

BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Questions

Key messages

Information contained in the stem of each question will prove helpful in answering the questions set, especially as this provides the basis for application.

The lack of effective evaluation continues to be a problem within most scripts. Candidates would benefit from greater guidance in how to produce an evaluative answer to part **(e)** questions. Candidates should be reminded that an evaluation must be a justified decision that follows from the points raised in the answer not a repetition of points already explained.

General comments

Candidates were clearly aware of most aspects of the syllabus tested by the examination. There was some evidence that candidates did not fully understand some aspects of the syllabus. This was shown in **Questions 2(a), 2(e) and 3(a)**.

At times, the application marks could not be awarded because some candidates did not refer to information in the stem. This would help ensure the answer is appropriate for the scenario. Candidates must also ensure that within parts **(c)** and **(d)** of each question, a different point of application is used for each separate point made.

When a question stem contains some numerical data, candidates should be encouraged to make use of this data within their answers to show clear understanding of the information provided. In parts **(d)** and **(e)** of each question, candidates can often be awarded application and analysis marks for correct calculations using information provided.

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

Comments on specific questions

Question 1

- (a)** Many candidates were aware that motivation was the reason why employees might want to work hard. Stronger answers gave a precise definition. A common mistake was to outline methods of motivation or why it was used which was not the question set.
- (b)** Most candidates were able to identify at least one disadvantage.
- (c)** Most candidates could correctly identify one advantage. Stronger answers were able to explain how points such as flexible or lower labour costs could benefit this card making business. A number of candidates incorrectly assumed that part time employees had no employment rights or would be more efficient as they would be less bored.

- (d) Many candidates could identify and explain at least one method with fringe benefits and job rotation being typical answers. Stronger responses were able to link their answers to the scenario. Instead of development some repeated that it would motivate employees rather than explain how the chosen method would do this. A number of candidates offered different examples of fringe benefits which could only be credited once as this was repetition.
- (e) Most candidates showed good knowledge of issues and were able to apply their answer to the scenario. Stronger answers understood that as the business produced handmade cards, quality was an important factor that needed to be considered in any decision. Weaker answers identified a number of points but did not develop them. A number of candidates had the wrong focus and considered the effect on employees rather than Ruby's business.

Question 2

- (a) This term was not well understood by a number of candidates and many of the answers lacked precision. Many candidates identified features that could equally apply to other phases of the business cycle.
- (b) Well answered by most candidates. A common mistake was to calculate working capital.
- (c) This question proved challenging for a number of candidates. Some were able to identify at least one way with only able to sell shares to friends and family being a typical response. Only the best responses were able to use the context to develop the points. A common mistake was to repeat the same knowledge point for both answers.
- (d) This question was well answered by many candidates. These candidates recognised that selling in other countries could increase sales and/or help spread risk and were then able to correctly analyse the effect. Weaker candidates struggled to identify more than one benefit and often also repeated their analysis in both points. Some candidates had the wrong focus and assumed that production would be taking place in the other country as well.
- (e) This question clearly differentiated between candidates. Candidates, who understood the term, calculated and commented on the changes in the two profit margins. Very few candidates provided a justified conclusion and gained evaluation marks. Weaker candidates misinterpreted or were not familiar with the concept of profit margins and commented on the change in sales and profit values. Others discussed the change in current ratio or assets, which could not be credited as these are not directly linked to profit margin.

Question 3

- (a) This question produced a range of responses. Some understood a mass market was likely to have a high level of sales. Most candidates struggled to provide a precise definition. A small number of candidates incorrectly provided definitions of mass production or simply identified features of a market.
- (b) This question clearly differentiated between candidates. The majority of candidates knew that a change in price would lead to a change in demand. The strongest answers provided a clear definition. A few candidates incorrectly indicated that it was demand that caused the change in price.
- (c) Most candidates could identify at least one problem. Better answers were able to explain how communication and management might be issues for this toothpaste business. Instead of development, many outlined generic effects which could apply to any business.
- (d) Most candidates could identify at least one way. Better responses were able to develop points made and attempted to link them to the scenario. Instead of development, some candidates stated it would improve communication without explaining how the method chosen could help achieve this.

- (e) Most candidates clearly understood the idea of price strategies. However a number of weaker candidates did not understand the focus of the question. Such answers identified inappropriate methods such as price skimming or discussed the possible impact of price changes on profit, which could not be awarded. Better candidates made good use of the data to support the points made. Evaluation in most responses was simple or not attempted.

Question 4

- (a) The term was well understood by many candidates. A common error was to confuse stakeholders with shareholders.
- (b) Generally well answered. Most understood that on-the-job training involved learning from another employee. Better answers were able to provide a precise definition. A small number of candidates were confused and provided answers that could apply to any method of training.
- (c) Most candidates could identify either an advantage or disadvantage of on-the-job training with cheaper than off-the-job and picking up bad habits being common responses. Only the strongest candidates were able to provide any points of application.
- (d) This question differentiated well between candidates. Most candidates could identify relevant methods. Stronger answers did attempt to explain how points such as advertising or demonstrations could help MSH promote its floor cleaning business. Weaker responses did not attempt to link their answers to the scenario or repeated the same point for both methods.
- (e) Most candidates showed good knowledge of issues and were able to apply their answer to the scenario. Better answers understood that as the business was experiencing falling demand, they may have a better chance of survival if they moved and as it had loyal employees they would likely remain with the business saving the additional costs of recruitment. Weaker answers identified a number of valid points but did not develop them or based their comments on incorrect assumptions. Some candidates did attempt to make a decision but were not always able to offer relevant reasons to back up the statement made.

BUSINESS STUDIES

<p>Paper 0450/22 Case Study</p>

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 café located in a busy shopping mall run as a sole trader business.
- 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. An explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation or conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument. A recommendation should compare and make reference 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. The context of CC, a café business, provided an accessible scenario for candidates. Those who applied their skills to the context of CC boosted their marks much further.

Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about the extent of developed explanation that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed. 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.

Candidates should be reminded to contextualise their answers 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. Better responses interpreted the roles and explained how they would be relevant to this café.

Overall, many good scripts were seen, very weak ones were few and far between. Application marks were often gained – but candidates should aim to consider the consequences/implications/long term/short term/balance issues of the decisions they plan to make if they want to secure the Level 2 and Level 3 marks.

Comments on specific questions

Question 1

- (a) Many candidates demonstrated sound knowledge of the characteristics of entrepreneurs. Risk-taking and hardworking were the most popular but creative, innovative, good communicator and self-confident were also often given. The majority of candidates used material from the case study to explain the characteristic in George. Weaker answers just described and did not link the characteristic to how that had made the business successful. Stronger candidates were able to link the long hours to being open for more customers when they wanted it or the new recipes attracting more customers. Many answers tended to repeat the fact that this characteristic made them a successful entrepreneur and therefore there were many examples of high marks on this question but few examples of full marks.
- (b) (i) and (ii) Part (i) was answered well by the majority of candidates with only a few forgetting to make the 2000 negative. In part (ii) some candidates did not use the financial data at all and where they did they just described what they read from the cash flow forecast and failed to do any more. Answers often highlighted that sales had gone down or December had a negative closing balance but did not say what this meant for the business. Consequently, few candidates managed to move above Level 1. Stronger answers linked the figures in the cash-flow forecast to CC having a liquidity problem and therefore would find it difficult to gain a bank loan to expand. Many candidates decided to advise George on what he should do about the cash-flow forecast in order to improve it but this is not what the question asked. Candidates are advised to read the question carefully to ensure they are answering what the question asks. Weaker candidates also confused cash with profit and assumed that the cash-flow forecast showed a loss.

Question 2

- (a) This proved to be a straightforward question with many candidates correctly identifying two relevant stakeholder groups. George/the owner, employees, suppliers, bank, customers, government and the local community were all correctly identified. Candidates seemed to be able to access the scenario well and were thus able to gain the application marks here. Weaker candidates incorrectly identified the interest/objective as that of CC rather than the stakeholder themselves.
- (b) Many candidates found it difficult to move beyond the table so many responses were re-wordings of the table with simple comparisons. The majority of candidates gained Level 1 and application marks but there were few who then moved in to Level 2 reasoning why the applicant would be good for CC. Of those who did, it was pleasing to see the level of understanding of the business and the context, such as Sally could contribute to the café menu with new recipes that could attract more customers and increase the revenue of the café. However, in the recommendation, candidates still struggled to develop their responses and generally repeated earlier comments.

Question 3

- (a) The candidates who knew this topic, did well on this question, using the context to explain the role of marketing, with most popular roles being: identify customer needs; maintain customer loyalty; and anticipate changes in customer needs. Weaker answers tended to simply deal with the 'marketing mix/4Ps' and did not actually suggest how the element was concerned with marketing or linked to meeting customer needs. Candidates should be reminded to always contextualise their responses when the question stem asks them to.
- (b) This question was generally answered well. Most candidates were able to discuss the relevant advantages and disadvantages of each option and application was often awarded as answers made use of the information provided in the case study. Weaker responses referred to the information provided in the case study and did little more than repeat the information, for example, Option 1 is more expensive, Option 2 is much larger, Option 2 building can only be rented, without any consideration of why these might be advantages and/or disadvantages of each of the two options. Better answers identified the long term cost of rent versus the short term and that purchase of the building is an expensive 'one off' cost that would lead to a bank loan repayment but did secure the asset. A minority of candidates misunderstood and thought that George intended to keep two separate cafes open. Better answers showed good insights relating to the probable loss of customers if the café moved and the increased costs and risk of opening up in a new area/market such as advertising, hiring new/additional staff. This often resulted in a good Level 3

recommendation as to which is the best option to choose for this business and why it is better than the other option.

Question 4

- (a) This question was answered well by the majority of candidates with lots of references to charging premium prices, encouraging loyalty or, having a USP. Most were able to reason why it was important for CC to have quality products with answers linking it to health, taste, the law and wider issues. Most candidates were also able to access the application marks as well as including reasoned explanation.
- (b) Stronger candidates were able to explain the impact of the source of finance on the business with a reasoned recommendation as to the choice to make. Weaker candidates simply described the source rather than the relevance for CC. Stronger answers that used application as part of their explanation considered the planned interest rate rise, the risks of having unlimited liability, the weak cash-flow, cost of servicing the loan and George's desire to be his own boss. Weaker responses simply listed the advantages and disadvantages and usually did not move out of Level 1. Without attempts to balance, contrast and compare, it undermined the valid points that were listed. The weakest answers were seen in dealing with the sale of assets, although most were aware that the amount would probably be limited, as depreciation/being worn out/being out-dated would reduce the resale value of the assets. Also weak responses generalised that bank loans were quick and easy to obtain whereas better answers qualified this by stating CC's past may have been successful but its future was less certain as shown by the cash-flow forecast. The highest scoring responses built on the earlier detailed analysis in the recommendation to consider which source of finance would be the best one to choose for CC's expansion and justified their decisions with reasons why the alternative sources were less suitable for CC without repeating earlier points. Weaker candidates often just repeated earlier points and so gained no further credit for recommendation.