BUSINESS STUDIES

Paper 0450/11
Short Answer and Data Response

Key messages

- Each distinct point that the candidate makes can only receive credit once. Repeating knowledge, application or analysis points will not gain further credit.
- As in previous papers, definitions were not well explained. Candidates would benefit from learning precise definitions.
- Questions relating to the financial or economic areas of the syllabus continue to be an area of weakness. This can be seen in the answers to Questions **2c, 2d, 3b** and **3d**. Candidates would benefit from exploring the reasons why financial information is produced.
- Questions which require application, such as most part **(c)** and all part **(d)** questions, refer to the business in the scenario by name. Candidates should be reminded to use different points of information from the stem in each part of the question as the basis for application.
- Part **(e)** questions have two knowledge, two analysis and two evaluation marks available. The conclusion of these questions should provide a decision and two reasons why this decision was reached. Elements of the main part of the answer should not be repeated.

General comments

Most candidates were able to achieve at least some marks on most questions. Very few candidates left answers blank. Good subject knowledge was shown in most questions; however, some candidates lacked the exam technique required to express those ideas in a way that would maximise their marks.

There was some evidence this session that candidates were reading the questions carefully before starting to write. Question **2d** seemed to be the only question where candidates did not fully understand the question.

Application continues to be an issue for a number of candidates. As in previous years, some candidates simply stated ‘product’ rather than naming the product or service that the business offered.

Comments on specific questions

Question 1

(a) To achieve both marks, candidates needed to show awareness of who is involved in a trade union and its purpose. Weaker responses stated that a trade union was ‘an organisation set up to help employees’, which was unclear on both required aspects.

(b) This question was answered well by many candidates. A small number of candidates stated that this is ‘where raw materials are manufactured’, which achieved zero marks.

(c) Most candidates were able to identify some reasons why a business might remain small, but many struggled to find four distinctly different answers. Candidates often wrote the same reasons in different ways such as ‘owners’ choice’, and ‘owner wants to maintain control’. Weaker candidates listed managerial shortcomings such as ‘poor planning’.

(d) The strongest responses often focused on improved quality, increased efficiency or reduced labour costs, and a wide range of correct answers were seen. Some candidates incorrectly assumed that better quality or increased output guarantee improved sales. Some candidates struggled to find two different points of application from the question stem and instead repeated 'furniture' or related words. The weakest responses repeated knowledge and analysis using different wording.

(e) The strongest responses recognised the importance of access to raw materials, labour and transport infrastructure and often linked access to raw materials with the impact on transport costs. Weaker responses were aware of factors to consider but could not explain why these factors were important. A small number of candidates incorrectly discussed the importance of competition, which is unlikely to be a factor for a manufacturing business. Very few candidates attempted an effective evaluation for this question.

Question 2

(a) This term was not clearly understood. Many candidates recognised that this was a cost but omitted the key word, 'tax'. The weakest candidates mistakenly defined a quota instead of an import tariff.

(b) Many candidates were awarded one mark for this question. Many candidates were able to identify a non-current asset, but current liabilities were often confused with current assets or expenses. A common incorrect answer to this question was 'loans'. Some candidates did not provide an example and instead wrote definitions of both terms. Definitions alone could not be credited.

(c) Most candidates were unclear about the use of the information given. The strongest responses recognised that the data could be used to calculate the current ratio or working capital. Candidates who then calculated the appropriate figures achieved full marks. The weakest responses often contained copied material from the table or stated incorrectly that profit or loss could be calculated.

(d) This question was the most challenging part **(d)** question for many candidates. The weakest answers focused on types of finance rather than the factors to be considered when choosing a source of finance. Stronger candidates recognised the importance of the amount required and the cost of any finance. Even the strongest candidates struggled to find two separate points of application and analysis.

(e) Two marks were commonly awarded for this question as many candidates were able to identify two correct objectives. Stronger candidates explained one of the objectives, which allowed them to achieve an analysis mark. A common mistake was to assume increased market share and increased sales were separate, rather than related, objectives. Very few candidates attempted evaluative comments, but those that did often repeated points already awarded.

Question 3

(a) This chart was not well understood by most candidates. Many candidates achieved one mark by recognising that *X* illustrated the break-even point. *Y* was not recognised by most candidates.

(b) Candidates found this to be the most challenging question on the examination. Only a small number of candidates were able to correctly define margin of safety. Some candidates confused this with break-even.

(c) This question was generally well answered. The strongest responses focused on the motivation of employees and reduced workload for the owner. Three marks were commonly awarded as candidates often struggled to provide two different points of application. Weaker candidates confused delegation with division of labour and incorrectly explained the impact of improved efficiency, which could not be credited.

(d) Stronger responses recognised that an economic recession could lead to falling sales and redundancy. Such answers were often well developed and achieved all the marks available. A significant number of candidates confused recession with inflation, or redundancy with dismissal. The weakest responses stated that the business would gain customers during a recession. Some candidates did not attempt this part of the question.

(e) Candidates found this to be the most accessible of the part **(e)** questions on the paper. The strongest responses explained on-the-job and off-the-job training, achieving four marks. Weaker responses showed awareness of these methods but were unable to name them and therefore could not be credited. Evaluations, if attempted, were frequently a repeat of points already credited as knowledge or analysis.

Question 4

(a) Candidates struggled to define this term. A common error was to confuse brand image with brand name or logo.

(b) A common error was to describe why firms want to be competitive instead of the factors that have led to markets becoming more competitive. The strongest responses stated the factors given in the syllabus.

(c) Candidates found this part **(c)** question the most challenging. The strongest responses recognised the importance of fair wages and fair prices. Application was often limited to an identification of the product sold, toys. As in previous years, some candidates confused ethical actions with legal requirements such as paying the legal minimum wage.

(d) Stronger responses to this question focused on cultural/language differences and the impact of existing competitive firms. Some responses did not effectively use the information provided in the question stem and achieved only one of the application marks available. Usually this was for identifying toys as the product made. A common error was to explain actions MTL needed to take rather than the problems they would face. The weakest responses repeated points of analysis, often the impact on revenue or profit.

(e) A range of responses were provided to this question. Candidates were frequently able to achieve both knowledge marks but were unable to develop that knowledge into analysis. The strongest responses often explained the benefit of social media reaching a wide variety of people and paid-for methods being expensive. The weakest responses explained that the stated promotion method would increase sales or attract customers. As all methods of promotion are designed to increase sales or attract customers, these points could not be awarded as analysis of any one method. Candidates struggled to provide effective evaluation in this question.

BUSINESS STUDIES

Paper 0450/12
Short Answer and Data Response

Key messages

- Greater precision is needed when providing definitions. Answers do not need to match the coursebook word for word, if the meaning is clear.
- More responses included application this series. However, many candidates still do not include relevant information from the stem to support their answers in part **(c)** and part **(d)** questions. It is important to remember each point must have a different contextual reference.
- Candidates cannot use the same analysis for both points within the same question, as it will only be credited once.
- Most candidates found it difficult to provide effective evaluation. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. A decision alone or summary of earlier points is not evaluation. The mark scheme includes an example of an answer which includes evaluation for each part **(e)** question.

General comments

This was an accessible paper with many candidates attempting every question. Good subject knowledge was shown in most questions. However, many candidates did not include relevant application or analysis. Most candidates continue to find evaluation difficult.

Many candidates still miss application marks. Where included, most reused the same application for both points. To gain application, candidates should use the information from the stem to support points made. Any relevant reference from the scenario can be used to support the point being made to demonstrate application.

Analysis involves developing points made. Some candidates repeated their knowledge point rather than explaining how or why the initial point was relevant. Many identified new points of knowledge which is unnecessary.

Evaluation remains challenging for most candidates. Some responses still do not include a decision in part **(e)** questions. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to support the decision made. Candidates should be encouraged to include a clear decision and provide a supporting reason for the decision based on the points discussed.

Comments on specific questions

Question 1

(a) Many candidates understood that quality assurance involves checking the products. Stronger responses understood that these checks occurred throughout the production process. Weaker responses confused quality assurance with quality control as they stated checks happened only at the end of production or that the work was carried out by inspectors. Others stated reasons for quality assurance.

(b) There were many correct responses to this question, with less demand, automation and the need to lower cost being typical responses seen. A common mistake was to identify reasons for dismissal or to give examples of diseconomies of scale.

(c) Many candidates understood the difference between redundancy and dismissal. Stronger responses achieved application by making appropriate references to 5000 employees, aeroplanes or made specific comments about employee A often being late for work. Weaker responses confused the two concepts. For example, suggesting redundancy happened because of employee's poor behaviour when this is dismissal. Others made vague statements about workers being fired, laid off or dismissed which did not show a clear understanding of either term.

(d) Many candidates found this question challenging. To access knowledge candidates had to explain an advantage and disadvantage to the business of making employee A redundant. Stronger responses focused on explaining points such as improved efficiency and the loss of an experienced employee respectively. Application was awarded for appropriate use of the information from Table 1.1. Weaker responses tended to state the points the wrong way round, so for the advantage explained why the employee should be retained rather than made redundant. Others did not include application or analysis. Where analysis was attempted, many repeated the knowledge point rather than developing it. A common mistake was to identify reasons for redundancy rather than the advantages or disadvantages to the business of removing or keeping employee A respectively. Some simply stated information from the table, without explaining what this might mean for the business. Others wrote about recruiting new employees, which is not relevant as the question was about redundancy, so the worker was not being replaced.

(e) Good knowledge was evident in most responses. Stronger responses were able to explain how points including job creation could lower unemployment or how increased tax revenue could allow the government to spend more on public services or infrastructure projects. The strongest responses compared the importance of the two points made and used this as the basis for their evaluation. Instead of analysis, weaker responses tended to repeat the knowledge or identified new points. Without analysis, it is not possible to show evaluation. The most common mistake was to misread the question and identify benefits to the business of being a multinational company (MNC), rather than benefits to the country. Others made vague statements about improving the economy without indicating how or what it would improve.

Question 2

(a) Most candidates understood a cash flow forecast shows cash inflows and outflows. Stronger responses recognised these were estimates or future values. Weaker responses often confused the concept with an income statement by referring to profit, income or expenses. Some repeated the word cash flow which was in the question. Others identified uses of a cash flow forecast instead of defining the term.

(b) Most candidates could identify at least one use of cash such as to pay wages and pay suppliers. Weaker responses repeated similar points for both responses. For example, a general statement such as to pay day-to-day costs and then an example of one of these costs. A common misconception was to assume cash is used to fund business expansion.

(c) This question produced a range of responses. Only the strongest responses achieved full marks for identifying functions of management. Incorrect responses described activities a manager might undertake such as decision-making, communicating or motivating employees.

(d) Some candidates were able to identify at least one way. Stronger candidates then used the information from the stem to contextualise points, allowing them to achieve application marks. Only the strongest responses were able to demonstrate analysis. To access the analysis marks, candidates needed to explain the effect of the ways identified on cash inflows or cash outflows which most candidates found difficult. Many confused the concept of cash flow with profit, revenue or costs. Others identified advantages of selected ways rather than focusing on how the way would help improve cash inflows or cash outflows. Some had the wrong focus so identified ways to increase revenue. A small number of candidates did not realise this was a retailer and discussed raw materials.

(e) Most candidates were familiar with the concept of ecommerce. Typical correct responses focused on issues including increased competition and security risks such as scams. Stronger responses were able to explain why each of these issues were likely to negatively affect a business. For example, hacking could damage its reputation which could then lower sales. Instead of analysis, weaker responses tended to identify additional knowledge points. Some candidates misread the question and discussed opportunities instead of threats. Others wrongly focused on possible threats to customers rather than the business. Evaluation, where attempted, often repeated earlier points rather than justifying why one threat was likely to be more significant than the other.

Question 3

(a) Most candidates recognised that a partnership involves two or more people. For a full definition, they needed to understand that these individuals owned or started the business rather than simply managing it. A common mistake was to repeat the word partners, instead of individuals. Others made vague statements about ‘working together’ or ‘sharing risks and profits’ but these did not capture the key feature of a partnership.

(b) This question was well answered. Typical correct responses included number of employees and value of sales. Weaker responses assumed profit was a way to measure the size of a business. Others made vague comments about capital rather than capital employed.

(c) Candidates clearly understood pricing methods. Most were able to identify at least one valid method with penetration pricing and competitive pricing being typical correct answers. Stronger responses used the information from the stem to show application. Weaker responses repeated the same application for both methods or did not link their answers to the context. Instead of application, some candidates explained how the method worked which was unnecessary as part **(c)** questions do not assess analysis. The weakest responses were unable to name pricing methods and tried to describe them.

(d) Many candidates were able to access the knowledge marks for this question. Typical correct responses understood that secondary market research was cheap, but it was likely to be out of date. Stronger responses were able to explain these points. For example, out-of-date information could lead to the wrong decisions being made. Instead of analysis, many repeated their knowledge points or identified a new point. Others repeated the same application for both responses. Some candidates confused secondary market research with primary market research. A small number of candidates misunderstood the question and explained the information that could be gathered from the market research.

(e) This question was challenging for many candidates. Some candidates showed good knowledge of location factors. Stronger responses were able to explain points including why having access to skilled workers or proximity to customers might be important. Instead of analysis, many identified new factors. Weaker responses simply repeated the wording of the question and said, ‘access to employees is important’, rather than providing specific reasons why access is important such as distance, number of employees available or whether workers are skilled. Evaluation was often limited or not attempted. Where evaluation was attempted, the justification tended to summarise or repeat points already made.

Question 4

(a) Many candidates understood that fixed costs do not change. Stronger responses were able to provide a precise definition. Some candidates included examples which was unnecessary. Others repeated the word fixed rather than explaining what this meant.

(b) Stronger candidates understood the concept of average costs. A small number of candidates expressed the answer in units without realising it was a financial value. Weaker responses tended to add random numbers together which showed no understanding.

(c) This question was poorly answered by most candidates. Stronger responses recognised that the cost of borrowing was lower or that sales may increase. Where knowledge was shown, most candidates did not link the point to the context so missed application marks. Weaker responses made vague statements about taking out loans without making it clear that these would be cheaper or that it could encourage the business to borrow larger amounts. Some misread the question so focused on the effects of higher interest rates. Others confused the concept with other areas of the syllabus, notably exchange rates or inflation. A common misconception was to assume interest rates would directly affect prices or the cost of materials.

(d) There were a range of responses to this question. Correct responses tended to focus on increased efficiency as an advantage and workers not being able to cover for colleagues as a disadvantage of specialisation. Stronger responses were able to develop these points and used the information from the stimulus to demonstrate their application to the scenario. Weaker responses misunderstood the question and wrongly discussed possible effects on the employee rather than the business. For example, citing boredom as a disadvantage. Candidates needed to recognise that being bored could reduce motivation. A common misconception was to assume that the products were unique or that as workers were skilled they would be paid more. Neither statement is necessarily true.

(e) Many responses showed good knowledge of the advantages and disadvantages to a business of taking over a competitor. Stronger responses were able to develop the points made. For example, explaining how less competition could increase sales, whilst possible diseconomies of scale could increase average cost. Weaker responses found it difficult to develop points, especially the disadvantages. Instead of analysis, such responses tended to identify new points. Without analysis of relevant points, it is not possible for candidates to access evaluation. Of those responses that attempted an evaluative comment, many were not supported or the candidates simply repeated points already made. A common mistake was to assume that taking over a competitor would result in the business becoming a monopoly or explaining how to compete with competitors. Others understood that a takeover could lead to conflict, but many were unable to describe why there might be conflict or what the outcome of such conflict would be.

BUSINESS STUDIES

Paper 0450/13
Short Answer and Data Response

Key messages

- Greater precision is needed when providing definitions. Responses do not need to match the coursebook word for word if the meaning is clear.
- Application remains weak across the paper. Candidates are encouraged to use information from each respective stem to help answer part **(c)** and part **(d)** questions as this provides the basis for application. A different contextual reference is needed for each point.
- Candidates should avoid repeating the same analysis for both points within the same question, as this will only be credited once.
- Most candidates did not provide effective evaluation. A decision alone or summary of earlier points is not evaluation. Responses which did attempt an evaluative statement often did not provide reasoned statements to back up the decision. An example of an answer which includes evaluation for each part **(e)** question can be found in the mark scheme.

General comments

This was an accessible paper with candidates demonstrating relevant subject knowledge for many questions. However, most candidates did not include relevant application or analysis. Nearly all candidates found it challenging to show effective evaluation.

Most candidates continue to miss out on some of the 16 application marks that are available on this paper for most part **(c)** questions (except for 4 **(c)**) and all **(d)** questions. Where included, many use the same application for both points which can only be credited once. To access application marks, candidates should use the information provided in the stem to support each point made. Any appropriate reference from the scenario which supports the point is likely to gain credit for application.

Analysis involves developing points made. Many candidates repeat knowledge rather than explain how or why the initial point was relevant. Others identify new points of knowledge which is unnecessary.

Evaluation continues to be challenging for most candidates. Many responses still do not include a decision in part **(e)**. Of those who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. Candidates should be encouraged to include a clear decision and provide a supporting reason for the decision based on the points discussed earlier in their answer.

Comments on specific questions

Question 1

(a) This question was well answered by most candidates. Typical correct responses focused on reasons including better quality and lower cost.

(b) Those who understood the concept of expenses generally gained full marks. A common mistake was to calculate revenue minus profit, rather than gross profit minus profit. Others calculated gross profit, despite this value being given in Table 1.1. Some candidates did not include the millions in their answer, which meant that they did not use the correct units. Therefore, the response only showed some understanding.

(c) Many candidates found this question challenging. Stronger responses correctly outlined how the income statement could be used to calculate gross profit margin and profit margin respectively. Such responses often gained application marks for appropriate references to computers and the factory. Weaker responses described what Table 1.1. showed rather than focusing on what the business could do with this information. Others made vague statements about making decisions.

(d) This question produced a range of responses. To access knowledge marks, candidates needed to identify a method of lean production, which many candidates were able to do. Stronger responses were then able to develop how methods such as Kaizen could help reduce waste or how just-in-time (JIT) could help lower storage costs by reducing the holding of unnecessary inventory. Application was often awarded for an appropriate reference to computers or factory. Weaker responses did not include any application or analysis. Some candidates confused lean production with methods of production such as flow or batch production. Others stated how a business could increase output. Several candidates did not attempt this question.

(e) This question was challenging for most candidates. Typical correct answers focused on profit as a source of funds or how profit was a reward for risk-taking. Stronger responses were able to develop points. Only the strongest answers were able to access evaluation marks for comparing two reasons before explaining why they thought one reason was likely to be more important than the other. Such answers were rare. A common misconception was to confuse profit with cash as they assumed profit is used to pay day-to-day costs. Many others stated that profit was used to expand but did not recognise that profit is the source of finance, and it is this which allows the business to fund potential growth. Some defined the term which was unnecessary. Some made vague statements about profit being the main objective which on its own did not explain why it was important. Others identified ways to increase profit which did not answer the question.

Question 2

(a) Most candidates understood that an entrepreneur is a person who starts their own business. Stronger responses were able to provide a precise definition. A common mistake was to confuse the term ‘entrepreneur’ with ‘sole trader’. Others identified entrepreneurial characteristics which did not answer the question.

(b) This question was generally well answered. Common correct responses included creating jobs and increasing competition. Weaker responses were often unclear, for example, ensuring success or helping the economy, which could not be credited.

(c) Most candidates achieved at least one knowledge mark for outlining how ecommerce could result in more sales for a business. Application marks were often awarded for recognising the business was a start-up and that it sold books. A common mistake was repetition. Some used different wording to repeat ‘increased sales’ for both opportunities, which can only be credited once. Others used ‘books’ as the application for both opportunities which can only be credited once.

(d) Candidates were familiar with the uses of market research, with many gaining knowledge and application marks. Stronger responses were able to explain how identifying competition could enable informed marketing decisions to be made, which could allow the business to increase its market share. Weaker responses repeated similar knowledge, application or analysis for both parts of the question, for example using ‘books’ as the application or ‘increased sales’ as the analysis. Some misread the question and identified methods of market research.

(e) This question produced a range of responses. Some candidates could identify at least one method, with loyalty cards and good customer service being typical correct responses. A common mistake was to identify ways to increase sales rather than ways to build customer loyalty. Only the strongest responses were able to develop points effectively. To access analysis marks, candidates needed to explain how the method would work. For example, good customer service could lead to trust or customers feeling valued. Instead, most stated that the method would increase customer loyalty which repeated the question. Without effective analysis, it is not possible to access evaluation marks.

Question 3

(a) This question was well answered by most candidates. Weaker responses tended to identify different types of pollution which could only be credited once.

(b) Many candidates were able to correctly identify reasons, with 'protect its reputation' or 'increase sales being typical answers'. Some misread the question and identified ways a business could respond to environmental pressures.

(c) Most candidates could identify at least one way, with increased demand being the most common way. Application marks were often awarded for recognising that STB built houses. A common misconception was that economic growth would lead to inflation, and therefore higher costs which is not necessarily true.

(d) Good knowledge of job production was evident in most responses. Application was often awarded for suitable references to houses or 5000 employees. Stronger responses were able to develop benefits. For example, recognising that being tailored to customers' needs could help ensure sales, or how employees being motivated could lead to fewer mistakes. Instead of analysis, weaker responses repeated the knowledge or included no contextual reference which was required to access application marks. Some confused job production with other methods of production. Others discussed the benefits to customers rather than the benefits to the business, which did not answer the question.

(e) This question produced a range of responses. Many candidates could identify at least one reason why employees were important to a business or identify other stakeholder groups. Stronger responses were able to develop points to access analysis marks. The strongest responses considered other stakeholders, notably customers, and then used the comparison between the two stakeholders as the basis for evaluation. Many identified new points of knowledge rather than demonstrating analysis. Some responses lacked precision, for example some made vague statements like 'employees get the work done' or 'business cannot function without them'.

Question 4

(a) This question produced a range of responses. Stronger responses were able to provide a full definition of tertiary sector. Such responses recognised that it involved selling products or services and that they were sold to customers. A common mistake was to include examples of tertiary sector businesses. Others stated that it was the 'final' or 'last' sector which lacked meaning.

(b) Most candidates understood that a job description includes details about the work the employee would have to do. Stronger responses were able to provide a full definition. The most common mistake was to confuse a job description with a person specification by mentioning skills and qualifications.

(c) Candidates showed good knowledge of financial rewards with many gaining full marks on this question. Weaker responses included multiple examples of fringe benefits rather than different methods of financial rewards. Others wrongly identified non-financial methods, notably promotion.

(d) Most candidates could identify at least one method of advertising a job. Stronger responses were then able to explain points in context, for example, recognising that the business needed two chefs, or mentioning that the business was a restaurant. Weaker responses repeated the same analysis for both ways. Some candidates misread the question and focused on ways to advertise products. Some made vague statements such as 'online' which were not awardable as candidates needed to identify a specific method.

(e) Most candidates gained knowledge marks for identifying factors including experience and qualifications. Stronger responses were able to explain points. For example, if employees are highly skilled, it could reduce the need for training. There were some excellent responses which compared two factors and then made a supported decision about which factor was likely to be the most important for a tertiary sector business. However, most candidates simply summarised points or offered no evaluative comment. Instead of analysis, many identified additional factors. Some candidates misread the question and focused on the benefits of internal and external recruitment.

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, 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 do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated for application throughout the mark scheme in both parts **(a)** and **(b)**. In this case study, candidates were expected to refer to LB, a successful business that manufactures luxury bathroom products. It is advisable for candidates to ask themselves about the business in the case such as, the size of the business, whether it is a service or manufacturer and what type of business organisation it is. This may add to the quality of their answers.

- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require a linked chain of argument or reasoning rather than simple description; listed points generally only achieve 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 made 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 referring 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 LB, a private limited company making bathroom products in country X, provided an accessible scenario for candidates. Those who applied their answers to the context of LB achieved higher marks. Most candidates had time to complete the paper and attempted all questions.

Candidates must be reminded to take 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 if asked to do so. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but economies of scale and working capital were not clearly understood.

Overall, the standard was good with 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 (apart from 1a on this paper) and the conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and justified evaluation resulted in answers remaining in the lower levels. Candidates should 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 of **(b)** questions.

Comments on specific questions

Question 1

(a) Many candidates made a strong start by demonstrating sound knowledge of the advantages and disadvantages of being a private limited company. Correct responses identified the advantages of having limited liability or ensuring the future continuity of the business. The disadvantages mentioned included reference to the limitation of raising capital by selling shares to only family and friends rather than the public, and the legal restrictions of setting up a private limited company. To maximise the marks for this question it was important to develop each point that had been made. This was the only generic question on the paper so, for example, a full answer would develop the point that the advantage of having limited liability meant that if the business incurred debts, shareholders would not lose more than their original investment in the business. The disadvantage of legal restrictions would mean that expert assistance might be needed to complete the necessary documents which would take time and be expensive.

(b) This question required candidates to consider three economies of scale for LB. A considerable number of candidates lacked good knowledge of this topic and could not analyse the benefits of financial, purchasing, or managerial economies of scale for LB. As LB had been in business for twenty years and were continuing to grow, they would be judged as lower risk of not repaying debts. This would mean they could raise finance more easily and often more cheaply. Bank loans could be arranged with lower interest rates which would reduce the repayment costs for LB. Overall this would bring about a reduction in average costs and LB would run more efficiently. This kind of developed explanation achieved Level 2. Simple statements which mentioned that loans would be cheaper, or buying materials to make basins and showers would be bought at a discount achieved Level 1. Each section of this answer required a chain of analysis to earn higher level marks and then a recommendation of which economy of scale would give LB the most benefit. A good quality conclusion should include a clear, justified decision with supporting evidence why the other options are not as likely to provide as much benefit.

Question 2

(a) This was a well-answered question. Many candidates explained two advantages and two disadvantages to LB of using primary research. The advantages of collecting first-hand information and having data which was up to date were often mentioned. The disadvantages of taking much time to collect the information and the expense of conducting interviews and surveys were also frequently mentioned. Half of the available marks were gained by making application to the case study. For example, up to date information would highlight the current trends in bathroom products. It would take much time to collect data because LB would need help from the specialist retail shops that sold their basins and showers. Some candidates struggled to make application to LB and tended to repeat themselves rather than making four different references to the case study.

(b) Some candidates found this to be a challenging question. The advantages and disadvantages of selling to specialist retail shops and selling directly to customers through LB's website had to be considered. LB already sell bathroom products to specialist retail shops so there is already an established relationship. The retailers are likely to place regular orders for a significant quantity of baths and showers which helps LB's cash flow and generates higher sales. The same ordering system is likely to follow with the new range of products. It would also reduce transport costs because LB could deliver to just a few large retailers more cheaply than direct to individual customers. However, LB's bathroom products would be displayed alongside competitors' products which might mean LB's baths and showers do not have guaranteed high sales. Some responses then offered mirror arguments for the second option of selling directly to customers through LB's website. This was not credited unless different points of analysis were presented. A chain of reasoning which explained the positive or negative impact of selling directly through the website was needed to access Level 2. To achieve Level 3, responses needed to make a justified judgement in the conclusion about which channel of distribution would be the most appropriate. The strongest answers avoided repeating points made earlier in the response and related to why one channel was more likely to be successful and the other less successful in LB's distribution.

Question 3

(a) Many candidates had limited knowledge of working capital. This question required candidates to explain two reasons why working capital is important to LB. Simple statements were often made that working capital was important to pay day-to-day expenses, but to earn full credit there needed to be much more development of the answer. For example, day-to-day expenses, such as payment to suppliers of the raw materials to make basins and showers, is essential for LB to continue production. If suppliers are not paid on time, then further deliveries of raw materials may stop, production of bathroom products would be interrupted, and inventory levels may fall. To achieve the highest number of marks on this question, candidates were expected to offer two different reasons why working capital is important with developed explanation and application to the context of LB. Candidates are not credited for repetition of a previous point.

(b) This question required candidates to consider three employees that LB could make redundant. The response needed to make use of information in Appendix 2, where key details were given about Naga, Reeta, and Amy. Many responses contained a great deal of repetition from the table with very little attempt to interpret the facts given. Comparative statements earned Level 1 credit. For example, Naga is paid the highest weekly wage of $400. Her redundancy payout would be $8000. Further development was needed to access Level 2 marks, for example, if Naga was made redundant there would be a weekly cost saving greater than Reeta and Aimee which would bring about a reduction in total costs for LB's production. On the other hand, Reeta has the most experience at LB and her loyalty would make it unlikely she would leave the business in the future. Similar interpretation and analysis was required for the other two Supervisors who were being considered for redundancy. Very few responses achieved Level 3 because the recommendation was often not well justified and there was repetition of points made earlier in the answer. Furthermore, some responses made a recommendation focused on which Supervisor should be retained, when the question asked which Supervisor should be chosen for redundancy.

Question 4

(a) This question required candidates to explain two factors that LB's managers should consider when deciding which method of communication to use to inform employees about the expansion plans. Weaker responses discussed the methods of communication instead of considering the factors influencing the choice of communication method. Stronger responses mentioned that LB needed to think about the urgency of the communication and that employees should be told before rumours spread about the plans to build a factory in country Y. A meeting could be held for all employees so that everyone would get the key information at the same time and hear directly from the management how this would affect the existing workforce. Another factor that was frequently mentioned was the need for a written record so that employees would be able to refer to the details of the plans for the new factory. This could result in a decision to send an email or a letter so that each worker would have time to consider all the information available in their own time.

(b) In the final question of the paper, candidates were directed to use information from Appendix 3 to consider the benefits and drawbacks for country Y of LB building its new factory there. Many responses showed that the question had been misinterpreted. There was much discussion about the benefits and drawbacks for LB, but the economy of country Y was not discussed. To achieve in this question, it was crucial to consider the impact on country Y, not LB. For example, by creating jobs at the new LB factory there would be a benefit of lower unemployment and rising incomes in country Y. This would bring about an increase in economic growth. Increased noise and air pollution from the process of manufacturing bathroom products may cause damage to the environment which could mean that the government in country Y would need to pass new laws protecting the health of the population. Stronger recommendations offered more than a simple judgement of whether the benefits of LB building a new factory were greater than the drawbacks for country Y. The strongest answers justified their decision with a reasoned argument, supported by reference to Appendix 3, about the overall benefit or drawback to country Y of the proposed factory expansion.

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, 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 do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated for application throughout the mark scheme in both parts **(a)** and **(b)**. In this case study, candidates were expected to refer to FF, a business that makes and sells wedding flower arrangements. It is advisable for candidates to ask themselves about the business in the case such as, the size of the business, what it produces and what type of business organisation it is. This may add to the quality of answers.

- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require a linked chain of argument or 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 made 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 referring to why the alternative option(s) was rejected. It may be helpful if candidates re-read the question before writing the conclusion or recommendation.

General comments

Many candidates had been well prepared for this examination and clearly understood what was expected of them. However, some candidates had business knowledge but were unable to do more than make simple statements which limited their marks, particularly for the **(b)** questions. The context of FF, a business that makes and sells wedding flowers, provided an accessible scenario for candidates. Those who applied their skills to the context of FF achieved higher marks. Most candidates had time to complete the paper and attempted all questions.

Many candidates showed good knowledge and understanding of the areas of the syllabus that were assessed. However, there were candidates where it was clear that some topics were not well understood, particularly how a business plan can help a business owner, finance used for working capital and ways a business can contribute to sustainable development. Candidates should ensure they are prepared to respond to answer questions on the whole syllabus, as they could gain basic marks by using business terms correctly.

Overall, the standard was quite good with few very weak scripts. Application marks were often gained but candidates should make sure that different examples of application are included in the **(a)** questions and conclusions/recommendations should also be applied to the case. Many responses to **(b)** questions had a lack of 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 to secure Level 2 and Level 3 marks in conclusions and recommendations.

Comments on specific questions

Question 1

(a) Better candidates identified four ways a business plan could help the owner of the business. This included helping to gain a bank loan or overdraft; giving the business a target or sense of direction; identifying if there was a market for the products; helping set prices; attracting new investors; calculating the cost of setting up the business. Better candidates also demonstrated application skills, for example, they recognised that the business plan was for a third shop, that the business was selling flowers for weddings, working capital was needed, it sold high-quality products, or it operated in a niche market. Weaker candidates made basic statements, such as to help make decisions, without any clarification of what decisions were being made and where points were credited, they were not applied. Some only listed the 4Ps or the functions of management which did not answer the question.

(b) Many candidates demonstrated good knowledge of the two methods of communication the business could use. Better candidates explained the advantages and/or disadvantages of each of the methods of communication, for example, emails provide a written confirmation of the order and can be referred back to if any details are forgotten. This helps to ensure the order is accurate. However, emails may not be read quickly as many emails may arrive at the same time, and some may go into junk mail. This may mean that the order is not processed until later and may delay the delivery of the order. Weaker candidates just listed the advantages and/or disadvantages, for example, telephone calls are quicker, and feedback can be given. Emails may not be read straight away. A common mistake was to list an advantage of telephone calls for example, can get immediate feedback from supplier and then give the mirror of this point for email for example, takes time to get feedback from supplier. Another common error was that some candidates referred to communication with employees instead of suppliers. Responses tended to refer to flowers, weddings, having a good relationship with the supplier to demonstrate application. A few stronger candidates decided which method to choose and justified it, while others simply repeated the advantages and disadvantages they had previously written under the two options.

Question 2

(a) Candidates showed good knowledge of the benefits and limitations of operating in a niche market. The benefits given included few competitors; the needs of the customer can be closely focused on; a higher price can be charged; increased sales and revenue. The limitations given included the market being relatively small; limits to being able to expand; increased risk from specialising in a single product; economies of scale not likely; and competitors being attracted to enter the market. Weaker candidates stated the benefit or limitation but did not explain why it was a benefit or limitation for the business, such as few competitors mean that there is less need to spend on marketing the product, reducing marketing expenses. Some of the limitations were mirror arguments of the benefits, for example, increase sales under advantages and lower sales under disadvantages could only be credited as a development of one point.

(b) Better candidates showed good knowledge of these different elements of the marketing mix for the business, such as cost-plus pricing enables a profit to be made from each unit sold, wedding planners can increase the number of customers and television advertising may give a wide audience but is expensive. Better candidates included analysis of how cost-plus pricing meant that although a profit would be made on each unit sold and that customers would be more willing to pay a higher price for a niche product, it may mean that the price was higher than prices charged by competitors and this may lose some potential customers. Weaker candidates tended to state that place and promotion would lead to higher sales without explaining why. Some discussed place as the physical location instead of as the distribution channels. A few stronger candidates included a recommendation that justified which element would be the most important such as without advertising on television, potential customers would not be aware of the business and then price and place would be irrelevant. Weaker candidates simply repeated earlier points, without any further explanation to justify why the particular element was chosen.

Question 3

(a) Many candidates could identify a reason for using job production, such as the product produced is unique or specialised to meet the customer’s demand. Better candidates gave explanations, such as meeting the exact needs of customers would mean that flowers for weddings would have to be individually designed and therefore each wedding arrangement would be different, and a high price could be charged. This requires job production to be used to achieve customer satisfaction and makes it more likely to receive customer recommendations. Weak candidates focused on comparing job production to batch production, for example, job production is cheaper than batch production and less inventory/storage, which did not answer the question.

(b) This was the most challenging question on the paper. Candidates did show sound knowledge of bank overdrafts and trade credit, although some candidates did not answer this question. Weaker candidates made simple statements such as interest is paid on a bank overdraft or a supplier may refuse to give trade credit. Stronger candidates explained the advantages and disadvantages of each source of short-term finance, but answers were not always in the context of the case. Stronger candidates also gave a conclusion that justified which source of short-term finance was the best one to choose such as a bank overdraft would allow FF to pay for the operating expenses as well as paying suppliers and some flower suppliers may not be willing to give trade credit, which would not make this an available option. However, most conclusions just repeated earlier points without any justification of the choice made. A few candidates confused trade receivables and trade payables and discussed trade credit from the customer’s point of view rather than the suppliers. Some assumed that one of the options was short term while the other option was long term which was incorrect as both are short term. Another common mistake was to confuse a bank overdraft with a bank loan.

Question 4

(a) Many candidates could explain why high quality is important to the business in the case. The most popular reasons offered were to maintain a good reputation; maintain the brand image; to increase sales and attract customers and being able to charge a high price. Better candidates explained the reasons given, whereas weaker candidates only listed the reasons. In many responses, flowers, weddings, average price of $2000 and FF being a small business were referred to as application. A common misconception was for candidates to refer to customer loyalty which did not apply to this case study as FF sells wedding flowers and it is unlikely customers will do multiple weddings.

(b) Most candidates made some statements about the information provided in Appendix 3. Several candidates calculated that option 1 would increase the cost of flowers by $500 per order whereas solar panels would save the business $100 per week for each shop. Better candidates were also able to justify their decision of which option to choose such as although both options would improve the image of FF from contributing to sustainable development, option 1 would lead to higher prices which may lead to lower sales if customers were not prepared to pay the higher price, whereas option 2 would increase costs in the short term as the installation costs for solar panels would be expensive at $18 000 for all three shops and may require an additional source of finance such as a bank loan. In the long term they would lead to lower electricity costs which would help keep prices low and possibly increase sales. Figures from Appendix 3 tended to be included as part of candidates’ response to demonstrate their application skills. Weaker answers simply repeated the figures given in Appendix 3. One common misconception was that the government will provide subsidies to FF if it chooses either sustainable sources or renewable energy. A few candidates calculated the length of time for payback and were then able to use this to justify their choice of source based on a long-term / short-term response. The other popular justification for their choice was that changing supplier would mean a permanent increase in cost whereas using renewable electricity would result in a reduction in expenses, once the initial cost had been paid off.

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, 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 do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated for application throughout the mark scheme in both parts **(a)** and **(b)**. In this case study, candidates were expected to refer to ES, a business that manufactures boats. It is advisable for candidates to ask themselves about the business in the case such as, what is 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 both the positive and negative consequences of a business decision when this is asked for. Responses require a linked chain of argument or reasoning rather than simple description; listed points generally only achieve 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 made 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 referring to why the alternative option(s) was rejected.

General comments

Many candidates had been well prepared for this examination and understood what was expected of them. The context of ES, a boat manufacturer, provided an accessible scenario for candidates. Those who applied their answers to the context of ES achieved higher marks. Most candidates had enough time to complete the paper and attempted all questions. There were very few examples of no responses to a question.

Candidates must be reminded to take 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 opportunities and threats of globalisation were not clearly understood.

Overall, the standard was good with few weak scripts. Candidates often provided answers in context which enabled access to application marks. However, candidates should ensure that different examples of application are included in each section of **(a)** questions and the conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of a developed chain of reasoning and justified evaluation resulted in answers remaining in the lower levels. Candidates should 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 of **(b)** questions.

Comments on specific questions

Question 1

(a) This question asked candidates to explain why customers might buy from ES rather than a competitor. Most candidates identified ES being well-known with a good brand image, and Tim's experience leading to the product being high quality as the main reasons. The explanation was often applied to boats. Stronger candidates developed their explanation in context for both reasons, whereas weaker candidates gave brief points and both reasons were not always applied to the context.

(b) This question asked candidates to consider two types of business organisation. Many candidates did not go beyond simple statements, such as 'it will provide more capital, but conflicts may arise between the partners'. This meant fewer candidates were in the Level 2 mark band. However, stronger candidates identified that the main advantage of a private limited company was limited liability which gave protection for the brothers' investment, especially considering their expansion plans and the need to take out a bank loan. Weaker candidates confused partnership and private limited company and seemed to think Tim was separate to the owners.

Question 2

(a) This question required candidates to give two benefits of a business having a short chain of command. Most candidates were able to give at least one benefit with the most popular being that communication can be faster, better and be less likely to be distorted. However, only stronger candidates developed their explanation of the reason to achieve higher marks and included different aspects of application for each reason. Weaker candidates repeated the same benefit with different wording. Some candidates correctly recognised that the span of control may be wider.

(b) This question required break-even to be calculated when comparing the two products. Many candidates were credited for calculating profit and some candidates also calculated the break-even output for each product. Weaker candidates could only make simple comparative statements from Appendix 2 such as the price of Product A is much higher than Product B. This restricted these candidates to the Level 1 mark band. Candidates who only calculated profit were limited to the Level 2 mark band as they did not fully answer the question. Only stronger candidates who were able to calculate break-even output for both products and then make a recommendation based on the results of these calculations moved into the Level 3 mark band. A common mistake made by weaker candidates was to label profit as gross profit and contribution as profit. Correct labels need to be applied to the calculations to ensure that the Examiner can understand what the candidate has calculated.

Question 3

(a) This was a generic question, and marks were awarded for making a relevant point with additional explanation of the benefits to a business of using social media. This was the only response which did not need to reference ES. It was well answered by most candidates as showed a good understanding of the benefits of using social media as a method of promotion. The most popular benefits were, can target specific demographic groups; low or no cost/cheaper than billboards; wider audience; celebrity endorsement; digital posters and customer feedback can be responded to.

(b) This question asked for advantages and disadvantages of on-the-job and off-the-job training for new employees. Weaker candidates listed the advantages and disadvantages of the two methods without explaining why these were an advantage or a disadvantage to the business. Stronger candidates fully explained the two methods of training, applied their answers to ES, and included a recommendation that did not simply repeat earlier points when justifying their decision.

Question 4

(a) This question asked for one way that each of the listed stakeholder groups might find the financial information given in Appendix 3 useful. This question was well answered by most candidates. They included that owners would find the profit information useful to see if they would receive dividends that year, employees might see if their job was secure or if they were likely to receive a pay rise, suppliers would use the information to see if they would get paid and the bank would use the information to see if loans would be repaid. Only stronger candidates could explain each answer using the figures given in Appendix 3 and they used different figures as explanation for each stakeholder.

(b) Weaker candidates achieved Level 1 by making statements about the opportunities and threats of globalisation, such as, it increased the number of markets the business could operate in, there are no trade restrictions and there is cheap import of boat parts, but the business faced increased competition from other boat manufacturers. Stronger candidates developed their answers to explain why this might be an opportunity or threat to ES, but very few included a conclusion which did more than repeat earlier points.