. The best answers understood the role retailers could play through wider distribution and advertising and explained how this could lead to higher sales or lower costs. Most candidates had some knowledge of distribution channels, but many had the wrong focus as they discussed the advantages to retailers, wholesalers or customers rather than manufacturers. Weaker responses struggled to develop the points made. Without analysis, candidates could not access evaluation marks.

Question 4

(a) Many candidates showed partial understanding of the term but did not provide a clear definition. A common mistake was to define profit or identify uses of profit. Other candidates reordered the words which showed no understanding.

(b) Most candidates either understood that a current asset was owned or that it was held in the business for less than one year. The best answers mentioned both elements. One common mistake was to refer to 'a short period of time' without specifying what this meant. Some repeated the word 'asset' or gave examples which did not define the term. Other candidates confused assets with liabilities by saying the assets were owed to others.

(c) Many candidates understood that working capital is used to pay day-to-day expenses. However, most candidates found it difficult to outline a second reason. Common mistakes were to offer different examples of costs such as paying employees and suppliers which could only be awarded once. Other candidates confused working capital with profit. Some responses defined the term which was unnecessary.

(d) This question produced a range of responses. Candidates generally did better when considering the effect on employees as stakeholders, but often struggled to explain the effect on suppliers. Stronger responses recognised promotion could be an opportunity for employees while suppliers might gain additional orders. They then developed these points to show the effect on wages and revenue respectively. There were many mistakes and misunderstandings. For example, some assumed suppliers would provide raw materials to CPF ignoring the context which states CPF was a retailer. Other candidates assumed the expansion would mean employees being made redundant or receiving lower wages, while suppliers would not be paid. Some responses focused on the effect on CPF instead of the named stakeholders.

(e) Good knowledge was evident in many responses, but most candidates struggled to develop their points. Instead of analysis candidates tended to identify additional points of knowledge. A common mistake was repetition. Stating a loan incurs interest but equity does not is the same point and will only be credited once. Care is needed when using abbreviations. For example, PLC is commonly used to refer to a public limited company so such answers could not be credited. Some candidates compared the advantages and disadvantages of the two types of limited companies which did not answer the question. Definitions of a private limited company were unnecessary.

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BUSINESS STUDIES

Paper 0450/13
Short Answer/Data Response

Key messages

- Definitions must be clear and precise.
- 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. Different contextual references are needed to access the two application marks within the same question.
- Candidates should not use the same analysis for both points within the same question.
- Evaluation requires candidates to make a supported judgement which should follow on from points raised in the answer, and clearly answer the question set. A decision alone or summary of points made is not evaluation. An example of an answer which includes evaluation can be found in the mark scheme for each **part (e)** question.

General comments

The paper proved to be accessible and produced a wide range of marks. Overall, candidates showed good knowledge of concepts, but many found accessing the application, analysis and evaluation marks more challenging.

The **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.

It is important for candidates to be reminded that questions can be set on any area of the syllabus. It was clear that some candidates were not familiar with topics such as mass market and communication barriers.

For most **part (c)** (excluding **2(c)** which only assessed knowledge) and all **part (d)** questions, candidates need to use information from the stem to link their answers to the scenario to achieve application marks. Candidates should not use the same application for both points within a question.

Candidates must understand which skills are being assessed in each question. Some included analysis in **part (c)** questions and application in **part (e)** questions. However, **part (c)** questions only assess knowledge or knowledge and application while **part (e)** assesses knowledge, analysis and evaluation. No other skills can be awarded in these questions.

Candidates need to develop their evaluative skills. Of those candidates who did attempt an evaluative comment, many 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 discussed.

Comments on specific questions

Question 1

(a) There was a lot of confusion about the term 'mass market'. Full definitions were rare. Some gained marks for understanding it would have many customers. Only the best responses recognised the sales were for a single product. Many candidates did not score any marks on this question as answers about lots of products or many sellers were incorrect.

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(b) This question was well answered by most candidates. Those who understood how a cash flow forecast works gained both marks. The most common incorrect answer was for Y where candidates wrote $0, as the candidates did not realise net cashflow was a negative value.

(c) This question proved challenging for most candidates. Better responses recognised that cash is needed to pay pay-to-day expenses or for use in emergencies. Unfortunately, many forgot to link points to the context so missed the opportunity to gain application marks. A common misconception was to confuse cashflow with profit so answers about funding expansion were not credited.

(d) Many candidates gained knowledge for identifying ways such as asking customers to pay sooner or asking creditors for longer to pay. Better responses then explained how each way could increase cash inflows and reduce cash outflows respectively. However, many answers lacked precision by referring to cashflow without stating which element of it was affected. Others confused cashflow with profit or revenue. Some candidates discussed the impact on production which ignored the fact the business was a retailer. For applied questions, it is important to read the question and context carefully.

(e) Most gained knowledge for identifying ways such as loyalty schemes or good customer service. Only the best responses were able to develop points to show how the method worked. Instead of development, most simply stated that it would 'increase customer loyalty' or used other words such as 'customers would return', which is another way of saying the same thing. Some candidates explained ways to increase sales which is a different question.

Question 2

(a) Most candidates understood that quality control involves checking the work. However, many struggled to provide a precise definition. Some confused the term with quality assurance, which involves carrying out checking throughout the production process, rather than just at the end. Others misread the question so identified reasons for quality control.

(b) Most candidates achieved one mark for identifying actions a pressure group might take but some struggled to identify a second way. There were a range of mistakes. Some candidates identified ways a business might try to be environmentally friendly or identified actions only available to governments. Other candidates identified reasons why a pressure group might want to influence decisions.

(c) Many candidates were able to identify two or three benefits of increasing efficiency with fewer mistakes and increased output being typical responses. Most candidates struggled to identify four benefits. A common mistake was to assume that efficiency would increase sales.

(d) Good knowledge was evident in most responses. Better answers then used the information from the scenario to help access the application marks. Analysis was generally limited as most candidates tended to repeat the knowledge point. A common mistake was to identify costs and benefits to the business rather than a third party.

(e) Most candidates were able to identify at least one factor, namely storage space or perishability. Better answers were then able to develop these points to show why each might be a factor to consider when deciding how much inventory to hold. Instead of analysis, many candidates simply repeated the knowledge point or identified another factor. Evaluation was limited or not attempted.

Question 3

(a) This was another question where candidates who had learned the definition gained both marks. Most candidates gained marks for understanding that it was about who reports to whom. A common mistake was to confuse span of control with other concepts such as chain of command or organisational chart. Others made vague statements which attempted to reuse the word control without linking it to the number of employees.

(b) This question was well answered by most candidates. Candidates were not penalised for the spelling of laissez-faire if the meaning was clear. A common mistake was to offer vague descriptions of different leadership styles without identifying them.

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(c) Most candidates understood that delegation could allow managers time to focus on other tasks or increase employee motivation. A common mistake was to forget to identify who the point related to. For example, some candidates said it would 'reduce workload' without reference to the managers. Other candidates made vague statements about communication barriers or increased efficiency.

(d) Good knowledge was evident in most answers. Better responses did develop points in context. For example, a better reputation could result in higher sales for this insurance business. Some candidates had the wrong focus so discussed problems of being unethical while others explained how a business could be ethical. Neither approach was awardable. Many missed out on application marks as there was no attempt to link points to the scenario.

(e) This was a challenging question for most candidates. Knowledge marks were generally awarded for identifying other barriers to communication. All candidates struggled to develop points. Without analysis, evaluation cannot be considered. Many candidates misinterpreted this question so focussed on communication in general rather than the problems caused by a lack of feedback as a barrier to communication. Other candidates identified ways to encourage feedback or reasons why people communicate. These answers could not be credited.

Question 4

(a) Most candidates could identify at least one way with loans being a typical response. A common error was repetition. Many candidates identified two types of financial support which can only be awarded once. Others made vague comments such as offering to help with something. Some candidates identified reasons why a government might support start-ups. Such answers were not credited.

(b) Candidates tended to score either two or zero marks on this question. A common mistake was to identify types of markets, namely mass or niche, instead of stating ways a market can be segmented.

(c) This question was well answered by most candidates. The best responses outlined two characteristics and used the information provided to link their points to Meena, who was planning to start a jewellery business. Weaker responses tended to offer vague descriptions without identifying a specific characteristic. Some candidates wrongly outlined features of a manager or sole trader.

(d) Candidates were clearly familiar with the concept of sole trader and therefore most were able to access at least one of the knowledge marks. Many candidates then gained application marks for an appropriate reference to jewellery or for recognising the business was a start-up. Weaker responses struggled to develop points made. The most common answer was 'not having to share profit' but no awardable analysis was offered for this. Many candidates wrongly assumed that sharing profit would mean less profit, but this is not necessarily true as a successful business might generate more profit for the two partners to share.

(e) Good knowledge was evident in some responses. However, most candidates struggled to develop points in enough detail to gain analysis. Without analysis it is not possible to access evaluation. One way to access analysis could be to consider other methods of market research and explain the advantages and disadvantages of these alternative approaches. This could then form the basis for deciding whether government sources are the best method for a start-up business to use. A common mistake was to identify reasons for using market research. Some candidates compared primary and secondary methods of market research in general terms rather than discussing individual methods.

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BUSINESS STUDIES

Paper 0450/21
Case Study 21

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 large business that operates a chain of 500 fast-food restaurants. 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 VP, a large business operating fast-food restaurants, provided an accessible scenario for candidates. Those who applied their answers to the context of VP 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 it was clear that certain topics were not as well understood. The weakest understanding was of short- and long-term business finance and economic influences on business.

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 1a on this 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 barriers to communication for a business and offered an appropriate explanation. The business operates 500 restaurants across Country Z so one barrier would be caused by a long chain of command where messages could easily be distorted as they passed through each level of the hierarchy. Many responses mentioned problems with the sender or receiver, but the most common response focused on the barrier to communication of poor technology. Internet failure, lack of computers and weak technology skills amongst the workers were often discussed. Some responses offered only bullet points with insufficient explanation to earn the full marks available.

(b) This question required candidates to consider two ways that VP can purchase its inventory, either by head office or restaurant managers. In the discussion about the head office purchasing the inventory, many candidates identified the benefit of bulk buying ingredients which would bring advantages of purchasing economies of scale reducing unit costs. This would then increase profit margins for VP. However, it might be necessary to store some ingredients in a warehouse because not all branches would order the same amount at the same time. This kind of developed explanation earned Level 2 reward. Simple statements which mentioned that head office could retain responsibility and control for ordering ingredients for all 500 restaurants earned only Level 1 reward. Consideration of the restaurant managers ordering their own inventory often cited the benefit of local suppliers being able to deliver much more quickly in response to changes in demand. More importantly the food would be fresher which would enhance the reputation of VP's restaurants. However, the restaurant managers are already very busy and may not have the time to order ingredients.

Question 2

(a) Knowledge of the topic of delegation was generally strong. Many candidates identified the advantages of restaurant managers delegating tasks to assistant managers as an opportunity for the manager to focus on other tasks and to give the assistant manager the chance to develop new skills and gain experience in a managerial role. The disadvantages of delegation were well considered. The restaurant manager would still carry the responsibility of the quality of food served and the reputation of the restaurant, whilst lack of experience on the part of the assistant manager might require extra training in customer service or food hygiene knowledge. There were four application marks in this question, so it was possible to earn maximum marks by making four clear points with reference to the context of VP Restaurants in each part of the response. Some weaker responses offered repetition of points or answered in a generic style.

(b) Some candidates found this question quite challenging. Using the information from the case study, they were asked to compare country A and country B as possible locations for new restaurants. In Country A the higher average variable costs and higher wage rates would lead to higher costs overall. Even though VP might charge $20 for each meal they would have to be mindful of the high level of competition which might require an expensive marketing campaign. This would further increase costs and reduce profit margins. The option of locating new restaurants in Country B would allow VP to operate with much lower variable costs and wage rates. Since unemployment was high it would likely be easier to recruit cooks and servers for the new restaurants. However, high unemployment would make it less likely for customers to afford fast food because the average disposable income would be quite low. This might keep sales below the expected level and therefore restaurants might not be profitable. To earn Level 3 credit in the conclusion responses needed to make a justified judgement about which option would be the ideal choice. The best answers avoided repeating points made earlier in the response and related to why one location was more suitable and the other less suitable for VP.

Question 3

(a) This was a well-answered question. Many candidates were able to outline the aim of gaining higher profit or accessing new markets as a possible reason for expansion. The benefits of operating on a large scale to reduce unit costs from bulk buying of food ingredients was often discussed by candidates. Other strong responses explained that expansion would help VP gain a larger share of the market which could strengthen the brand image and develop customer loyalty. To gain the highest number of marks on this question additional explanation was required which also referred

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to the context of VP's restaurants. Some responses briefly mentioned several reasons for expansion instead of developing the explanation of just two points.

(b) This question required candidates to consider the benefits and limitations of VP entering a new country as a joint venture or franchising. Not all responses showed good knowledge of these two methods of operating a business. The discussion about operating as a joint venture often mentioned the benefit of sharing ideas and using the partner's knowledge of the local market before the restaurants opened in the new country. This would make it less risky for VP and less expensive in terms of market research. However, the joint venture might result in disagreements and an unequal sharing of the workload and resources. The possibility of franchising the VP brand would reduce the start-up costs of new restaurants for VP. The franchisee would make the bulk of the investment in premises and kitchen equipment rather than VP. VP would benefit from the fees paid by the franchisee and expansion of the restaurants could occur quite rapidly. Some weaker candidates wrongly assumed that VP themselves would be franchisees and made contradictory arguments in their response.

Question 4

(a) This question required candidates to explain, using an example, the reason why VP might need short-term and long-term finance. Strong responses mentioned that VP would need short-term finance to pay day-to-day expenses such as paying wages to more than 25,000 restaurant workers. This might require an overdraft from the bank to enable wages to be paid on time every week. Long-term finance might be needed for the restaurants that needed to update ovens and cooking equipment. This would be very expensive. A bank loan might be an appropriate method of finance in this case so that VP could spread repayments over a few years. This topic did not seem to be well-known by quite a large number of candidates. Some responses offered brief mention of debts without explaining a specific reason for needing finance and, more importantly, not linking their answer to VP itself.

(b) The discussion about the impact of three changes in the economy of Country Z resulted in some varied responses. It was often mentioned that an increase in interest rates would not only increase repayments on any loans taken by VP but also reduce consumer spending in the economy as a whole. As a result, sales of fast-food at VP might fall and profits decrease. Many candidates argued that there would be a significant impact on VP following the depreciation of the exchange rate in Country Z. Imported food ingredients would cost much more, especially since 30 per cent of VP's ingredients were imported. It might mean that the business buys from local suppliers instead of importing to keep their costs down, but the quality of the food may not be as good as the imported food supplies. Many candidates suggested that introducing legal controls for listing ingredients in its meals would not have a major impact on VP. They already reprint menus frequently when new meals were introduced so listing would require just a little more time and attention to detail. Better recommendations did more than offer repeated earlier points – they weighed up the impact, large or small, which resulted from the economic changes. The best answers justified their decision with reasoned argument about which would affect VP the most.

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BUSINESS STUDIES

Paper 0450/22
Case Study 22

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 which will be generic. Applying answers to the case will ensure responses are appropriate for the 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 **(a)** and **(b)** questions for application. In this particular case study, candidates were expected to refer to a start-up theatre business. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or a manufacturer, and the type of business organisation.
- 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. A few well developed points will achieve 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 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 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 ET, a start-up theatre business, provided an accessible scenario for candidates. Those who applied their answers to the context of ET 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 they are clear about the extent of developed explanation that is required for each answer. 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 incorporated and unincorporated businesses, the objectives of a social enterprise, the importance of preparing a cash-flow forecast and the roles of marketing.

Overall, the standard was good, with very few weak scripts, which was in line with previous years. Candidates often provided answers in context which enabled them to access the application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions, and that the conclusion/recommendation is also 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 were able to state at least three, if not four, characteristics of an entrepreneur as well as explaining some of these characteristics. The most popular characteristics were risk-taker, hard worker, effective communicator, creative and innovative. A few candidates stated the characteristics but explained the characteristics using the same term in the explanation, for example, being creative... an entrepreneur should be creative to be successful or a risk-taker… that the entrepreneur would have to take risks. Some candidates attempted to apply their explanations to ET even though this was a generic question. The weakest responses did not focus on the personal attributes of the entrepreneur but on other factors for a successful business, such as having sufficient capital and drawing up a business plan.

(b) This was a challenging question. Many candidates were able to identify the benefits and drawbacks of partnerships and private limited companies. However, they did not always compare them with each other but with sole traders or public limited companies. Some responses included mirror arguments, such as listing 'not a separate legal identity' for partnerships and 'separate legal identity' for private limited companies which could only be credited once. Weaker responses confused limited and unlimited liability, and private limited companies with the public sector. The concepts of personal liability, continuity, ease of setting up and privacy of information were well understood and well explained in stronger responses. However, only the strongest candidates could justify which option to choose and which one to reject without repeating earlier points.

Question 2

(a) This question was well answered with the majority of candidates identifying survival or profit as the objective for ET and helping the community as the objective for Daycare. A large number of candidates could explain the objectives well and in context. However, weaker responses did not focus on one objective, or they focused on how the objective could be achieved rather than why ET or Daycare would have that objective. An error made by some candidates in the first section about ET's objectives was to think that profit is acquired in order to pay expenses rather than being the surplus after those expenses have been met. A minority of candidates got confused and thought ET was running Daycare.

(b) This question differentiated candidates into those that could carry out calculations using the data provided and those who could not. It should be emphasised to candidates that when the question says justify your answer using suitable calculations then calculations should be included in the answer. Answers need to go beyond comments such as makes a loss and give the actual figure. Weaker responses gave a basic answer and included a comparison of the figures from Appendix 2, such as the forecast revenue is higher for Option 2. Some answers simply said the revenue was high, but it is not known whether this is true. Some candidates stated that Option 1 made a loss and did not include the actual figure but did calculate the actual profit for Option 2. Stronger candidates could calculate both the profit and loss figures. Some candidates also calculated the profit margins for both options as well, although this was not necessary to make a valid recommendation. The most popular recommendation was to choose Option 2 as it made a profit, and this was argued to be important for a new business. A smaller number of candidates argued that the low-income area may not yield many customers who could pay the higher price for Option 2 and therefore Option 1 should be chosen as the profit was only a forecast and may not be achieved. A minority of weaker responses made assumptions about staff motivation or the quality of the performance, which was based on their own opinions rather than the actual information provided in the appendix.

Question 3

(a) This question was not well answered by the majority of candidates. The most common error was to confuse cash flow with profit. Stronger candidates recognised the use of cash flow in planning, decision-making, for obtaining a bank loan, ensuring there is cash for day-to-day activities and avoiding a liquidity problem. For those candidates who were able to identify appropriate reasons, most were not able to apply them to the case study and therefore did not gain the second mark for each reason. A number of candidates discussed cash inflows and outflows separately. The terms 'revenue, expenditure, finance, money' were used instead of 'inflows, outflows, cash, working capital.' It was important for candidates to recognise that this was a forecast not a report on the

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previous period. Another reason for weaker answers was the amount of repetition, for example candidates gave multiple examples of expenses as cash outflows that could be monitored via the cash-flow forecast.

(b) Many candidates could discuss the importance of identifying customers' needs. Weaker responses offered repetition of the question and often resulted in overlapping answers between the three parts of the question. Better responses discussed in detail why identifying a specific target market was important and also recognised the significance of providing suitable performances at a price that would satisfy customers, particularly in a low-income area. Additionally, these candidates established a connection between maintaining a strong reputation through excellent customer service and gaining customer loyalty, ultimately leading to an increase in revenue and market share. Many candidates did provide a justified conclusion with 'identifying customers' needs' most likely to be seen as the most important because the other two roles are based on this. A small minority of candidates did not answer the question as they explained how the three roles could be achieved rather than why they were important, for example, providing a description of primary research methods to identify customers' needs.

Question 4

(a) The majority of candidates answered this question well and discussed the leadership styles of autocratic and democratic with laissez-faire being the least popular style. Many candidates then went on to explain how each leadership style was used including its benefits and/or drawbacks. The most common errors confused democratic leadership with delegation. Weaker responses included explanations that were too vague, for example it was not always clear if an explanation was for democratic or laissez-faire. Many answers were generic and hence application marks were not gained so full marks were not achieved, even if the response had a good explanation of each leadership style. Some weaker candidates mixed up the explanation of the leadership style, for example they explained autocratic under the heading of democratic.

(b) Candidates were able to consider the three ethical issues. Strong responses often discussed: better motivation and increased costs when paying fair wages; support for the local community and reduced transport costs but then the quality of the costumes may be lower when buying from suppliers in the local area; and gaining a better brand image increasing sales to ethically minded consumers but increased costs for refreshments supplied by producers that do not damage the environment. Responses from weaker candidates lacked development and so remained in the Level 1 mark band. These included simple statements such as 'it will be more expensive' rather than explaining why this was a disadvantage to the business by increasing costs which might lead to higher prices and consequently lower sales. A small number of candidates thought that paying fair wages meant paying the same amount to all employees and felt that most qualified employees would be demotivated by this. Stronger responses demonstrated their understanding by outlining the drawbacks of each change and offering a conclusive judgment on the change that was likely to have the most significant impact on ET. This did not just repeat earlier points but justified the choice by providing reasoning as to why this particular change would have a greater effect compared to the other two changes.

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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 the 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 **(a)** and **(b)** questions for application. In this particular case study, candidates were expected to refer to a business that manufactures rugs. It is advisable for candidates to ask themselves about the size of the business, what type of product it offers and the type of business organisation it is. 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 in **(b)** questions require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and compare the options by making reference to why the alternative option(s) was rejected.

General comments

Candidates had been well prepared for this examination and understood what was expected of them. The context of RR, a manufacturer of rugs, provided an accessible scenario for candidates. Those who applied their answers to the context of RR 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. 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 area of understanding was of the role of directors and managers in a company and possible problems experienced by a business as it expands.

Overall, the performance of candidates was broadly comparable with previous years. Application marks were often gained but candidates should make sure that different examples of application are included in each section of an **(a)** question and 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.

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Comments on specific questions

Question 1

(a) This question proved accessible for the majority of candidates, with many being able to correctly identify reasons such as producing in a lower cost country, producing nearer to the market, increasing market share, avoiding barriers to entry and remaining competitive if other companies were becoming multinationals. However, several candidates provided answers to a question about how a company can become a multinational and not why a business might become a multinational.

(b) The majority of candidates listed rewardable answers, such as television advertisements will be seen by a large number of potential customers or that billboards are lower cost than television. However, many did not go on to explain why these points were an advantage or a disadvantage to the business. This question was well applied with many candidates using the data provided in Appendix 1 to explain their points. To move the answer to higher levels the recommendation needed to justify the choice of one method of promotion without repeating earlier points and explain why the alternative methods were seen as less suitable.

Question 2

(a) Many candidates seemed able to identify problems with expansion, often explaining the likelihood of diseconomies of scale such as lack of commitment or poor communication. There were fewer candidates who could provide sufficient depth and explanation to their answers to score the highest marks in this question. In some cases, marks were limited as candidates gave two explanations for the same point, for example, two reasons why finance may be limited for the investment. Weaker responses lost marks by identifying problems in a vague manner, such as stating that 'it is expensive', without making it clear why expansion was expensive and why this meant it was a problem. Answers were not often applied which limited the number of high scoring answers as both reasons needed to be applied to the context.

(b) Most candidates could identify three suitable methods for communicating with employees. Popular methods included telephone/mobile phones, email, letter, noticeboards, and face-to-face meetings. However, there were often just lists of advantages and disadvantages of each method which limited answers to Level 1, such as it is cheaper, quicker, allows feedback, rather than giving explanations of why these were advantages and disadvantages with the method. Again, application was often not evident and this resulted in answers not gaining the highest marks in the level.

Question 3

(a) This proved to be a difficult question for many candidates as they did not seem to be aware of the roles of directors and mangers in a business. Weaker responses focused on the chain of command provided in Appendix 2 and simply described the organisation chart, for example managers pass information to the supervisors but report to the directors. The focus of the responsibility was not a factor in many answers. The role of employees was the best answered responsibility as candidates knew that their role was to manufacture the rugs and some recognised that supervisors had the role of ensuring employees completed their work correctly. Only the strongest responses explained each responsibility and also explained each one in the context of this business.

(b) Candidates generally seemed to find this question accessible, and application was more readily included in responses. Weaker responses provided mirror arguments, such as there being improved motivation when training is provided but poor motivation if technology is introduced and the employees fear job losses. Weaker responses often used the same training argument for both options and therefore restricted their marks. For example, training would be required for employees to use the machinery which would be expensive and then stating that training is expensive for the second option. Better responses moved into Level 3 by justifying which one of the methods would be best to increase the productivity of employees and justifying why the alternative was rejected, without repeating earlier points.

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Question 4

(a) The majority of candidates identified an opportunity and a threat to the business of using ecommerce. A popular opportunity was that the ability to access a wider market enabled an increase in sales, whilst the most popular threats included being expensive to set up and maintain the website, and customers not being able to see and feel the rugs before buying so being put off. Application was readily gained by answers having references to rugs and new markets in other countries. To gain full marks many answers would have needed to explain in greater detail why it was an opportunity or a threat for the business.

(b) There seemed to be a definite divide between candidates who could only make comparative statements about the two sets of figures and those candidates who could calculate the gross profit, profit, gross profit margin and profit margin. Better responses made use of the figures to undertake appropriate calculations and then went on the make a clear judgement which accessed Level 3. However, there were some candidates who knew how to carry out the calculations and could make basic interpretations of an income statement but did not have the more detailed understanding of the causes behind the changes in figures. This was reinforced by weaker answers which assumed that an increase in the cost of sales was a benefit to the business. Better answers did recognise that the cost of sales could have increased due to the additional raw material needed as there were more sales (indicated by the higher sales revenue), but then did not see the significance of cost of sales increasing at a faster rate than revenue, hence the fall in the gross profit margin. Answers were usually well applied as even weaker responses made use of the figures in Appendix 3.

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