

BUSINESS STUDIES

Paper 0450/11
Short Answer/Data Response 11

Key messages

- Definitions of key terms need to be precise.
- The same point can only be credited once within a given answer therefore candidates should use distinctly different application and analysis for each point of knowledge.
- Questions which require application, such as most **part (c)** and all **part (d)** of each question, refer to the business in the scenario by name. Candidates need to use information from the stem to help answer these questions as this provides the basis for application.
- Candidates should be reminded that there are no application marks in **part (e)** of each question.
- Effective evaluation is an area which continues to require development. Evaluation must include a justified decision that follows on from, but does not simply repeat, the points made earlier in the answer. The mark scheme for each **part (e)** question includes an example of how evaluation could be demonstrated in an answer.

General comments

There is evidence that candidates found this paper to be slightly more challenging than previous exam papers. However, most candidates were able to achieve marks on the majority of questions and very few did not attempt parts of the paper.

Definition questions seemed to be a particular issue for candidates this session. Many candidates needed to be more precise when defining the requested term, for example on **Questions 3(a)** and **4(a)**. Weak understanding of business terminology was also a factor which affected the marks awarded on some **part (c)**, **(d)** and **(e)** questions.

There was some evidence this session that candidates were not reading the questions thoroughly before starting to write. This was particularly an issue on **Questions 1(b)**, **4(b)** and **4(d)**.

Application continues to be an issue for a number of candidates. Many simply stated '*product*' rather than naming the product or service that the business offered.

Comments on specific questions

Question 1

- (a) The benefits of using flow production were not well understood by the majority of candidates. Many candidates offered vague comments which could relate to a variety of types of production, such as it being cheaper. Candidates who scored highly offered precise benefits related specifically to flow production such as those in the mark scheme.
- (b) This question was well answered by many candidates with a range of suitable reasons being suggested. A small number of candidates answered from the perspective of a business rather than that of a worker.

- (c) This question required application to the business stated in the stem. Stronger candidates often stated the benefits of email as 'can be referred to later' and telephone as 'gaining instant feedback'. Weaker candidates repeated the same advantage for each method of communication which could only be credited once.
- (d) Two different leadership styles were identified by the majority of candidates. Many candidates then struggled to explain how these methods would work in practise. Stronger candidates were able to identify and use two different points of application from the question stem. Laissez faire was not well understood by the majority of candidates who selected it. The weakest answers confused the features of democratic and autocratic styles of leadership.
- (e) Candidates found this to be the most accessible of the **part (e)** questions on the paper. The strongest answers recognised the importance of raw materials, labour availability and the available market or demand. A mistake made by many candidates was to confuse relocation of operations with selling to a new market. Very few candidates included an effective evaluation for this question.

Question 2

- (a) The idea of an entrepreneur was not clearly understood. Many candidates stated that this was 'a person who started a business' showing some awareness. Only the strongest candidates offered a precise definition such as those in the mark scheme. Weaker candidates often confused an entrepreneur with a sole trader.
- (b) A mark of one was common as most candidates were aware that a business plan states the aims of a business but did not develop their answer beyond this to provide a full definition.
- (c) Many candidates did not understand the concept of microfinance. The strongest answers identified an advantage and a disadvantage and applied their answer to the stem, for example by stating that microfinance would offer only a small amount of finance for this new business.
- (d) This question discriminated well between candidates. The weakest candidates often simply described the data presented in the chart and did not answer the question set. Stronger candidates recognised that chart 1 would assist with deciding the target market and chart 2 with the product to sell. A noticeable number of candidates discussed production rather than selling which could not be rewarded.
- (e) Many candidates had a good general understanding of ecommerce. Stronger candidates explained the benefits of reaching a large group of potential customers and compared this to the threat of potential fraud/hacking. A common mistake made by weaker candidates was to confuse ecommerce with online advertising. A small number of candidates explained the benefits to the customer rather than to a new business. Very few candidates attempted evaluative comments, those that did often simply repeated points already awarded.

Question 3

- (a) This definition was generally not well understood. Many candidates confused capital employed with working capital. Other answers provided a correct calculation rather than a precise definition.
- (b) A significant number of candidates gained one mark as they did not include the per cent sign in their final answer of 12.5%. A noticeable number of candidates did not know how to calculate this ratio.
- (c) A mark of two was common as correct answers focused only on the potential for higher sales in the holiday market. Candidates should be reminded that phrases such as more customers, more sales and more revenue are explaining the same idea and can be credited only once within an answer. Weaker candidates confused a mass market with a global or international one.
- (d) Stronger candidates recognised the benefit of selling shares to the public, or limited liability, and the disadvantage of the requirement to publish information. Such answers often gained all the knowledge and analysis marks available. Very few candidates were able to offer two separate points of application. A significant number of candidates confused public limited companies with government owned public corporations.

- (e) Candidates found this to be an accessible question. The strongest answers explained that increasing prices would potentially raise revenue by giving the image of a quality product but could equally force customers to look for alternative options. The strongest were able to make a recommendation gaining one of the evaluation marks available. Weaker candidates showed awareness that this was a dangerous tactic as customers may leave.

Question 4

- (a) This was a challenging question. Many candidates thought that external costs meant costs from outside the business such as paying for raw materials.
- (b) Well answered generally. Weaker candidates stated ways that the identified stakeholder could assist the business for example employees producing high output which could not be credited.
- (c) This **part (c)** question was one of the most challenging for candidates. The strongest candidates identified the methods as shown in the mark scheme. A noticeable number of candidates described what the pressure group would want to change not how they would try to persuade a business to change. Candidates should be reminded that illegal actions, such as sabotage or violence, will not be credited.
- (d) Strong answers to this question focused on job creation and competition for local businesses. However, some answers needed to make more effective use of the information provided in the question stem to achieve both of the application marks available. Where application was awarded it was often for identifying the product made, steel. The weakest candidates confused the focus of the question and explained the benefits and drawbacks to a business of operating as a multinational. Such answers could not be credited.
- (e) A range of responses were provided to this question. For many candidates however this was the most challenging **part (e)** question. The weakest candidates discussed the benefits of selling quality products or confused quality control and quality assurance. The strongest answers were able to state a benefit of quality assurance and explain a cost of quality control. Candidates struggled to provide effective evaluation in this question.

BUSINESS STUDIES

<p>Paper 0450/12 Short Answer/Data Response 12</p>
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Key messages

- Greater precision is needed when providing definitions. They do not need to match the coursebook word for word if the meaning is clear.
- Candidates should be encouraged to use information from the stem to help answer **part (c)** and **part (d)** questions as this provides the basis for application. A separate contextual reference is needed for each point.
- Candidates cannot gain credit for using the same analysis for both points within the same question.
- Evaluation continues to be a skill that needs improving. Evaluation requires candidates to make a supported judgement. It should build on the analysis and clearly answer the question set. 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 most candidates demonstrating good subject knowledge. However, some candidates did not include relevant application or analysis. Most candidates struggled to access the evaluation marks.

It was pleasing to see many candidates using application in their answers. Application does not have to be difficult, any appropriate reference from the scenario can be used to support the point being made. A different point of application is required for each answer given within the same question.

Analysis involves developing the points made. Some candidates repeated their knowledge point rather than explaining 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)** questions. 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, provide a supporting reason for the decision and depending on the question, explain why it is better than the alternative discussed.

Comments on specific questions

Question 1

- (a) Candidates who understood the term tended to gain both available marks on this question. Correct answers recognised that these businesses are owned by individuals and profit is their main objective. A common mistake was to identify specific features of limited companies or sole traders rather than general features of a private sector business.
- (b) Most candidates could identify at least one reason with lack of finance and owner's objective being typical responses. A common mistake was repetition by stating the same point for both answers. For example, lack of sales and limited demand.
- (c) Good knowledge was evident in most responses. Correct answers recognised short-term finance was needed to pay day-to-day expenses whilst long-term finance was required to fund expansion. Application was often awarded for appropriate references to car repair business or two employees.

Some candidates repeated the same application for both answers. Others confused short-term with long-term, for example suggesting long-term finance is used to pay wages and short-term finance is used to fund growth.

- (d) This question produced a range of answers. Better candidates understood that in an economic recession a business might have fewer sales which could lead to lower revenue. However, only the strongest responses were able to make two different contextual references. The most common mistake was to assume that a recession would lead to inflation, higher prices or increased costs. Some candidates referred to buying cars, forgetting that this was a car repair business, and therefore were not able to access the application mark.
- (e) Many candidates understood that higher prices or lowering the cost of materials could increase added value. Stronger responses were then able to explain how added value would be increased. For example, increasing prices would increase the gap between price and cost. Weaker responses struggled to develop points successfully. Instead of development, most explained the effect on sales or profit. Others simply stated it would increase added value rather than explaining how the chosen way would help to achieve this. Without relevant analysis, it is difficult for candidates to access evaluation as this is likely to follow on from the relevant points discussed.

Question 2

- (a) Most candidates struggled to provide a full definition of licensing. Only the strongest responses understood that it involves one business giving permission to another business to produce or sell its goods. A common mistake was to assume that a licence was issued by the government or provided rights to operate in another country. Others confused the concept with a franchise.
- (b) Candidates generally did well on this question. Typical correct answers included storage costs, level of sales, and perishability. A common mistake was to offer vague statements about cost or supply which on their own did not make sense.
- (c) This question produced a range of responses. The best answers recognised that batch production was flexible, allowed for some economies of scale or could help with employee motivation. These responses then successfully linked the points made to this soft drinks manufacturer. A common mistake was to confuse batch production with flow production so many wrongly stated that batch production could produce a high output. Others made comments about quality which is a different concept.
- (d) Many candidates could identify at least an advantage or disadvantage. Stronger responses developed their points including increased capital and possible management conflicts to show how these could help or hinder the joint venture. Application was generally awarded for an appropriate reference to soft drinks or 300 000 bottles. Weaker responses could identify relevant knowledge but then struggled to develop the points made. Instead of analysis, many repeated their knowledge point. Some misunderstood the question so discussed general points about expansion into other countries rather than focusing on the advantages and disadvantages of using a joint venture.
- (e) Good knowledge was evident in many answers. Better responses developed their points, for example understanding that an improved reputation could lead to higher sales, or it could lead to higher costs because of having to pay more to obtain materials from ethical sources. The best responses successfully compared the significance of a good reputation over the long term, in terms of additional revenue which could help pay for any additional costs. Instead of development, many identified additional knowledge points. Some candidates missed out on analysis as they focused on environmental rather than ethical issues, which was not what the question required.

Question 3

- (a) The best answers understood that non-current assets are owned by the business and that they are in the business for 'more than one year'. Weaker responses were able to identify one of these two elements. Some responses lacked precision. For example, answers about long-term are vague, as non-current assets are held for over a year. Others included examples which was unnecessary as these do not define the term.
- (b) Those candidates who were familiar with the formula for current ratio were able to correctly calculate the answer of 1.25:1 or 1:25. A common mistake was to calculate working capital. Others

did not present the final answer in the correct format. Where a mistake was made in the final answer, some candidates were able to gain one mark for the correct working.

- (c) This question was well answered by most candidates with many gaining full marks. A common mistake was to refer to non-current assets or non-current liabilities which were not options.
- (d) Many candidates were able to identify a relevant stakeholder objective for customers and suppliers. Better responses were then able to compare this to explain how it might conflict with the shareholders' objective of profit. There was good use of application in most responses by linking their answer to toys. Candidates tended to find it more difficult to explain the conflict between suppliers and HRO. Some confused the terms cost and price. For example, a business might increase prices, not increase the cost for customers. It is important to use terms correctly.
- (e) This question produced a range of responses. Better responses explained how having up-to-date information could allow a business to make more informed decisions whilst recognising that it was expensive as experts would need to be paid to carry out the research. The strongest answers then compared these points to conclude that by more informed decisions could lead to additional sales and revenue which might cover any costs incurred. A common mistake was to focus on the merits of secondary market research or identify general reasons why market research is used. Instead of analysis, weaker responses identified new knowledge points.

Question 4

- (a) This question was generally well answered, with increased pay, better working conditions and having to pay membership fees being typical correct answers. Some candidates found it more difficult to identify a disadvantage. Incorrect answers assumed employees could lose their jobs. Others had the wrong focus so discussed advantages and disadvantages for the business.
- (b) This question was well answered by most candidates. Typical correct answers included helping employees become familiar with the work whilst recognising there would be no output produced. A common mistake was to ignore the word induction and identify general advantages and disadvantages of training, such as increase skills. Others confused induction training with on-the-job training or off-the-job training.
- (c) There were two parts to this question. The job advertisement part was generally well answered as candidates understood that it should help attract or help find a wider range of potential applicants. Some candidates wrongly referred to attracting customers rather than employees. For the other part, correct answers understood that a job description outlined the roles and responsibilities of the job. Application was generally awarded where relevant knowledge was shown, with hotels or 2 managers being referenced appropriately. A common mistake was to simply rearrange the words of job description or job advertising or to confuse a job description with a person specification.
- (d) This question was poorly answered by many candidates. Those candidates who did perform well were able to explain the effect of poor communication, low motivation or lack of control on the business. For example, low motivation could lead to lower efficiency or poor communication could lead to mistakes being made. Application was often awarded for appropriate references to hotel, 3000 employees or 200 rooms. A common mistake was to identify general problems of growth such as access to finance or lack of employees. Others tried to reword economies of scale to fit the question.
- (e) Good knowledge was evident in most responses. Stronger responses focused on motivation or time taken to consult everyone and then successfully explained how this could reduce labour turnover or slow down decision-making, respectively. Instead of analysis, many candidates often identified new knowledge points. Some confused democratic leadership with autocratic leadership or other concepts such as delegation. Others had the wrong focus so discussed the effect on employees rather the business. For example, job satisfaction is an effect on employees whilst the benefit to the business is increased motivation. Evaluation was rare as most candidates were not able to build an answer to access these marks. To access evaluation, candidates need to show relevant analysis and then make a justified decision based on the points discussed.

BUSINESS STUDIES

Paper 0450/13
Short Answer/Data Response 13

Key messages

- Many candidates would benefit from a more precise understanding of key business terminology when answering questions requiring definitions and identifying knowledge points.
- Candidates should be reminded to use the information from the 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 made.
- It is important to understand that **part (e)** is a general question so there are no marks available for application.
- All candidates struggled 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 proved to be an accessible paper with most candidates demonstrating good subject knowledge. However, many candidates did not include relevant application or analysis. Candidates continue to find evaluation difficult.

Many candidates continue to miss out on application marks. To gain application, candidates need to use the information provided in the stem to support the points made. Where application was included in the answer candidates tended to repeat the same application for both points made. Application does not have to be difficult, simply using appropriate references from the scenario to support the point being made should allow candidates to access these marks. A different point of application is required for each answer given within the same question.

Analysis involves developing the points made. Some candidates repeated their knowledge rather than explaining 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)** questions. 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, provide a supporting reason for the decision and then explain why it is better than the alternative discussed.

Comments on specific questions

Question 1

- (a) Most candidates were able to correctly label the revenue line on the break-even chart. For total cost, there were many vague answers about costs which could not be credited. Precision is important when using technical terms.
- (b) Most candidates understood that a tariff is a type of tax, but some struggled to provide a full definition as they did not reference goods being brought into the country. Another common mistake

was to make vague comments about 'extra payments' which confuses the concept of tariffs with transport costs.

- (c) Good knowledge was evident in most responses. Better answers achieved application marks for appropriate references to bicycles or recognising the business imported 60 per cent of its materials. Some candidates repeated the same application for both answers, which could only be credited once. Another common mistake was to identify ways to increase sales or output rather than ways to lower the break-even level of output. Others wrongly interchanged the words cost and price. Such answers could not be credited as these are different concepts.
- (d) This was a challenging question. Many candidates did not understand depreciation and found it difficult to link the impact on import costs and export prices. A common misconception was to state that raw materials are more expensive without reference to imports. To access the knowledge marks candidates needed to explain that when there was a depreciation of the exchange rate this would mean imports are likely to be more expensive and exports would appear cheaper. Many missed this element and jumped straight to the possible effect on sales or prices. Without relevant knowledge, such answers could not be credited. Others wrongly confused currency depreciation with currency appreciation.
- (e) This question produced a range of responses. Good knowledge was evident in some responses with candidates understanding that batch production allowed a variety of products to be made or that time would be lost resetting the machinery between batches. Better responses were then able to explain how these points represented an advantage or disadvantage to a business. A common mistake was to confuse batch production with flow production or job production. There were many vague statements about speed and volume of output which needed to be clarified to award marks. Others referred to quality which is a different concept. Evaluation was rare as candidates tended to repeat earlier points made. One possible way to access evaluation was to compare batch production with an alternative method of production such as flow production and use this as the basis for their decision.

Question 2

- (a) Many candidates understood the term inflation refers to an increase in prices. Only the best responses were able to provide a precise definition. A common mistake was to omit the time element. Others referred to cost rather than prices.
- (b) This question was well answered by most candidates.
- (c) Most candidates could identify at least one way with help support loan applications and setting out goals being typical correct answers. Better responses used the context well to access the application marks. For example, recognising that this was a start-up business or that Ramon wanted to provide home tutoring services. A common mistake was to repeat similar points for both answers. Others wrongly identified sections of the business plan. Some candidates developed their points, which was unnecessary as **part (c)** questions only assess knowledge and application.
- (d) Most candidates were able to access at least one knowledge mark. Better responses developed points such as being a well-known brand and cost to buy the franchise by explaining why these represented an advantage or disadvantage for Ramon. Application was often awarded for appropriate references to Ramon's business being a start-up or that he planned to offer tutoring services. There were two common mistakes. Instead of analysis, many candidates either repeated their knowledge point or identified new knowledge. Others discussed the advantages or disadvantages for the franchisor.
- (e) Crowdfunding was not a well understood topic. Most candidates struggled to identify advantages and disadvantages of using this source of finance, other than knowing the target funds may not be reached. Many gained knowledge and analysis marks for explaining alternative sources of finance, including bank loans. Weaker responses relied on vague statements about customers knowing the business or used words such as donating funds. Others defined the terms, which was unnecessary. Evaluation was limited or not awarded.

Question 3

- (a) Many candidates were able to provide a precise definition of the term. A common mistake was to refer to an individual owning the business or describing features of a sole trader or limited company.
- (b) Those who understood the concept of market share tended to gain both marks. A common mistake was to have the incorrect number of zeros, so the answer did not total \$36 million. However, as many had included the formula, they were still able to access one mark for their working.
- (c) Most candidates could identify at least one way with using environmentally friendly methods or reducing packaging being typical responses. Application was often awarded for a suitable reference to skincare. However, the same application was often repeated for both points. Other candidates confused being ethical with sustainable development or discussed legal controls.
- (d) Most candidates gained at least one knowledge mark. Better responses were able to explain how an increase in sales might increase revenue or a good reputation could reduce the amount of advertising needed. Instead of analysis, many repeated their knowledge point. A common mistake was to assume that being about to increase prices or an increase in sales would automatically result in higher profit. Many missed out on application marks as they either used the same application twice or did not attempt to link the points made to this skincare business.
- (e) Good knowledge was evident in many responses. However, most candidates struggled to develop their points successfully to access the analysis marks. Without analysis, it is not possible to gain evaluation as this should follow on from and be based on the points discussed. A common mistake was to identify methods of pricing or promotion which the question did not require. There was a lack of precision in other answers with many candidates making vague comments about price, place or promotion being either good, bad or reasonable which on its own did not make sense.

Question 4

- (a) Many candidates understood that commission is linked to the sales made by an employee. Only the best answers were able to provide a precise definition by recognising that it was a payment to an employee. A common mistake was to confuse the concept with profit sharing or bonuses.
- (b) This question was well answered by most candidates. A common mistake was to identify internal users of accounts including owners or managers rather than external users.
- (c) Most candidates found this question challenging. Better responses were able to identify ways including calculating the current ratio or acid test ratio. Only the best responses were able to identify four ways. A common mistake was to refer to information contained in an income statement. Therefore, answers about sales, revenue and profit were incorrect.
- (d) Candidates were often able to identify the benefits of training and were able to access application for an appropriate reference to the context. The best responses were then able to develop points including employees being more skilled and increased motivation to show how each would help a business. A common mistake was to refer to the benefits of training for a manufacturing business. This was incorrect as the business was a clothing retailer, and therefore such answers were not awarded. Others wrongly focused on the benefits of training for employees rather than the business.
- (e) Good knowledge of internal recruitment was shown by many candidates. Better responses then explained why advantages such as employees knowing the business and disadvantages such as a lack of new ideas could reduce training costs, and the business may become less competitive, respectively. Instead of analysis, many candidates listed additional points. Evaluation was rare. Where a decision was made, the statement was not supported so could not count as evaluation.

BUSINESS STUDIES

Paper 0450/21
Case Study 21

Key messages

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

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study candidates were expected to refer to CC, a small business that makes and sells different types of cookies. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or manufacturer and what type of business organisation it is. This may add to the quality of 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 developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2. A few well developed points will achieve higher marks than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and explain why the alternative option(s) was rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of CC, set up five years ago, producing high-quality cookies for weddings and special occasions, provided an accessible scenario for candidates. Those who applied their answers to the context of CC achieved higher marks. Most candidates seemed to have sufficient time to complete the paper and attempted all questions.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. The question should be read carefully to ensure answers are appropriate and clearly address the question asked, such as answering from the point of view of a business rather than its employees. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but it was clear that certain topics were not as well understood. The weakest understanding was of the economic influences on business activity and the process of batch production compared to other methods of production.

Overall, the standard was good with some weaker scripts. Candidates often provided answers in context which enabled them to access application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (except **1(a)** on this paper). The conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation in **(b)** questions 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 their decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

- (a) This was the only question which did not need to reference CC as it was a generic question. The available marks were rewarded for making a relevant point with additional explanation. Candidates were asked to explain four reasons why a business might remain small. Generally, responses were strong. Lack of finance, owners' objectives and the nature of the market were frequently offered as answers. It was important to develop the point made by giving further explanation to achieve the second mark. Successful candidates explained the lack of capital was caused by a relatively low level of retained profit or the difficulty of accessing large bank loans. These would prove to be a limiting factor on the size of a business. A minority of responses showed some misunderstanding here and explained the legal structure of a business and its limitations.
- (b) This question required candidates to consider three roles of packaging for CC's products. Some candidates overlooked the need to focus on packaging. The discussion about protecting the product was often well presented. CC has a strong reputation for high-quality cookies so ensuring that the cookies stay fresh and do not break will be important to maintain customer satisfaction. Robust packaging which will protect the cookies when being transported to the retail shops is essential to avoid customer complaints and will build a strong reputation for CC. This kind of developed explanation moved an answer into Level 2. Simple statements which mentioned that the packaging would prevent the cookies from being broken only achieved Level 1. Consideration of promoting the brand image was not always linked to packaging. Some responses discussed branding in general terms and did not merit the marks available. For example, the packaging should have a distinctive logo and colour to ensure CC's cookies stand out from the other manufacturers at the retail shop. This would need to reflect the high-quality product that CC is known for. The best responses, which achieved Level 3, made a supported judgement about which role of packaging was the most important. For example, it could be argued that providing information is the most important role because customers with food allergies need to know all the ingredients, so that illness is avoided. Even if there is strong protection of the product and packaging with a distinctive logo, if there is not proper listing of ingredients CC could be prosecuted and fined, resulting in very bad publicity and poor sales.

Question 2

- (a) This question asked candidates to explain two functions of management for CC's new manager. Many responses showed good knowledge of this topic and confident use of the technical terms such as planning, organising and controlling. Further development of how each function could be carried out in the context of CC, opened up the opportunity to achieve more marks. Making good use of the context was important here so that additional application marks could be earned. For example, the new Operations Manager could control the production of high-quality cookies by checking the work of the ten production workers so that the expected output could be achieved each day or week. Some weaker responses offered appropriate explanations of management functions at CC, but did not earn maximum marks unless as they did not use the technical terms.
- (b) Many candidates offered simple statements in their response to this question and so limited their marks to Level 1. A decrease in interest rates and an increase in taxes needed to be discussed and the effect on CC's profit considered. Simple points were often made that a decrease in interest rates would make loans cheaper and an increase in taxes would have a negative impact on CC's profit. This style of response only achieved Level 1. There needed to be a developed explanation, showing a chain of reasoning to access Level 2. Weaker responses indicated that the topic of economic factors and how they affect businesses was not well enough understood to make these connections. A decrease in interest rates would make bank loan repayments cheaper so CC's costs would reduce. Lower costs would increase profit margins and overall profit for CC which would help to finance new ovens for expansion of the cookie business. An increase in taxes, if it was a tax on profit, would have the effect of creating less retained profit for CC so investment in the future development of new cookies might not be possible. An increase in income tax would reduce consumers disposable income and would very likely bring about a fall in sales revenue and profit at CC. To achieve Level 3 credit in the conclusion responses needed to make a justified judgement about which economic factor would have the most impact on profit. The best answers avoided repeating points made earlier in the response and related to why one factor would result in a more significant impact than the other.

Question 3

- (a) Candidates were asked to explain two benefits and two limitations of CC using batch production. The strongest responses included a comparison to other methods of production to highlight the point being made. For example, batch production is well suited to producing a variety of cookies compared to flow production as different shapes and flavours can be more easily produced. One of the major drawbacks would be the repetitive nature of the cookie production which could demotivate the ten production workers compared to job production with more interesting work, using specialised designs and different ingredients. For some candidates, this question showed some confusion and weak knowledge. For example, there were answers which highlighted the benefits and drawbacks of large-scale production rather than batch production. Some responses discussed the benefit of high levels of output or the limitation of needing expensive machinery which are not specific to batch production.
- (b) Many responses showed competent numeracy skills in analysing the financial data in Appendix 3. Candidates who made simple comparative statements such as the forecast sales of Option 1 were much higher than the forecast sales of Option 2 only achieved Level 1. Offering calculated responses of profit, profit margin or margin of safety meant access to Level 2. Stronger responses presented a number of clearly labelled financial calculations for each option, and then made a sound recommendation to produce one of the options using the outcome of their financial analysis to support their decision, thus accessing Level 3. A few errors were made in identifying profit, sometimes using the gross profit figure instead. The strongest answers supported the decision of which option to choose by considering the nature of the product and the potential for sales growth in the future.

Question 4

- (a) This question required candidates to explain two reasons why CC might need finance. The most common responses offered reasons such as expansion or paying day-to-day expenses but then did not always successfully develop the explanation in the context of CC. For example, CC might need some short-term finance to be able to pay suppliers of flour, sugar and flavourings for the next batch of cookies. If they have a cash flow problem this might mean they use trade credit as a source of finance. In the longer term, Sam is planning to develop new cookies so CC would need finance to undertake research and buy new baking equipment. This might mean CC would need to take out a bank loan to finance this. It was expected that two different reasons would be discussed but some responses repeated the need for finance to pay for day-to-day expenses by offering a different example.
- (b) Some candidates found this question quite challenging because they had only limited knowledge and understanding of pricing strategies. A simple definition of a pricing method was insufficient to gain credit. The question asked candidates to consider what the effect of each pricing method on the existing products would be. For example, using competitive pricing would bring the price of the cookies into line with other similar products and avoid too much price competition. Instead, CC could focus on the quality of their cookies compared to others, achieve a steady rise in reputation and brand loyalty so that sales and profit would increase. Some weaker responses discussed promotion generally rather than promotional pricing. Some stronger responses noted that cost-plus pricing would ensure that each cookie sold would make a profit and build overall profit for CC, allowing growth as the business develops. A supported justification of which pricing method would be most effective could have achieved Level 3.

BUSINESS STUDIES

Paper 0450/22
Case Study 22

Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one of the **(a)** questions (**Question 3a** in this paper) which will be generic. Applying answers to the case will ensure responses are appropriate for the given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to BB, a business that manufactures bicycles in country X. 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 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 gain Level 1 whereas an explanation of a point could move the answer to Level 2. A few well developed points will achieve higher marks than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and compare by making reference 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, other 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 BB, a manufacturer of bicycles, provided an accessible scenario for candidates. Those who applied their skills to the context of BB achieved higher marks. The majority of candidates seemed to have time to complete the paper and attempted all the questions.

Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed. However, there was an increased number of candidates where it was clear that some topics were not well understood, particularly the advantages and disadvantages of being a public limited company. Candidates should ensure they are prepared to respond to answer questions on the whole syllabus, as they could earn basic marks by using business terms confidently.

Overall, the standard was good with few very weak scripts. Application marks were often gained but candidates should make sure that different examples of application are included for each point in the **(a)** questions. The conclusions/recommendations in **(b)** questions should also be applied to the case. Many responses to the **(b)** questions lacked analysis and evaluation which resulted in answers remaining in the lower level mark band. Candidates should aim to consider the consequences / implications / long-term / short-term / balance issues of their decisions to secure Level 2 and Level 3 marks in a conclusion/recommendation.

Comments on specific questions

Question 1

- (a) This question was not well answered. Stronger candidates were able to identify appropriate advantages and disadvantages of the business being a public limited company. The most popular advantages were being able to sell shares to the public, having limited liability and having a separate legal identity. Popular disadvantages were accounts available for the public or competitors to see, risk of losing control if a large percentage of shares were sold making takeover easier and the legal formalities that needed to be followed. Weaker responses made basic statements, such as sell shares, without making it clear who shares could be sold to, and legal formalities to set up a public limited company, but this business was set up 25 years ago. Stronger candidates could apply their answers such as, can sell shares to the public making it easier for the business to raise the capital to expand and open a new factory in another country. Many weaker responses gave generic answers, and this reduced the marks available to them.
- (b) This question required candidates to consider the advantages and disadvantages of the three methods of motivation the business could use. Many candidates had sound knowledge of these methods of motivation. However, weaker candidates just listed the advantages and/or disadvantages such as the higher payment received by making more bikes using piece-rate would raise wages and job rotation would make the tasks less boring as the tasks would be varied. Stronger responses developed an explanation of why these were advantages and/or disadvantages of each of the methods of motivation. For example, job rotation would make jobs less boring as employees would not just perform one task but would be moved around and carry out different tasks throughout the day. The varied tasks would increase job satisfaction, but employees may require training for each of the tasks which would increase costs for the business. Application in answers was usually included for making reference to bicycles, 100 production employees, high labour turnover or flow production line, but it was often absent from answers. Only a small number of stronger candidates made a decision as to which method should be chosen and then justified it with more than just repetition of the advantages and disadvantages included earlier in the answer.

Question 2

- (a) This question asked candidates to explain two effects of the business having a short chain of command. Candidates showed sound knowledge of the effects, and these were often stated as communication being more accurate or faster, a closer relationship between the managers and lower levels of the hierarchy, having a wide span of control which made delegation more likely, but it might also mean that managers had more subordinates to control making it more difficult to supervise them. Different examples of application were required for each effect but sometimes reference to bicycles was the only application present. Weaker candidates stated the effect but did not explain why it was an effect on the business, such as making communication more accurate with just repetition of this in the explanation rather than explaining why a short chain of command would make communication more accurate.
- (b) Candidates were required to consider the three extension strategies for this business. Many candidates showed a sound knowledge of the different extension strategies, such as adding new features could increase the popularity of the bikes as they provided something new for customers. Stronger candidates included analysis of how the strategy would increase sales, such as selling in toy shops may attract a different target market that had not previously seen the bike as these potential customers did not visit specialist bicycle shops and therefore sales might increase from this different target market. Weaker candidates could often only say that each strategy would lead to higher sales without an explanation of why. Only a small number of stronger candidates included a recommendation that justified which extension strategy would be best to revive the sales of the children's bike. Weaker recommendations simply repeated earlier points without any further development of the answer to justify why the particular strategy was chosen. Again, application was most often for including reference to bikes as part of the explanation.

Question 3

- (a) This was the only question which did not need to reference BB as it was a generic question. The available marks were rewarded for making a relevant point with additional explanation. Many candidates could identify a way that at least two, if not three of the four stakeholders would be

affected by the business becoming a multinational company, such as suppliers might receive larger orders from the business. Stronger candidates could explain their answers such as shareholders might receive higher dividends as there may be more profit from the expansion of the business into markets in other countries. The way each stakeholder group might be affected needed to be explained for the second mark to be awarded.

- (b) This question required candidates to compare the data for the two countries in the Appendix and analyse the impact on the business if it was to locate its' first new factory in each of them. The question was answered quite well by candidates who were able to give a benefit or drawback to the business of the different pieces of information about the two countries. However, many candidates, especially weaker ones, made simple statements about each of the pieces of information, such as the wage cost is higher in country A than country B at £300 per bicycle. Others did not make comparative statements but just said it was high, low, good, expensive but this could not be known from the information provided. Stronger candidates selected the information and explained that country A had higher costs to manufacture the bicycles, and the lower unemployment may mean that the business would find it harder to recruit the employees it needed to set up a factory there. Also, the competitive nature of the market may make it expensive in terms of promotion to break into this market. Only the strongest candidates gave a conclusion that justified which country would be the best country to choose to locate the first new factory and most were only able to repeat earlier points without any justification of the choice made.

Question 4

- (a) This question required candidates to explain two reasons for wanting to sell in new markets in other countries. Many candidates could state at least one reason. Weaker candidates gave answers to do with manufacturing in the other country which was not asked for in the question as it was about selling in new markets in other countries. The most popular reasons were to spread risk, increase sales and expand, especially as their home market had reached saturation for sales of the children's bikes. Candidates gained additional marks for explaining the reason given, but weaker responses remained at one mark for stating the reason only. Application was often for reference to bicycles in their answer.
- (b) Many responses showed competent numeracy skills in analysing the financial data in Appendix 3. The majority of candidates were able to identify the financial differences between the business and its main competitor, such as BB had a lower bank loan than its competitor at \$10m which was \$50m lower. Stronger candidates could then calculate the gross profit margins and profit margins, for example BB's main competitor had a gross profit margin of 60 per cent whereas BB only had a gross profit margin of 50 per cent which was 10 per cent lower. Stronger candidates did not repeat their explanations in the conclusion but went on to justify whether BB or its competitor was in the stronger financial position and why the other business was considered to be in the weaker financial position. The competitor was in the stronger position if profitability ratios were considered but BB was in the stronger position if liquidity was considered. Either answer was acceptable as long as it was justified. Application was often present for including figures from Appendix 3 as part of answer.

BUSINESS STUDIES

Paper 0450/23
Case Study 23

Key messages

Candidates should be reminded that throughout this paper they are expected to apply their business knowledge and understanding to an unseen case study or business scenario. This is apart from one **(a)** question which will be generic, in this case **Question 3a**. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this particular case study, candidates were expected to refer to SA, a business that manufactures clothes using sustainable cotton. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or manufacturer, and what type of business organisation it is. This may add to the quality of 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 gain Level 1 whereas an explanation of a point could move the answer to Level 2. A few well developed points will achieve higher marks than a long list of simple statements.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and make reference to why the alternative option(s) was rejected.

General comments

Candidates had generally been well prepared for this examination and understood what was expected of them. The context of SA, a clothing manufacturer, provided an accessible scenario for candidates. Those who applied their answers to the context of SA achieved higher marks. The majority of candidates seemed to have 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 careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but quality control and quality assurance were not clearly understood.

Overall, the standard was good with few very 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. The conclusion/recommendation in **(b)** questions should also be applied to the case. A lack of a developed chain of reasoning and justified evaluation resulted in answers to **(b)** questions remaining in the lower level mark bands. Candidates should aim to consider the consequences / implications / long-term / short-term / balance issues of their decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

- (a) This question asked candidates to explain the ways the slump may be affecting SA. It had mixed responses, with some candidates mentioning falling demand due to reduced incomes as a result of the slump. The explanation then needed to be applied to the context. Some candidates incorrectly thought the slump would lead to inflation and the business having to raise its prices. However, stronger candidates gave good answers such as reduced sales, limiting the output produced and reducing the number of hours worked by employees.
- (b) This question asked candidates to consider the three listed objectives for the business. It was not well answered, and few candidates could go beyond simple statements and develop their points such as profit could be used as a source of finance or could only provide a developed answer for one of the three objectives. This meant few candidates were in the Level 3 mark band. However, stronger candidates could state why each of the business objectives was important to the business, such as increased profit would allow SA to use retained profit as a source of finance for expansion, reducing the need to take out a bank loan, and have increased expenses from interest payments.

Question 2

- (a) This question required candidates to give two reasons why low labour turnover might be desirable to the business. The majority of candidates were able to give at least one reason with the most popular reasons being to keep recruitment costs lower, reduce the need to train new employees and keep the reputation of being a good employer. However, only stronger candidates could develop their explanation of the reason to gain higher marks and give different application for each reason. Weaker candidates thought turnover meant that SA made its employees redundant or sacked them, others thought it meant the business reduced their output.
- (b) This question required only the benefits of part-time and full-time employees to be considered. The majority of candidates gained some credit, but many candidates did not read the question carefully and included the disadvantages of each type of employee. Those candidates who included disadvantages often did not progress to Level 2 as their answers of advantages, such as part-time employees are more flexible in their hours of work or may have lower labour costs, were brief statements and remained in the Level 1 mark band. This restricted the number of candidates who were able to access Level 3 as there was limited analysis in the earlier part of the answer making a justified conclusion difficult to achieve. Developed explanation of one benefit would have gained more credit than a list of several benefits. Application to the case study was often limited.

Question 3

- (a) This was the only response which did not need to reference SA as it was a generic question. The available marks were awarded for making a relevant point with additional explanation. It was well answered by most candidates as they had a good understanding of the role of packaging. The most popular roles were protection from damage, promoting a brand image, providing information, making the product eye-catching in shops, and making it easy to transport.
- (b) This question asked for advantages and disadvantages of the two methods used to ensure quality production for the business. It was a low scoring question for many candidates who did not have a clear understanding of quality control and quality assurance. Weaker candidates clearly did not understand how the methods can be used and included discussion of why producing a quality product was important. Others got the two methods mixed up and therefore wrote good explanations but for the wrong methods. Strong candidates understood the two methods and applied their answers to the manufacture of clothes. Meaning that if the wrong method was chosen, for example quality control, then brand image would be negatively affected and there would be a high cost of faulty products being returned. This would be an increased cost for the business as the fault may not have been identified before it had been sent out to the customer.

Question 4

- (a) This question asked for two advantages and two disadvantages of JIT inventory control and was generally well answered by candidates. They included advantages such as it reduces the cost of holding inventory and warehouse space is not needed, and disadvantages such as late deliveries are likely to cause problems for production, difficult to respond to increases in demand and more deliveries need to be made. Only stronger candidates could explain each answer with a different application from the case. Many repeated the same application, such as reference to clothes, for each part and therefore limited their marks as the explanation needed to be different for each advantage or disadvantage.
- (b) Many responses showed competent numeracy skills in analysing the financial data in Appendix 3. Weaker candidates did not go beyond making comparisons between the two years in the Appendix, such as the forecast revenue is \$10m higher than in 2023 when it is \$20m. Stronger candidates found this question straight forward and moved into Level 2 by calculating gross profit, gross profit margin and profit margin and then moving into Level 3 in the conclusion by including a valid justification based on the results of the calculations. Some candidates did not label the calculation correctly calling gross profit margin the profit margin, showing that they did not understand what they had calculated.