

BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key messages

Application within answers was significantly improved this session, with many candidates gaining most of the marks available for this aspect. Candidates had clearly practised making appropriate use of the data provided within their answers. A key focus for development is the evaluation requirement within the final part of each question. Very few candidates gained all of the marks available for demonstrating this skill.

There was evidence to suggest that this paper tested elements of the syllabus that candidates were not familiar with. Candidates should be reminded that the examination could test all aspects of the syllabus and they should prepare accordingly.

General comments

The questions requiring definitions and calculations, such as parts **(a)** and **(b)** of each question were generally not as well answered as in previous sessions. A number of candidates struggled to give precise definitions to **Questions 1(a), 2(a)** and **3(b)**. Misunderstanding of key terminology also hindered the ability of candidates to score high marks in **Questions 3(a), 3(e)** and **4(e)**. A significant number of candidates had clearly misread the question. This was most evident within the answers to **Questions 1(e)** and **4(d)**.

Parts **(e)** of questions continue to be the most challenging for candidates. Candidates struggled to make a decision, or the decision made was not linked to the knowledge and analysis presented, therefore, evaluation marks were rarely awarded. Frequently the concluding statement either repeated the information within the rest of the answer or provided a decision without justification.

There are a number of considerations that might be helpful in enabling candidates to achieve higher marks by using their knowledge to develop answers in a better way.

Candidates should be encouraged to:

Revise the whole syllabus

Read questions carefully to ensure that the answer has the appropriate focus

Learn precise definitions

In part **(e)** candidates should be reminded of the importance of drawing reasoned and appropriate conclusions

Comments on specific questions

Question 1

- (a)** Only the strongest candidates were able to give clear and precise definitions. A significant number confused joint ventures with mergers.
- (b)** The majority of candidates were able to correctly identify two advantages. The most frequent responses given were to motivate employees or to have targets or goals to work towards.
- (c)** Although candidates were aware that businesses enter new markets in order to increase their sales or market share only the most able could identify an additional reason for this decision. The strongest candidates identified the need to spread risk or gain access to lower cost resources required for car production. The weakest answers simply stated that this would lead to expansion for the business.

- (d) This section of theory was understood by the majority of candidates and many were able to correctly identify two appropriate factors. The most frequent suggestions were the cost of the location and availability of labour or raw materials. Better candidates were able to identify specific factors that would apply to a car manufacturer such as the availability of components or access to transport given the bulky nature of the finished product. Many weaker candidates misunderstood the focus for the question and explained factors more appropriate to a retailer.
- (e) This question clearly differentiated between candidates. A number of responses focused their answers incorrectly around the benefits of the expansion to QCH or country C. The strongest responses appreciated that some businesses within country C would benefit whilst some would lose from this development. Evaluations were generally strong in such answers and built upon the clear application to car manufacturing.

Question 2

- (a) This term was not very well understood by the majority of candidates. A common error was to define sales revenue.
- (b) A number of candidates struggled to provide the correct answers to this question. The figure for X, cash, was particularly difficult to calculate for many candidates.
- (c) Candidates were clearly aware of text (SMS) messages but a number were unable to identify the advantages or disadvantages of this method of communication. The strongest answers identified the speed of communication and the limited amount of detail that could be included. A number of candidates stated very general points that could apply to many methods of communication, such as the cost or two-way nature of the method. Such answers could not be credited unless developed to show how they applied specifically to SMS messages.
- (d) The weakest candidates provided very general points, i.e. workers will learn new skills or this maybe time-consuming. Without further development such answers could not be rewarded, as they could relate to any type of training. The strongest answers identified that the revenue of a small business might be severely impacted if all of the workers were training away from the work place. Such candidates recognised that external training has many specific benefits.
- (e) Although candidates were aware of the advantages and disadvantages of loans as a source of finance very few were able to apply this knowledge to the specific circumstance outlined in the question. The very best responses used the information provided to calculate the current ratio and used this analysis to evaluate the best option for the business. A number of weak responses stated incorrectly that a bank loan would be a very fast method of finance or that an overdraft would be suitable for asset purchases.

Question 3

- (a) Ethical issues were generally not well understood. A common mistake being to identify issues that are required by law, such as paying wages or not discriminating, rather than ethical aspects.
- (b) Very few candidates were able to give a clear and precise definition of this term. A large number of candidates gained one of the two marks available for the realisation that this is a form of market research. A common error was to confuse focus group with pressure group.
- (c) Franchising was an area of the syllabus that candidates understood. A lack of precision in the use of terminology however meant that a number of candidates failed to gain marks on this question. The weakest candidates identified general points such as that this was a way to expand or gain sales with no specific reference to franchising. Such answers could not gain credit.
- (d) The strongest candidates appreciated the effect changing brand image would have on WSS and were able to clearly explain both a positive and a negative point. The most common positive point being that this would allow the business image to reflect the new product range.

- (e) Sponsorship continues to be a topic that confuses some candidates. A number of candidates incorrectly explained how a business sponsoring Wilde Soup Stop would provide additional finance, rather than identify the benefits Wilde soup would gain by sponsoring another organisation. Very few candidates gained marks for analysis on this question, as even the most able candidates were unable to explain how these methods of promotion would work to assist this business. A common point of knowledge was to identify that the majority of the population no longer reads newspapers and therefore the advert may not be seen.

Question 4

- (a) This term was generally understood. A common error was to define hierarchy rather than chain of command.
- (b) A generally well-answered question. A small number of candidates explained government actions such as increased taxation rather than objectives.
- (c) The impact of improved efficiency was not well understood by many candidates. Better answers identified the potential impacts upon both the average cost of production and output. Only the most able candidates applied the points raised to the context of a plastic bottle manufacturer. A common error was to assume that customers would be attracted to purchase products due to improvements in efficiency. Such answers gained no credit.
- (d) A number of candidates were able to clearly explain the impacts of legal controls designed to protect the environment, on a factory producing materials likely to damage the environment. The best answers focused upon the likely need to change either production methods or the raw materials used. A number of candidates misread the question and incorrectly focused their answers upon the impact of general rather than environmental legislation. Such answers could not be rewarded.
- (e) A large number of candidates found this to be the most challenging question on the examination paper. Although a number of candidates were able to identify a method of lean production such as Kaizen, very few were able to analyse how such methods would work in practise. The analysis and evaluation marks were therefore rarely awarded. The best candidates explained how just in time methods would reduce storage costs but would be a risky option for a factory that relies on imported raw materials.

BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

Candidates should be reminded that they must carefully read questions to identify both the type of business and whom they are writing their response about. This will ensure responses are appropriate for each given situation. Information contained in the stem of each question will prove helpful in answering the questions set.

- Parts **(a)** and **(b)** of each question required the recall of knowledge or application of knowledge linked to a given context. These parts were generally done well. More precision is needed when using business terminology.
- Parts **(c)** and **(d)** require candidates to identify and explain points. To gain full marks each point must be clearly developed and linked to the relevant context.
- Part **(e)** requires candidates to provide more developed explanations and a logical decision based on points made. Candidates should be encouraged to produce a two-sided argument rather than simply list a number of points.

General comments

Candidates were generally well prepared for the examination and most attempted every question. Questions requiring definitions and calculations were generally well attempted. There was evidence that candidates were unclear on the precise meaning of some terms including economic boom. Candidates should be encouraged to learn precise definitions.

There was evidence that some candidates did not fully understand certain parts of the syllabus including concepts such as batch production.

The application and analysis marks were often not awarded. At times, the answer given did not constitute an explanation of the point identified but was simply another knowledge mark or a repetition of the initial point. Some candidates did not read the questions carefully and hence had the wrong focus so did not address the specific question asked. Application continues to be a weak area in candidate responses and one which must be addressed when preparing for this examination. To do well in this paper candidates must make clear references, or application, to the stimulus material provided. Candidates should avoid using the same application and analysis point more than once in any given answer.

Part **(e)** of all questions continues to be the most challenging for all candidates. Only the best candidates were able to suggest and justify decisions successfully. Other candidates often provided a simple list of knowledge points. Of those who did attempt an evaluative statement, many were unable to provide reasoned statements to back up their choice.

Comments on specific questions

Question 1

- (a)** Most candidates understood that market research involved finding out information about customer needs. Better responses were able to provide a precise definition.
- (b)** The majority of candidates could identify at least one effect of an increase in rent. A common error was to define both types of costs (variable and fixed), which was not the question set.

- (c) The concept of location was well understood by many candidates. Most candidates were able to identify at least one relevant reason. It was pleasing to see that many candidates were also able to apply their answer to the scenario. For example many understood there were likely to more potential customers for this business in the city centre.
- (d) This question produced a range of responses. Most candidates were able to identify ways such as increased advertising or lower prices. The best answers tried to explain why these methods could help increase revenue for this clothing retailer. A number of candidates misinterpreted the question and incorrectly assumed that revenue and profit were the same so identified ways to cut costs. Such answers could not be awarded.
- (e) Good knowledge was evident in most responses. Better answers developed points made and used the information from the stem to help make a justified decision about whether Cheung should change his supplier. Weaker answers were characterised by simple statements. Many responses identified points such as cost of transport or cheaper prices may be possible as the manufacturer may offer discounts for bulk buying but did not develop the points to show how or why they might influence Cheung's decision. Evaluation in most responses was simple or not attempted. Some candidates assumed that Cheung was a manufacturer rather than a retailer so incorrectly focused on production issues.

Question 2

- (a) Many candidates understood that liquidity referred to the speed at which assets could be turned into cash. The best answers were able to provide a precise definition. Two common mistakes were to confuse the term with cash flow or state the liquidity ratio.
- (b) Most candidates could identify at least one relevant reason with aiding decision making and enabling the director to see how well the company is meeting objectives being typical responses. A common error was to repeat the same answer for both points.
- (c) This question provided a range of responses. Many candidates could calculate the Return on Capital employed (ROCE). Better candidates were then able to explain what their result showed about LWM's performance. It was clear that a number of candidates did not understand that ROCE was a measure of efficiency and therefore produced answers that simply focused on the level of profits.
- (d) This question proved challenging to some candidates. Many candidates were able to identify either an advantage or disadvantage. Better answers explained how points such as flexibility could be an advantage while the need to reset machines between each batch could create problems. Only the strongest responses used the information provided to apply their answers. A number of candidates appeared to confuse batch production with other production methods so identified points that were more appropriate to flow production or production methods in general. Such answers could not be awarded.
- (e) Most candidates could identify at least one way in which a business could respond to increased competition. Better candidates developed points made to explain how advertising or taking over a competitor might help a business remain competitive. These answers also used the context well, for example some recognised that it relied on one product for 66% of its sales or that they made a variety of tyres so developing new products or entering new markets were possible options. Only the best answers offered a supported decision. Some candidates did attempt to make a judgement but were not able to offer sufficient reasons to back up the statement made.

Question 3

- (a) Many candidates understood that gross domestic product would increase during an economic boom. Some candidates were able to provide a precise definition.
- (b) Well answered.
- (c) Most candidates showed good knowledge of the possible effects of an increase in interest rates. Better answers were also able to apply their answer to this cake business. There were two common mistakes. Some candidates confused interest rates with taxation. Others incorrectly assumed that a rise in interest rates would force a rise in the cost of materials.

- (d) Most candidates were able to clearly explain at least one possible reason why quality might be important to this business. Better responses used appropriate information from the material provided to support the points made. Some responses had the wrong focus and discussed why quality might be important to customers. This was not the question set. It is important that candidates read the questions carefully.
- (e) Candidates generally understood the concept of a business partnership and identified a number of appropriate knowledge points. Only the best answers were able to explain why having access to more capital, a shared workload and having to share profits were points that needed to be considered before making a justified decision as to whether Manisha should have a business partner. Weaker responses offered simple statements but no development. Candidates should try to avoid listing knowledge points. Evaluation in most cases was simple or not attempted.

Question 4

- (a) Well answered by the majority of candidates. A common error was to list different stakeholder groups which was not the question set.
- (b) Generally well answered. A common mistake was to confuse private sector with a private limited company, a sole trader or primary sector.
- (c) Most candidates showed good knowledge of the possible effects of many workers leaving. However few responses attempted to apply points made to the context so credit for application was therefore rarely given. Some candidates misinterpreted the question so incorrectly identified possible reasons why workers may have left the business.
- (d) Most candidates could identify and explain one possible advantage of using democratic leadership, with more ideas and increased motivation being common responses. Better candidates were able to apply their answers to the context. Some candidates repeated the same answer for both advantages which could only be credited once. Instead of development, others repeated the knowledge point rather than explain it could benefit the business.
- (e) Good knowledge of non-finance methods of motivation was evident in most responses. Better answers developed points such as fringe benefits and job rotation to explain how they might help improve employee motivation. Weaker responses offered simple statements but no development. Others simply stated the method chosen would improve motivation without saying how this would be achieved. Most candidates were not able to link their answers to the scenario. Few candidates attempted to provide a supported decision to this question.

BUSINESS STUDIES

Paper 0450/13
Short Answer/Structured Response

Key messages

Candidates should be reminded that they must carefully read questions to identify both the type of business and whom they are writing their response about. This will ensure responses are appropriate for each given situation. Information contained in the stem of each question will prove helpful in answering the questions set.

- Parts **(a)** and **(b)** of each question required the recall of knowledge or application of knowledge linked to a given context. These parts were generally done well. More precision is needed when using business terminology.
- Parts **(c)** and **(d)** require candidates to identify and explain points. To gain full marks each point must be clearly developed and linked to the relevant context.
- Part **(e)** requires candidates to provide more developed explanations and a logical decision based on points made. Candidates should be encouraged to develop a two-sided argument, rather than simply list a number of point.

General comments

Candidates were generally well prepared for the examination and many attempted every question. Questions requiring definitions and calculations were generally well attempted. There was evidence that candidates were unclear on the precise meaning of some terms including business cycle. Candidates should be encouraged to learn precise definitions.

There was evidence that candidates did not understand certain parts of the syllabus. Some candidates struggled with concepts such as lean production and legal controls for marketing.

The application and analysis marks were often not awarded. At times the answer given did not constitute an explanation of the point identified but was simply another knowledge mark or a repetition of the initial point. Some candidates did not read the questions carefully and hence had the wrong focus so did not address the specific question asked. Application continues to be a weak area in candidate responses and one which must be addressed when preparing for this examination. To do well in this paper candidates must make clear references, or application, to the stimulus material provided. Candidates should avoid using the same application and analysis point more than once in any given answer.

Part **(e)** of all questions continues to be the most challenging for all candidates. Only the best candidates were able to suggest and justify decisions successfully. Other candidates often provided a simple list of knowledge points. Of those who did attempt an evaluative statement, many were unable to provide reasoned statements to back up their choice.

Comments on specific questions

Question 1

- (a)** Most candidates understood that a trade union tried to protect workers' rights. Better responses were able to provide a precise definition. Some answers confused the term with a trade organisation so incorrectly assumed its role was to promote international business.
- (b)** The majority of candidates could identify at least one reason. A common error was to repeat the same point for both reasons.

- (c) Most candidates were able to identify at least one opportunity with access to a larger market being a popular choice. Better candidates were able to link their answers to the scenario.
- (d) This question proved challenging to many candidates. Most were able to identify stakeholder groups such as suppliers and the community. Better responses were then able to explain the possible impact on them of CFE's decision to downsize its workforce. Only the best answers tried to use the context to support the points made. A common mistake was to identify internal stakeholders which the question did not allow.
- (e) Good knowledge was evident in most responses. Better answers developed points made and used the information from the stem to help make a justified decision about whether reducing the number of workers was the best way for CFE to reduce costs. Weaker answers were characterised by simple statements such as the cost of redundancy or the impact on other workers. These responses did not develop the points to show how or why they might influence CFE's decision. Evaluation in most responses was simple or not attempted.

Question 2

- (a) Most candidates understood that a brand was how a product was recognised. Better candidates were able to provide a precise definition.
- (b) Well answered by the majority of candidates.
- (c) Most candidates could identify one advantage with better responses trying to link their answers to the scenario. A common mistake was to repeat the same point for both advantages as the point could only be rewarded once.
- (d) The concept of issuing shares as a source of finance was not well understood by many candidates. The strongest candidates understood that shares did not need to be repaid but involved the possible loss of control and then explained why these issues were factors that needed to be considered. Few candidates were able to apply their answer to the scenario so application marks were rarely awarded. Instead of development weaker answers repeated the knowledge points. Some incorrectly assumed that the business would have to pay dividends or stated that shares were a quick source of finance.
- (e) Good knowledge and application was evident in most responses. Better candidates developed points made to explain the possible advantages and disadvantages of each option. Only the best answers offered a supported decision. Some candidates did attempt to make a decision but were not able to offer sufficient reasons to back up the statement made.

Question 3

- (a) This question produced a mixture of responses. Many candidates knew that an overdraft was a short term source of finance. Better candidates were able to give a precise definition. A typical error was to confuse the term overdraft with a bank loan.
- (b) Well answered.
- (c) The concept of legal controls on marketing was not well understood by many candidates. The strongest candidates understood that such controls would affect how or what was said in advertisements or about its products. Often candidates misinterpreted the question so discussed general marketing issues or other types of legal controls a business might have to consider which was not the question set. A number of candidates did not attempt this question.
- (d) A large number of candidates were able to clearly explain both an advantage and disadvantage of being a business partnership. Better answers were able to develop points such as sharing responsibilities and profits to show why they were helpful or not for this particular business.
- (e) Candidates generally understood the different ways to improve cash flow. The best answers addressed the context well and recognised that changing the timing of cash inflows would do little to address the issue of the negative cash flow position and concluded that reducing cash outflows

may be a better option. Weaker responses offered simple statements but no development. A number of responses also lacked evaluation.

Question 4

- (a) Only the most able candidates were able to give a correct and precise definition. The majority of candidates confused the term with product life cycle - a completely different concept.
- (b) Most candidates showed good knowledge of flow production. A common mistake was to repeat the same point for both advantages. This could only be awarded once.
- (c) This question produced a mixture of responses. Many responses identified at least one advantage of using non-financial methods of motivation. Better answers were also able to apply their answers. There were two common mistakes. Some repeated the same answer for both points. Others had the wrong focus and discussed general points which could equally apply to any method of motivation.
- (d) This question provided challenging for most candidates. It was clear that many did not understand the concept of lean production. Some candidates were able to identify one method but instead of explaining how techniques such as Kaizen and Just In Time could be used to improve efficiency they offered definitions of each term. Few candidates were able to apply their answers to the context. Many responses had the wrong focus and suggested how output could be improved which was not the question set. A number of candidates did not attempt this question.
- (e) Good knowledge of the advantages and disadvantages of the two types of recruitment was evident in most responses. Better answers developed points such as wider pool of candidates and awareness of the business and showed why these factors were relevant when looking to appoint the new manager. Weaker responses offered simple statements but no development. Some candidates were able to link their answers to the scenario. Evaluation in most responses was simple or not attempted.

BUSINESS STUDIES

Paper 0450/21
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This 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 company printing designs on ready-made T-shirts.

Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination: It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of TT printing many different designs on T-shirts provided an accessible scenario for candidates. Those who applied their skills to the context of TT boosted their marks much further.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. 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 detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by defining business terms and using them confidently.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation. There continues to be a weakness amongst some candidates in handling numerical data. Examination preparation should include some learning of how to calculate financial ratios so that marks can be gained from demonstrating good numeracy skills.

Candidates should be reminded to contextualise their responses and not provide generic textbook answers. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Q3 (a)** many candidates mentioned communication barriers resulting from messages not reaching all workers. Better responses interpreted the difficulties in communication in the context of TT, referring to the fact that information was put up on just one noticeboard in one part of the factory. Such a barrier might be reduced by having noticeboards in each building so that every worker would definitely see all messages, regardless of the section in which they worked.

Comments on specific questions

Question 1

- (a) Many candidates made a good start by demonstrating sound knowledge of the ways in which quality production can be achieved in the printing of T-shirts at TT. Quality control and quality assurance were frequently mentioned. Better responses went on to develop the explanation in the context of TT, through reference to high quality imported T-shirts and clearly printed designs. Application continues to be a weaker area in candidate responses. To do well in this paper, candidates must make clear references, or application, to the stimulus material provided.
- (b) This question was well answered by the majority of candidates. Candidates managed to interpret and analyse the information presented in the case study, comparing Option A and Option B as two ways of expanding the business. Better responses recognised that Option A would open up a new international market with the benefits of economies of scale but job security would be threatened resulting in low morale amongst the workers. Option B, on the other hand, would be cheaper than Option A and would result in more efficient production of T-shirts. However, it would be necessary to use an agent which would mean sharing profits and decision making with a third party. Weaker responses tended to be repetitive with candidates copying out the case study material. Candidates need to understand that this approach does not score marks. The highest marks were rewarded to candidates who made a clear justified recommendation about which would be the best option to choose, supporting their decision by making reference to management control and future market developments as reasons for their choice.

Question 2

- (a) This proved to be a straightforward question with many candidates correctly identifying Taylor, Maslow or Herzberg as motivational theorists. Further marks were awarded for responses which linked the details of the theory to the context of the workers at TT. For example, Appendix 2 provided evidence that workers were expected to do a lot of tasks they were not paid for, so using the Taylor approach of motivating workers by paying them more money would be likely to have a positive outcome in boosting morale at TT. Weaker responses tended to muddle up theorists and overlooked the information in the case study about worker morale at TT.
- (b) In this question candidates were asked to consider three external influences that might affect TT's decision to export T-shirts. Many candidates found this quite challenging. There was some confusion about the impact of the appreciation of exchange rates. However, the impact of increasing economic growth in developed economies was considered more confidently, with good analysis of rising incomes and the link to more demand for high quality T-shirts with different designs. It was clear that many candidates had good knowledge of import tariffs and the increased costs that would be imposed on the T-shirts that TT might wish to sell in other developed economies. The best answers concluded with a judgement which balanced the significance of each change in trading conditions and made a justified decision about the most important influence on TT's exporting plans.

Question 3

- (a) Many candidates gained some marks for correctly identifying communication barriers at TT. Popular responses mentioned language barriers, not picking up messages and problems with feedback. However, it was apparent that not all candidates have an explicit understanding of the significance of good communication in any business. Appropriate use of Appendix 2 would have helped to gain application marks in this question. For example, reference could have been made to the Operations Manager telling workers what to do and not asking workers what they think. Two-way communication in the form of meetings and discussion groups would have improved the situation at TT. Candidates should be reminded to always contextualise their responses to maximise their marks.
- (b) The purpose of this question was to ask candidates to consider three channels of distribution. There was evidence of quite weak knowledge of the role of wholesalers but good answers were offered relating to selling T-shirts to large retailers and TT opening their own shops. The location of large retailers in well-populated areas, counteracted by the presence of competitors' T-shirts in the same shops, were points that were confidently discussed by many candidates. Opening their own shops, on the other hand, would allow TT to become more well-known and make more direct

contact with customers. The best responses balanced the advantages and disadvantages of each distribution channel and then gave a clear recommendation as to which channel of distribution would be most suited to TT.

Question 4

- (a) Quite a few candidates were not able to distinguish between short-term and long-term finance. Those who did understand the difference explained that, in the short term, the day-to-day expenses of TT might vary and there might be a need to use trade credit or an overdraft to pay suppliers when there were cash flow problems. However, some answers mistakenly mentioned that short-term finance would be needed to support the purchase of new, computer-controlled equipment. There was a clearer understanding of the need for long-term finance. It was pleasing to see responses explaining how bank loans and issuing shares could support the take-over of another business.
- (b) This question proved to be a clear discriminator between those candidates who had learned how to calculate financial ratios and those who had not. Weaker candidates offered a lengthy overview of production, human resources and marketing at TT with financial data copied from Appendix 3. Those responses which included evidence of calculations of gross and (net) profit margin and ROCE for both years gained level 2 marks and then were further rewarded for linking these figures to the dividends paid to shareholders, TTs' future plans for expansion or even recommending how profit margins could be increased in the following year. By making clear recommendations about TT's financial performance it was possible for candidates to show good application to the context of the case study.

BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This 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 company that manufactures luxury chocolates.

Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination: It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of CC manufacturing luxury chocolates provided an accessible scenario for candidates. Those who applied their skills to the context of CC boosted their marks much further.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. 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 detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by defining business terms and using them confidently.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation. There continues to be a weakness amongst some candidates in drawing and interpreting a break-even chart. Examination preparation should include some learning of how to draw and interpret a break-even chart so that valuable marks can be gained from demonstrating these skills.

Candidates should be reminded to contextualise their responses and not provide generic textbook answers. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 1(a)** many candidates mentioned two financial statements and how they could help in the decision about expanding the business. Better responses considered the amount of capital required for the automated production line, referring to the fact that the company is a private limited company and may not be able to access such a large amount of money in order to expand. However, CC is planning on expanding into the mass market and therefore revenue is expected to increase significantly making it easier to repay any loans.

Comments on specific questions

Question 1

- (a) The majority of candidates made a good start to the paper and could demonstrate an awareness of the nature of relevant financial statements, for example to find the liquidity or profitability of CC, even if they could not always give the correct names. Income statement and balance sheet were the most popular statements identified with cash flow forecast being cited far less often. However, there was often a complete lack of applied explanations of these financial statements and how they could help with the decision to expand, which restricted candidates to half the total marks available. Weak responses also named break-even which could not be credited. Application when it was included was usually for a consideration of the 15 years the company had been established, the amount of capital required for expansion, the nature of the product and the type of equipment to be purchased.
- (b) Overall, this question was well answered by the majority of candidates. The most common error made in this question was on the exchange rate section as many reversed the impact of the exchange rate. Weaker candidates may have identified that a low exchange rate increased costs, but then failed to consider the impact of these increased costs on the business when deciding whether to import ingredients. Import tariffs was generally answered well, only a small number of candidates seemed to confuse tariffs with quotas or did not demonstrate a clear knowledge that it was a cost implication and not a quantity issue. It was well recognised that an increase in tariffs increased costs and this was expanded on to explain that it led to a reduction in profits and/or demand, or an increase in price to maintain profits. Some responses recognised that ingredients could be sourced locally, although they might be of a lower quality. The impact of delivery times was generally well answered with a number of impacts considered such as lower production, unable to meet demand, loss of revenue or even a loss of customers. A small number of candidates misunderstood this element and discussed CC's delivery to the customer as opposed to the supplier's delivery to CC. The conclusion remained a weak area, with many candidates just repeating points made previously. The most popular factor considered to be most important was delivery time, concluding that the business could deal with increases/decreases in costs and prices, but if there were no raw materials, there could not be any production. Stronger candidates explained the further consequences of reduced sales, loss of customers, damaged reputation etc. Application was often awarded and mostly related to low exchange rate in country X, high/low quality ingredients and the production of chocolates.

Question 2

- (a) Generally well answered with popular responses relating to efficiency, building relationships with existing staff, a fast way of contributing to production and it being cheaper than alternatives. Many answers were generic but when application was awarded it tended to be for considering that CC has 100 production workers, the chocolates are hand-made and that they are luxury chocolates. The initial reasons cited were sometimes too brief or ambiguous to gain credit as often it was difficult to differentiate if the answer was about on-the-job or off-the-job training. Weaker candidates tended to repeat the same material across the two reasons and many missed opportunities to apply the case study within their answers.

- (b) Candidates showed a good understanding of stakeholders in a business and how they would be impacted by the introduction of automated machinery. In relation to employees as stakeholders, the negative impacts of redundancy as a possible outcome were very widely considered and well understood. In contrast, the possible positive effects of the new production line on employees got relatively limited attention. Many candidates correctly realised that employees would be made redundant, but failed to realise that some could be trained on the new machine. Very few realised that the existing workers could carry on making handmade chocolates, as this was an expansion of the business. Better candidates recognised the impact on shareholders may change from short term to long term and many made the connection to possible higher dividends. The bank aspect was the least well covered with many candidates considering loans in a general context but not always clearly indicating how the bank as a stakeholder might be affected as a lender. A common response stated that the bank would give the loan, get interest and make a profit. A few candidates went on to discuss the importance of collateral, if CC failed to pay back the loan. Weaker candidates discussed the impact of the loan on CC and not on the bank. Some candidates struggled to gain level 3 marks in the recommendation as they repeated the points made above often about demotivation or redundancies. Generally most candidates concluded that employees would be most affected, as they would have no income, which would affect their living standards. A few developed the conclusion further by saying that they might find it difficult getting another job if other companies in the industry were moving away from hand-made products. Application marks were not readily gained but when they were it tended to be for considering the amount of capital required for the investment, the number and nature of workers making chocolates in the factory.

Question 3

- (a) Surprisingly this proved to be a more difficult question for weaker candidates. Weaker candidates' confused public limited companies with public sector and got the disadvantage wrong by suggesting the government would not let them make profit as they had to increase national employment etc. Some suggested that selling shares gave more revenue and it would result in diseconomies of scale. Answers relating to size rather than the type of business organisation gained no credit as it did not answer the question. The inclusion of 'limited liability' as an advantage was a repeated error, as candidates had not read the question carefully. Better candidates showed an awareness of the increased share capital opportunities available to public limited companies and the issues around potential loss of control and reduced privacy. Application was rarely present within explanations and when it was it tended to be for consideration of the expansion of CC and the requirement for new equipment.
- (b) Candidates either understood break-even or they did not. Common errors were drawing the line from the origin, or trying to change fixed cost as well. Many candidates did not recognise that output was not changing, and some thought price was going down to \$0.60. Stronger candidates demonstrated a very clear understanding of the effects of lowering variable costs and were able to correctly indicate or calculate the new and original break-even points. Relatively few attempted to calculate the profit figures. A significant number of weaker candidates failed to attempt to draw a new total costs line on the graph and showed very limited awareness of relevant principles in their explanation. Application opportunities were often missed even within otherwise very strong answers. Alternative strategies to increase profits were often not considered which lowered level 3 marks as many recommendations just focused on how reducing variable cost could improve profit, rather than providing a discussion of the best way to gain highest profit.

Question 4

- (a) A very well answered question and many candidates gained full marks. However, many weaker candidates only gained 4 marks as they were aware of the names of the stages but the explanations were not clear enough to be reflective of that specific stage. Maturity and saturation stages were the least well understood stages. A common mistake from weaker candidates was to include the development stage; the candidates had not read the question carefully. Also there was confusion with the economic / business cycle with reference being made to boom / recession / slump.

- (b) This was a well answered question by the majority of candidates. Penetration pricing was usually well understood as were the risks associated with it. The nature and relevance of competitive pricing were sometimes misunderstood in the context of the case study and price skimming was misguidedly recommended on occasions. Promotion and place strategies were generally dealt with well and application opportunities were widely achieved by the majority of candidates as they used the information provided in Appendix 3 to answer the question. As a result, commendably high marks were often achieved on this question. Weaker candidates discussed the impact marketing mix elements would have on the business when entering the mass market but did not discuss the examples from the appendix, which limited their marks. The weakest of the three elements seemed to be place and many candidates confused which was the current place with the new place. A common error by weaker candidates was again based around the fact that they did not recognise this marketing mix was for Fizz Bomm, a mass market product, but discussed handmade chocolates instead. Many conclusions were detailed and allowed high marks to be awarded, as often candidates discussed why the other factors wouldn't have such a big impact.

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 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 company making cars. Candidates should try to give a full explanation of positive and negative consequences of a business decision when this is asked. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.

Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination: It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of SC manufacturing cars provided an accessible scenario for candidates. Those who applied their skills to the context of SC boosted their marks much further.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. 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 detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn basic marks by defining business terms and using them confidently.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation.

Candidates should be reminded to contextualise their responses and not provide generic textbook responses. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Q4(b)** a number of candidates calculated the profitability ratios. Better responses interpreted the results and then gave a clear justification as to whether or not potential shareholders should buy shares in SC by drawing not only on the results of the calculations but also on other information about the business provided in the case study.

Comments on specific questions

Question 1

- (a) The majority of candidates made a good start by correctly identifying two tertiary businesses that SC might use such as a bank for a loan, an advertising agency to produce advertising campaigns, maintenance firms to repair and install the robots and insurance companies to provide cover for their employees or provide customers with insurance. Many responses then went on to explain how the business provided services that SC is likely to use. However, a minority of candidates found it difficult to gain more than one application mark in each section. Application was to answer in the context of a car manufacturer rather than just a generic business and to make reference to the case study especially Appendix 1, such as insurance provided by SC or cars sold through local car showrooms.
- (b) Candidates responded well to this question. Most candidates could discuss the effects the three changes had on the company. Many candidates recognised that many customers may want to buy a car using a bank loan and that lower interest rates would make buying a car more affordable with lower interest repayments. Better candidates realised that as SC produced fuel-efficient cars this might actually increase sales for SC rather than cause a reduction in car sales due to people using cheaper substitutes such as motorbikes or public transport. The most common answer to the legal control was that demand for cars would fall as people either used alternative forms of transport or shared cars. A few thought that there would be little effect as people would still want a car even though it could not be used every day. Answers were well applied to the context of buying cars and using alternatives such as public transport. Weaker candidates often just repeated their earlier points in the recommendation and hence gained no further credit or made a weak judgment selecting only one change to justify and gained some additional credit. Strong candidates compared the three changes before making a judgement as to which would have the biggest effect on sales.

Question 2

- (a) This question asked candidates to identify and explain two reasons why employees might want to join a trade union. Many answers discussed the benefits that could be negotiated, such as improved working conditions, more holidays and fewer working hours. The highest credit for this response was, as always, given to candidates who successfully related their explanation to the car company in the case study rather than provide a generic answer. Only strong candidates gained full marks by fully applying their analysis to this business in the case but many did gain application marks in both sections for identifying the problems for the employees at this company as outlined in the case. Weaker candidates often did not explain how the trade union could help improve these issues for workers, such as there being strength in numbers being more effective in pressuring for improvements.
- (b) This question was concerned with the effects on SC of three factors when considering the marketing of its cars in foreign markets. Many candidates identified higher levels of competition as being a problem but then only stronger candidates went onto explain how this would affect the marketing in the foreign market. Consumer needs was often the best answered of the factors with candidates arguing that if the car did not meet customer needs then it would not be successful and that market research might be needed before entering the market to ensure customer needs were identified. The channel of distribution attracted weaker responses compared to the other two factors. Weak candidates just stated that a suitable channel needed to be found whilst only really strong candidates considered whether the product needed to be sold through car showrooms where customers could be given information about the product. Some thought selling direct to customers was an option and this often showed a lack of application to the product in the case. Weaker conclusions were usually repetition of earlier statements and hence gained no further credit. Better answers often concluded that consumer needs were the most important of the factors as if customer needs are not met then it does not matter whether the most effective channel of distribution is used, or whether there are no competitors, the cars will not sell. Answers were often well applied through reference to producing cars that meet the exact requirements of customers, choosing car showrooms where customers can come and try the car before buying, reference to the sales figures in Appendix 3 and that SC might be more competitive as it produced fuel-efficient cars.

Question 3

- (a) This question was well answered by the majority of candidates. Candidates often gave answers that recognised making cars to the exact requirements of customers would meet customer needs, encourage brand loyalty and lead to word-of-mouth advertising to family and friends of customers. These answers were often well applied by referring to the cars meeting customer needs but only stronger candidates gained both application marks. Many answers recognised that producing cars to the exact requirements of customers would increase costs and take time to read the bar codes and adjust equipment to make a slightly different car each time. However, most candidates scored less than full marks due to a lack of full application to the case.
- (b) This was one of the less well-answered questions on the paper. Many candidates lacked knowledge of the different methods of ensuring quality even if they could name quality control, quality assurance or Total Quality Management. Only a few recognised that SC was already using quality control and if they did they often could not explain how it could be used. There were confused answers that discussed consumers' test driving the cars and feeding back information to SC. There also seemed to be a lot of confusion between quality control and quality assurance and how they are carried out. Several candidates named quality control and then described quality assurance and vice versa. The majority of candidates did not apply their response to the case study and weak analysis meant solid recommendations were provided by a minority of candidates.

Question 4

- (a) Many candidates gained at least four marks if not more for this question as they could identify methods such as letters, email, text messages, advertising or posters, telephone/mobile phone or noticeboards. The majority of candidates could then go on to explain when these methods might be used, such as telephone to contact suppliers of tyres.
- (b) Many candidates scored well by calculating the gross profit, (net) profit and ROCE ratios for both years. Better candidates identified in the recommendation that the business had the same gross profit and (net) profit for both years and had therefore not increased either of these. However, there were lower profitability ratios for all three ratios. Candidates argued that SC is less likely to pay increased dividends in the future and is therefore not worth investing in. Weaker answers just considered what was happening to the figures, e.g. for example revenue increased by \$50m or incorrectly calculated the ratios. Few candidates applied their answers to the business in the case and therefore few candidates gained full marks. Where application was awarded it tended to be for identifying the longer term trends in car sales as outlined in Appendix 3 leading to the possibility of increased sales and profit for SC in the future.