

BUSINESS STUDIES

Paper 0450/11
Short Answer/Data Response

Key messages

- Definitions for key terms need to be precise.
- Candidates should be reminded that a point can only be credited once within a given answer and therefore they should use a distinctly different point of application and analysis for each point of knowledge.
- Conclusions in part (e) questions should include a decision supported with reasoning. A summary of points stated earlier in the answer will not achieve evaluation marks.
- Some candidates continued their answers on the blank pages at the back of the paper. Candidates who do this should be reminded to clearly label any answer with the question number it relates to.

General comments

Some candidates found it difficult to demonstrate a clear understanding of business terms such as profit, cashflow, added value, economic boom, and sustainable development.

Some candidates missed application marks in questions which directly referred to the business in the question stem by not making relevant reference to the business or by repeating the same point of application.

Questions **2(d)**, **2(e)** and **3(c)** and parts of question **4**, covering topics such as the benefits of lean production, use of market research to help make business decisions, reasons why a cash flow forecast might be useful to a business, and the use of retained profit to fund business expansion were particularly challenging for candidates.

In part (e) of each question candidates continue to reach a decision without providing clear justification to support their answer. Candidates should be encouraged to include a clear decision, provide a supporting reason for their decision, and then explain why it is better than the alternative discussed.

Comments on specific questions

Question 1

(a) The inclusion of the word business in this question confused some candidates. Such candidates often described a merger and gained zero marks. The strongest answers recognised that a business partnership would involve ownership by two or more people in an unincorporated business. Many candidates lost a mark by using the words run or manage rather than own.

(b) This topic was well understood by most candidates. The most frequently given correct answers were grants and lower taxation rates. A common error was to state that governments would give bank loans or provide microfinance.

(c) Many candidates recognised that an economic boom would increase sales for this flower business. Stronger candidates recognised the danger of rising competition or costs of production. Even the strongest candidates often struggled to provide two separate pieces of application. An error made by weaker candidates was to confuse an economic boom with a recession and state that sales would fall.

(d) The best answers identified a way Brendan could increase added value, usually increased prices, or lower material costs, then linked this to the new flower shop enterprise. Even the strongest candidates struggled to develop their answers fully to gain both analysis marks as they could not explain how their chosen way would increase value added. This was particularly an issue for candidates who chose branding and unique designs. Within this question however, many candidates were able to identify two distinct points of application.

(e) Most candidates were able to state two different pricing methods. However, many could not clearly explain the methods identified. A noticeable number of candidates incorrectly thought that price skimming means charging a low price. Some candidates confused promotional pricing with promotions such as competitions. Candidates who described high or low pricing without naming a method gained zero marks. Very few candidates attempted an evaluative conclusion. Those that did gained one evaluative mark by concluding that for a new business gaining customers would be the most important factor to consider and therefore penetration or promotional pricing would be best.

Question 2

(a) Many candidates were able to answer this question correctly. A common error was to state that depreciation would make imports cheaper and appreciation more expensive.

(b) This question was well answered by most candidates who provided a range of correct answers. Some candidates provided a list of answers with the first or second being incorrect and the third correct. Candidates should be reminded that in list type questions only the first two answers will be considered.

(c) The majority of candidates were able to provide two correct reasons. However, candidates often repeated the same point of application, food or related words which could only be credited once.

(d) This topic was not well understood by candidates. A small number of candidates did not attempt the question. Common problems were that candidates confused lean production with flow production or identified features rather than advantages of lean production. The strongest answers often explained the benefit of reduced waste or lower inventory being held for this food producer reliant on imports. Only the very strongest candidates were able to explain the impact of these benefits and gain the two analysis marks available. The mark scheme shows examples of how this could have been achieved.

(e) Candidates found this to be one of the most challenging questions on the paper. A mark of two or three was common amongst even the strongest candidates who were able to state two methods of market research. Very few candidates were able to develop their explanations beyond the cost or time involved in each method. Evaluation marks were rarely awarded as candidate could not justify why one method would be more appropriate. Many candidates simply stated the two types of research, primary and secondary, rather than stating specific methods as required by the question. Such answers gained no credit.

Question 3

(a) Many candidates were not able to clearly define dismissal. Often one mark was awarded for explaining that this involves a worker losing their job for some sort of bad behaviour. The weakest answers confused dismissal with redundancy or retirement.

(b) Many correct answers lost a mark on this question by not recognising that the figure for Y was negative. Some candidates did not know how to complete the two calculations.

(c) Candidates found this to be the most challenging part (c) question on the examination paper. The strongest answers recognised the importance of a cashflow forecast for planning and in loan applications. A common error made by many candidates was to state that the cashflow forecast would help to calculate profit or loss. Some candidates had clearly confused a cashflow forecast with an income statement.

(d) Candidates could answer this question in terms of the benefits for LFK or for the employees themselves. Most candidates focused on the benefits to the business with many explaining increased efficiency or improved quality of output. Candidates often struggled to gain both analysis

marks as they could not explain why the stated point would be an advantage. Many candidates simply repeated in both points that the identified advantage would improve efficiency or productivity.

(e) There was some evidence that candidates did not carefully read this question before starting their answers. Such candidates often incorrectly explained why external recruitment was better than internal recruitment. The strongest answers listed several benefits and costs of external recruitment but often did not develop any point fully to show analysis. A noticeable number of candidates applied their answers to the context of coal mining although this question has no application marks. A small number of candidates confused external recruitment with external training and gained zero marks. Evaluation when attempted was often just a summary of points which had previously been credited as knowledge.

Question 4

(a) Most candidates were able to identify two methods of external growth. A common error was to state internal methods, such as franchising or building more branches, or to explain how a business could increase sales.

(b) Candidates found this to be the most challenging question on the paper. Many candidates confused globalisation with multinational businesses. Such candidates stated the benefits of operating in more than one country.

(c) Candidates who recognised that sustainable development involved using environmentally friendly products and methods often achieved full marks. Some candidates lost marks by referring to sustainable production or sustainable resources. These candidates did not show that they understood the meaning of sustainable development. A noticeable number of candidates misunderstood the question and explained how a business could develop or grow. Several candidates confused sustainability with ethical behaviour.

(d) This topic was not well understood by candidates. The strongest candidates were able to fully develop at least one diseconomy of scale to show analysis. Weaker candidates often tried unsuccessfully to adapt their understanding of economies of scale. Such candidates stated managerial or production diseconomies. A noticeable percentage of candidates did not attempt this question.

(e) Many candidates did not fully understand this topic area. A noticeable number of candidates did not answer this question. The strongest answers recognised that a lack of profit may lead to a delay in expansion but had the advantage of not needing to be repaid. Even the strongest candidates struggled to produce an evaluative answer to this question. Weaker answers confused profit with cashflow and stated that the business would struggle to pay costs. Other candidates discussed other forms of finance such as bank loans which was not relevant to this question.

BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

- Greater precision is needed when providing definitions. Answers do not need to match the coursebook word for word if the meaning is clear.
- Application was seen in more responses this series. However, application needs to be more consistent across all part **(c)** (except for **3(c)**) and part **(d)** questions. To access application marks, candidates should use relevant information from the stem to support their answers. A different contextual reference is needed for each point.
- Candidates cannot use the same analysis for both points within the same question, as it will only be credited once.
- Most candidates found it difficult to provide effective evaluation. Of those candidates who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. A decision alone or summary of earlier points is not evaluation. The mark scheme includes an example of an answer which includes evaluation for each part **(e)** question.

General comments

This was an accessible paper with most candidates attempting every question. It was pleasing to see most candidates demonstrate good subject knowledge across the paper. However, many candidates did not include relevant application or analysis. Most candidates continue to find evaluation difficult.

Many candidates still miss application marks. Where included, most reused the same application for both points. To gain application, candidates should use the information from the stem to support the points made. Application does not have to be difficult – any relevant reference from the scenario can be used to support the point being made.

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

Comments on specific questions

Question 1

(a) This question provided a range of responses. Some candidates understood that batch production involved producing goods in groups or sets. Better responses were able to provide a precise definition. A common mistake was to reorder the words or miss one key element of batch production, namely items are produced in groups, and that it is the group that moves together through each stage of production. Other mistakes included repeating the word 'batch' in the explanation or defining flow production instead.

(b) This question was generally well answered, with many candidates gaining two marks. Typical correct answers focused on raising awareness and increasing sales. A common mistake was to repeat a similar point for both answers. Others wrongly identified methods of promotion.

(c) Candidates were often able to identify either an advantage or a disadvantage of quality assurance. Application marks were then awarded for an appropriate reference to shoes or batch production. A common mistake was to confuse the term with quality control by referring to inspectors or checks being carried out at the end of the production process. Other candidates repeated the same application for both points. Whilst some defined the term or outlined the advantages of good quality products.

(d) This was a challenging question for most candidates. A common mistake was to confuse market segmentation with market research, so candidates wrongly focused on identifying customer needs rather than the benefits of dividing the market up into smaller targeted segments. Others wrongly focused on the difference between mass and niche marketing. The most successful answers understood that narrowing down the market could allow a business to design goods that met the specific needs of a specific group of customers and allowed the business to target its marketing more effectively. Some candidates repeated similar points for both answers which could only be awarded once. Application was usually awarded for recognising the business made shoes.

(e) Candidates were clearly familiar with the concept of new product development resulting in many gaining both knowledge marks. Analysis was often awarded for explaining how new customers could increase revenue whilst recognising that additional marketing would be needed which could increase expenses. Instead of analysis many identified new points of knowledge. Only the best responses were able to access evaluation. These responses focused on whether the increase in potential revenue would cover the additional costs in the long term.

Question 2

(a) Most candidates understood that profit was the difference between revenue and costs. Better answers were able to provide a precise definition. Some answers lacked precision by referring to costs rather than total costs. Other common mistakes included confusing the term with revenue or gross profit. Some answers missed the total cost element by just subtracting expenses from revenue.

(b) This question was well answered by most candidates. Typical correct answers included payments for salaries and rent. The most common mistake was to include examples from cost of sales, notably purchasing raw materials.

(c) This question produced a range of answers. Better responses correctly identified at least one reason, recognising that a lower gross profit could be caused by lower demand and higher cost of sales. Many candidates gained application marks for an appropriate reference to furniture or used the data from table 2.1. However, many repeated the same application for both answers, so missed the opportunity to gain full marks. A common mistake was to assume that expenses including rent and salaries would have an impact on gross profit.

(d) Most candidates were able to access the knowledge marks. Better responses were able to explain how employees being familiar with the business may help lower training costs and/or recognised that increased motivation might increase efficiency. Application was often awarded for an appropriate reference to 460 shops or furniture. A common mistake was to refer to production, forgetting that this business was a retailer. Other responses wrongly focused on the disadvantages of external recruitment rather than the advantages of internal recruitment.

(e) Good knowledge of methods of motivation was shown in most responses. Better answers were able to develop the points made to access analysis. For example, recognising that training may be necessary which could increase expenses. The strongest responses considered alternative methods including job enrichment and used the comparison between the different methods as the basis for evaluation. Weaker responses could access knowledge marks but struggled to develop the points made. Some candidates defined the terms which was unnecessary. Instead of analysis, many simply said it would increase motivation (which was in the question), when they needed to explain how the method identified would do this. A common misconception was to assume that job rotation meant workers could gain additional rest periods when switched between tasks. Others confused job rotation with job enrichment or job enlargement. Some candidates discussed financial and non-financial motivators without naming them which was not credit worthy.

Question 3

(a) Those candidates who understood the concept of the private sector gained both marks. Weaker responses were imprecise so referred to control or running the business rather than focusing on ownership. Another common mistake was to provide a definition of specific private sector businesses including sole traders and limited companies. Other candidates made vague statements such as privately owned but omitted to say who owned the businesses.

(b) This question was well answered by most candidates. Typical correct answers focused on reasons including competition, lack of brand recognition and limited finance.

(c) Well answered by most candidates with many gaining four marks. A common mistake was to repeat similar answers which can only be awarded once. For example, owners and shareholders or customers and consumers.

(d) Characteristics of successful entrepreneurs was clearly a topic understood by candidates. Most could identify and explain at least one characteristic, with creative and hardworking being good examples of this. Application was often awarded for appropriate references to bakery, new business or for recognising that Hal planned to leave his current job. A common mistake was to identify functions of a manager rather than characteristics of an entrepreneur. Instead of development, some candidates reused the name of the characteristic rather than explaining it. Others explained a different characteristic to the one identified.

(e) Good knowledge of bank loans was shown in all responses. Candidates also gained knowledge and analysis marks for discussing the advantages and disadvantages of other sources of finance notably crowdfunding and owner's savings. Weaker responses tended to identify new knowledge points, rather than developing the initial point made. Evaluation was rare as most candidates tended to summarise points already made or suggested different sources, which did not build on their previous argument. Another common mistake was to focus on why finance might be needed.

Question 4

(a) This question produced a range of responses. The best answers were able to provide a precise definition of average cost with many gaining the marks for including the correct formula. A common mistake was to define total costs. Other candidates made vague statements about estimates or repeated the words from the term.

(b) A well answered question with most candidates gaining full marks for the calculation. A common mistake was to omit a zero from the final answer. Fortunately, some included the method, so they were still able to gain one mark for a correct formula. Others wrongly divided the values rather than multiplying them.

(c) Many candidates were able to identify at least one external cost with pollution, depletion of natural resources and waste being typical correct answers. Better responses used the context well to access both application marks. A common mistake was to outline two examples of pollution which will only be awarded once. Other candidates identified business costs. Some wrongly assumed the business made vehicles, rather than tyres, therefore references to cars was not acceptable as application. There were also vague references to damaging the environment which were not credited.

(d) Most candidates were able to identify at least one advantage of globalisation. Application was often awarded for appropriate references to tyres, factories or 6 countries. Better answers gained analysis marks for explaining the points made. For example, understanding that having access to cheaper raw materials or labour could help lower costs, whilst access to larger markets could increase revenue. Weaker responses found it difficult to provide clear explanations or repeated the same application, notably tyres for both answers. A common mistake was to assume that becoming a multinational company was an opportunity of globalisation which is not true.

(e) This question was generally well answered with many candidates able to identify and explain two different methods of communication. It is important to note that candidates must name specific methods rather than provide vague answers about verbal, written or oral communication or one-way and two-way communication. Weaker responses listed a range of methods but could not develop them. Others repeated the same analysis for different methods, which will only be awarded once. Only the strongest responses were able to successfully show evaluation. Often a decision was made but the reason given did not effectively differentiate between the methods chosen.

BUSINESS STUDIES

Paper 0450/13
Short Answer/Data Response

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.
- Application remains weak across the paper. Candidates are encouraged to use information from the stem to help answer all part (c) (except for **(4c)**) and part (d) questions as this provides the basis for application. A different contextual reference is needed for each point.
- Candidates should avoid using the same analysis for both points within the same question, as this will only be credited once.
- All candidates found it difficult to provide effective evaluation. Of those candidates who did attempt an evaluative statement, most were unable to provide reasoned statements to back up the decision made. A decision alone or summary of earlier points is not evaluation. The mark scheme includes an example of an answer which includes evaluation for each part (e) question.

General comments

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

Most candidates continue to miss many of the 16 application marks that are available on this paper for most part (c) and all part (d) questions. Where included, many use the same application for both points, which can only be credited once. To gain application marks, candidates need to use the information provided in the stem to support each point made. Application does not have to be difficult – simply using appropriate references from the scenario which supports the point can allow candidates to access these marks.

Analysis involves developing the points made. Some candidates simply repeat 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 do not include a decision in part (e) questions. Of those candidates who did attempt an evaluative comment, most were unable to provide reasoned statements to back up the decision made. Candidates should be encouraged to include a clear decision and provide a supporting reason for the decision based on the points discussed in their answer. Candidates do not need to introduce new points in their evaluation.

Comments on specific questions

Question 1

(a) This question was generally well answered. Most candidates could identify at least one role of packaging, with providing information, attracting customers and protection being popular choices. A common mistake was to repeat the same role for both answers.

(b) Those candidates who understood the product life cycle scored highly on this question. A common mistake was to identify stages of the business cycle. Other candidates wrongly identified stages of the production process.

(c) Good knowledge was evident in many responses. However, candidates often missed application marks as there was no attempt to link their answers to the scenario. For example, they could have referred to chocolate or ingredients when outlining points about competition and cost of production. Other wrong answers included identifying pricing methods which is a different question.

(d) This question proved challenging to many candidates. Typical correct responses understood that offering fair pay to employees and paying suppliers on time were ways that a business could act in an ethical way. Better answers gained application for appropriate references to chocolate or recognising that MDZ's suppliers were in the local area. Analysis was rarely awarded as candidates explained the benefit to the business rather than the named stakeholder. Many answers confused ethical and legal issues. For example, paying the minimum wage is a legal obligation, not an ethical consideration. Others identified methods of motivating employees. A small number of candidates did not attempt this question.

(e) This question was poorly answered by most candidates as many wrongly identified methods of advertising or pricing rather than sales promotion. It is important to read the question carefully. The best answers discussed methods including free samples and Buy One Get One Free and then attempted to explain how each method could be used to encourage sales. Weaker responses struggled to develop the points made. Evaluation was limited or not awarded.

Question 2

(a) Many candidates gained at least one mark for number of employees or reference to sales. There were many vague statements about production, capital or the worth of the business which could not be credited. A common misconception was to assume profit is a way to measure the size of a business.

(b) Those candidates who understood the cash flow forecast generally gained both marks. Most candidates were able to calculate the value of Y. A common mistake was to omit the minus sign for the value of X.

(c) Many candidates could outline at least one reason a business might remain small, with owners' preference and level of demand being typical correct answers. Only the best responses gained both application marks. Many candidates did not attempt to link their answers to the context. For example, candidates could have mentioned that Jonathon was a sole trader or added that the business sold office equipment. A common mistake was to outline financial reasons which the question clearly excluded.

(d) This question produced a range of responses. Knowledge was usually awarded for identifying that customers may be slow to pay. Better responses did link their answers to the context. It was pleasing to see some candidates using the data from Table 2.1 to support their answers. Only the best responses were able to develop the points made effectively. For example, recognising that if the customer does not pay on time, this would have a negative effect on cash inflows. There were many common mistakes. Some candidates described what the table showed, whilst others made vague statements about more cash outflows or fewer inflows without identifying the reason for this. Others confused cash flow with profit. Whilst some candidates identified solutions which was not required.

(e) Most candidates showed good knowledge of the possible advantages and disadvantages of being a sole trader. Some defined the term which was unnecessary. Better responses were then able to develop points, for example how being able to make all the decisions could allow decisions to be made more quickly. Instead of analysis, most candidates identified new points of knowledge. Evaluation was rare. Some candidates did include a decision, but this was usually not supported, whilst others simply summarised points already credited.

Question 3

(a) Most candidates struggled to define external benefits. Some understood that it was about gains to third parties outside the business, but most could not provide a full definition of the term. Wrong answers tended to focus on benefits to the business or offered examples of possible external benefits. Others made vague references to people which could not be accepted.

(b) Many candidates were able to gain at least one mark for identifying ways including limiting where or when a business could operate. A common mistake was to identify the legal control, rather than focus on the effect of it on a business. Other answers wrongly identified legal controls relating to employees or marketing, rather than location.

(c) Good knowledge was evident in most responses. The best answers included appropriate contextual references to access the application marks. For example, mentioning steel in relation to high output or how the business could benefit from increased efficiency in its factories.

(d) This question produced a range of responses. Knowledge was often awarded for identifying relevant reasons such as meeting demand or avoiding possible supply problems. Only better responses were then able to explain the significance of these points for this steel manufacturing business. A common mistake was to repeat the same point of knowledge about sales for both answers. Others wrongly focused on the type of inventory being held. Some candidates did not attempt this question.

(e) Good knowledge of the benefits to a business of being a multinational company was evident in most responses. However, most candidates could not develop their points with many choosing to identify additional points of knowledge. Another common mistake was to identify benefits to the country rather than to a business. Evaluation was rare. Where a decision was made, the statement was not supported so it could not count as evaluation.

Question 4

(a) Many candidates gained at least one mark for identifying objectives including survival, profit, and increased sales. A typical incorrect answer was growth, which was excluded in the question. Other responses lacked precision. For example, referring to making money rather than profit or increased sales. Some candidates wrongly discussed actions the business might take to achieve the objective, without specifying the objective itself.

(b) This question proved challenging to some candidates. Marks were often awarded for recognising external finance could provide large amounts of funds or that it could allow funds to be raised quickly. A common mistake was to identify sources of finance. Other responses wrongly focused on why funds might be needed, for example to fund expansion. There were also vague statements about being easy to get whilst others focused on the level of risk. Such answers were not awardable.

(c) This question was generally well answered, with many gaining three out of the four available marks. A common mistake was to assume wages are a motivator, rather than a hygiene factor.

(d) Most candidates gained knowledge and analysis marks for this question with meetings and emails being typical choices of internal communication. Application was frequently awarded for appropriate references to 4000 employees or 460 shops. A common mistake was to identify disadvantages of each method which was unnecessary. Other candidates made vague statements about methods being 'easy' or gave imprecise answers about written, verbal or visual communication, rather than identifying any specific methods.

(e) This question was poorly answered by most candidates. Better responses did show some understanding of the concept of full-time employees, but most candidates struggled to develop the points made. Instead of analysis many candidates identified new points of knowledge. Without analysis, evaluation marks cannot be considered. There were many misconceptions about full-time employees focusing on motivation, tiredness, efficiency, and skills. Other responses referred to the benefits and limitations of part-time employees rather than full-time employees. A small number of candidates did not attempt this question.

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 is apart from one **(a)** question that will usually be generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a)** and **(b)** for application. In this case study candidates were expected to refer to a successful business that manufactures shoes out of natural rubber. It is advisable for candidates to ask themselves about the size of the business, whether it is a service business or a manufacturer and what type of business organisation it is. This may add to the quality of answers.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only achieve Level 1 in **(b)** questions 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 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 refer 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 PF, a private limited company making shoes out of natural rubber provided an accessible scenario for candidates. Those who applied their answers to the context of PF were able to achieve higher marks. Most candidates seemed to have time to complete the paper and attempted all questions.

Candidates must be reminded to take careful note of how many marks are awarded for each question, so they are clear about the extent of developed explanation that is required for each answer. Each 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 factors influencing business location and financial analysis.

Overall, the standard was good with very few weak scripts. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not **3(a)** on this paper). The conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower-level mark band. Candidates should aim to consider the consequences / implications / long term / short term / balance issues of their decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

(a) Many candidates demonstrated sound knowledge of the change of business ownership from a sole trader to a private limited company. Correct responses identified the advantages of having limited liability or ensuring the future continuity of the business. The disadvantages mentioned included reference to the need to pay dividends to shareholders and the legal restrictions of setting up a private limited company. Half of the available marks could be gained by applying the knowledge to the context of PF. Some candidates were not successful in making this application and therefore did not maximise their mark for this question. For example, a full answer would develop the point that the advantage of having limited liability meant that Philip would not lose more than his original investment of \$100 000. The disadvantage of paying dividends would mean that some of the profit would be passed on to Philip's sister, if she goes ahead with her investment in PF, and not kept wholly by Philip himself.

(b) This question required candidates to consider three methods that PF could use to motivate its employees – paying bonuses, piece-rate or job rotation. A significant number of candidates showed good knowledge of paying bonuses and job rotation. Piece-rate was less well understood. In the discussion about paying bonuses there were frequent comments that the incentive would encourage employees to work harder, and it might only be paid to the highest performers. This might cause some jealousy amongst the workers and demotivate those who do not receive a bonus on top of their weekly wage. Since other local businesses pay higher wages, this might mean some dissatisfied employees will leave PF and make their recruitment problem even worse. This kind of developed explanation earned Level 2 reward. Simple statements which mentioned that paying bonuses gives an incentive to work harder, or piece-rate would encourage workers to produce more flip-flops, or job rotation would give workers a chance to switch jobs to reduce boredom earned only Level 1 reward. Each section of the answer required a chain of analysis to earn higher level marks and then a recommendation of which motivational method PF should choose. A good quality conclusion should include a clear, justified decision with supporting evidence, including why the other options are not as likely to be an effective method of motivation.

Question 2

(a) This was a well-answered question. Many candidates confidently explained one advantage and one disadvantage of PF selling its products in the mass market. The advantage of accessing a large potential customer base of customers wanting to buy rubber shoes was a common answer. This would lead to high levels of sales and possibly high profits. The disadvantage of increased competition in the mass market might result in PF spending more on advertising to stand out from competitors so that they could emphasise the use of high-quality natural rubber grown in the local area. Some weaker responses offered simple statements and did not develop the explanation of each point fully enough, or in the context of PF, to achieve the highest marks.

(b) Some candidates found this question challenging. Three factors influencing the location of PF's new factory had to be considered. Choosing a location close to raw materials would be crucial to PF's operation. They do not use imported materials, they use local natural rubber, which differentiates their flip-flops from others in the market. Easy access to the natural rubber will ensure regular supplies of the materials and the high quality would help to maintain the good standard of footwear they have always produced. The influence of transport links on a choice of location would be important for delivering the finished shoes to retailers across the country and offering easy access to employees travelling to and from work. Good transport links would result in efficient deliveries of shoes, which would be important in a highly competitive market, and may even attract new employees from further away to help solve PF's recruitment problem. Knowledge of government influences on the location of business was generally weak. Government grants and subsidies, job creation schemes and environmental concerns could all have been discussed in this context. A chain of reasoning which explained the positive or negative impact of each of the three influences was needed to access Level 2 marks. In the conclusion, responses needed to include a justified conclusion about which influence would be the most significant to earn Level 3 credit. The best answers avoided repeating points made earlier in the response and related to why one factor was more important and the other factors less important in PF's location decision.

Question 3

(a) This question was successfully answered by many candidates. It was the only generic question on the paper. Knowledge of the topic of sources of finance was strong. The advantages of being able to borrow large sums of money and repay the bank over an extended period were popular answers. Other strong responses identified disadvantages such as the bank requiring collateral before granting the loan or the added cost of paying interest as well as the original amount of the loan back to the bank. To gain the highest number of marks on this question candidates were expected to offer additional explanation which developed the point being made.

(b) This question required candidates to consider the advantages and disadvantages of three methods of promotion for PFs new product range. Most responses showed good knowledge of promotion but very few contained the chain of reasoning necessary to earn Level 2 credit. The discussion about billboards on the side of the main road often began with a statement about it being a large and eye-catching promotional method but only a few responses went on to develop the point. For example, the same people would tend to pass this billboard regularly and would keep being reminded of PF's flip-flops. This would attract them to buy this brand rather than one of the many competitors' shoes. However, billboards are comparatively expensive and can only contain limited information so the details of the sustainable source of raw materials may not be included in the advert. Additionally, drivers may not be able to see more than the brand name as they need to keep an eye on the road. Such promotion does not necessarily guarantee increased sales. Very few responses secured Level 3 credit because the conclusion was not well justified and there was repetition of points made earlier in the answer.

Question 4

(a) This question required candidates to explain one effect on PF of an increase in tax on people's incomes and one effect on PF of an increase in tax on profit made by businesses. Strong responses explained that PF might experience a fall in shoe sales since disposable income would fall after a rise in income tax. Spending would be focused on essential items rather than the purchase of natural rubber shoes which might be regarded as more of a luxury. PF would likely face a fall in demand. The impact of an increase in tax on business profits was less well answered. Responses should have made specific reference to a fall in retained profit followed by an explanation of the impact. A reduction in retained profit would result in lower investment which might mean that there was insufficient funding for the new factory that Philip had planned.

(b) Candidates were directed to analyse the financial data from Appendix 3 and to then advise Philip's sister whether she should invest in PF. Many responses showed weak numeracy skills and contained only simple comparative statements about the statements of financial position for 2025 and 2026. Some candidates did not identify 2026 as a forecast and commented on both years as historical data. Others failed to recognise that each figure in Appendix 3 represented thousands of dollars. There were some higher quality responses from candidates who successfully calculated current and acid test ratios. Accurate labelling of each liquidity ratio was not always apparent. The comparison of the ratios enabled candidates to interpret the outcomes which could then inform the decision about investment. Better recommendations did more than offer a simple piece of advice to Philip's sister whether to invest or not in PF. The best answers justified their decision with reasoned argument, supported by financial analysis, about which would be the wisest course of action.

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 is apart from one **(a)** question that will usually be generic. Applying answers to the case will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this case study, candidates were expected to refer to a multinational company that manufactures high-quality sports equipment. It is advisable for candidates to ask themselves about the size of the business, whether it provides a service or is a manufacturer, and the type of business organisation. This may add to the quality of answers.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only achieve Level 1 in **(b)** questions 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 refer 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 TSE, a large manufacturer of sports equipment, provided an accessible scenario for candidates. Those who applied their answers to the context of TSE were able to achieve higher marks. Most candidates had 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. Each 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 the business rather than its employees. Many candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in some cases, it was clear that certain topics were not as well understood. The weakest understanding was of the problems of entering a new market in another country, absenteeism and labour turnover, and the effects of a recession on a business.

Overall, the standard was good with some weaker scripts, which was comparable with previous years. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not **3(a)** on this paper). The conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower-level mark band. Candidates should aim to consider the consequences / implications / long term / short term / balance issues of 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 two problems which might affect TSE when entering a new market in another country. While most candidates were able to recognise cultural differences as a factor, few clearly explained how this could impact demand or the effectiveness of marketing in the new market where some advertising might offend the local population. Similarly, lack of knowledge of the new market was often mentioned, such as may not be aware of competitors in the market but explanations were vague and not well linked to TSE. Where application was evident in answers candidates often stated that sports played may be different and consequently the equipment needed to play that sport may need to be adapted to meet demand leading to higher costs. Some candidates incorrectly thought TSE was manufacturing rather than selling in the new country and so considered issues around sourcing raw materials or communication issues with employees.

(b) Many candidates recognised the benefits of reduced absenteeism such as not disrupting production, not needing to cover for absent colleagues, increases in efficiency or productivity, and the benefits of low labour turnover such as an increase in production and no need to recruit or train new employees therefore reducing costs. However, these benefits were often not developed well enough as to why they were a benefit to TSE to move into level 2. Weaker candidates did not read the question and provided drawbacks, rather than answering only in relation to the benefits. A few candidates made errors such as explaining how to reduce labour turnover or reduce absenteeism rather than discussing why having a well-motivated workforce was beneficial to TSE. Conclusions were mostly repetition of earlier points without suitable justification given.

Question 2

(a) This question was generally well answered, and most candidates were able to identify objectives such as shareholders want to receive dividends, suppliers want to be paid on time, employees want higher pay, and customers want good quality products at an affordable price. Weaker responses confused objectives with the role of the stakeholders, such as TSE supply products to customers or looked at the objective from TSE's point of view and not that of the stakeholder group. Others thought the question was asking for definitions rather than objectives and so described what each stakeholder does. Application marks were not always awarded as some candidates used the same application of producing sports equipment in each objective or gave generic answers. Candidates needed to apply the objective to the business in the case such as employees want higher pay when working in the factories in 10 countries or shareholders wanting increased dividends from strong sales in the 30 countries.

(b) This question asked about two ways efficiency could be increased. Most candidates gained at least the top of Level 1 with simple statements in context. Improving labour skills received popular responses such as increase in productivity, better quality sports equipment, and less wastage of raw materials due to fewer errors. For increasing automation and technology, points included identifying faster production and increased quantity produced, higher initial capital required, standardised quality of products, and the need for regular maintenance which will increase expenses. There were also many comments on the possibility of redundancy of employees as fewer workers would be needed to operate the machines. These advantages or disadvantages of the two ways were often not developed in any detail and so limited the entry into level 2. Developed explanation could have been for example, that improving labour skills may enable employees to work more quickly and produce a higher output in a shorter time leading to lower unit costs making TSE more competitive. However, these employees, once trained, may find it easier to leave and hence training costs would be wasted as new employees would need to be recruited and trained and expenses would be further increased. Recommendations were often not supported by evidence or reasoning, which limited access to Level 3 marks. Better responses clearly compared the two ways in relation to TSE's needs and provided a justified recommendation, for example, suggesting that automation might offer long-term efficiency gains, while improved labour skills could only deliver immediate operational benefits. Some candidates commented in the recommendation that TSE workers were already skilled and so there may not be much room for improvement.

Question 3

(a) This was a generic question, and the available marks were for making relevant points and explanation about how market research can help a business. The question was well answered by most candidates. Better candidates chose ways such as helps to; make advertising effective, identify the target market, meet customer needs and wants, identify a gap in the market and to judge how much customers are willing to pay to decide the price for a product. The most common error in answers was to describe types of market research and not focus on how it can help the business. Weaker candidates included explanations that lacked depth and simply stated the way without explaining how it helps the business when making decisions. A few candidates did not realise this was the generic question and so missed explanation marks by trying to earn application marks.

(b) This question asked candidates to compare two different ways of purchasing raw materials and then decide which one TSE should use, and why the alternative way was not chosen. Some candidates restricted their marks by offering flipped answers, particularly around points concerning quality and transport/shipping costs. For example, transport costs were higher if the head office purchased the raw materials but then said it was cheaper for the alternative way. In addition, weaker candidates did not provide sufficient detail to generic answers such as cheaper/more expensive or better/lower quality. If candidates make such assumptions they need to qualify them, for example if quality may be worse or better, why would that be. This limited the credit that could be awarded for these answers. There were several candidates who referred to tariffs/quotas in their answer when there was no mention of these in the insert. A common mistake in application was that production was taking place in 30 countries rather than 10. Stronger responses recognised that central purchasing could reduce unit costs through economies of scale as TSE buys in bulk and receives trade discounts. Another common benefit for centralised purchasing was TSE can ensure that the raw materials are of the best quality which will ensure same quality products in all their 10 factories. Other candidates recognised that local purchasing can be more responsive and reduce delivery delays or reduce the cost of transportation. Better candidates included a reasoned recommendation with clear justification based on TSE's business situation.

Question 4

(a) Many candidates were able to correctly identify at least one effect of a recession on TSE. Many recognised that a recession leads to lower consumer spending and then explained how this causes reduced sales as there would be less demand in the economy and that sports equipment was not a basic need and so sales would fall. Additionally, many candidates recognised that the labour pool would be larger/cheaper although they often suggested TSE would employ more people without expanding on why they would do that during a recession. There were a significant number of candidates who incorrectly thought that in a recession inflation would rise and with it the price of raw materials and products. Application was often evident as candidates identified that sports equipment was not a necessity and the employees were skilled.

(b) This question required candidates to analyse the information given in Appendix 3 and make a judgement about which company should be taken over. Stronger responses made correct use of formulae to calculate gross profit, profit, gross profit margin and profit margin. Then in the recommendation they clearly linked these calculations to the business decision about the takeover. Weaker candidates only gave calculations without explanation or justification or simply made several comparative statements about the two companies, such as Company B has \$200 m revenue which is twice as much as Company A. Calculation errors were common, and some candidates also confused gross profit with profit. Several calculations from weaker responses were missing the dollar sign or million which limited their marks. Candidates found it easier to justify the choice of company B because of higher revenue, profit, and profit margin. Stronger candidates gave good business reasoning for their choice using the economic recession and the TSE's wish to increase its market share in country P. Although most responses just used the higher profits and margins of company B to justify it as the better choice without explaining how these figures would benefit TSE. Candidates need to ensure they correctly label the figures they have calculated, or the examiner does not know that they understand what they have calculated.

BUSINESS STUDIES

Paper 0450/23

Case Study

Key messages

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

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both parts **(a)** and **(b)** for application. In this case study, candidates were expected to refer to a business that is a restaurant serving vegan meals. It is advisable for candidates to ask themselves about the size of the business, what type of product it offers, and the type of business organisation. This may add to the quality of answers.
- Candidates should try to give a full explanation of both the positive and negative consequences of a business decision when this is asked for. Responses require developed reasoning rather than simple description; listed points generally only achieve Level 1 in **(b)** questions 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 refer to why the alternative option(s) was rejected.

General comments

Candidates had generally been quite well prepared for this examination and understood what was expected of them. The context of VV, a restaurant business that serves vegan meals, provided an accessible scenario for candidates. Those who applied their answers to the context of VV were able to achieve higher marks. Most candidates had 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. Each 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 profitability and liquidity ratios.

Overall, the standard was good with some weaker scripts, which was comparable with previous years. Candidates often provided answers in context which enabled access to application marks. However, candidates should make sure that different examples of application are included in each section of **(a)** questions (not **3(a)** on this paper). The conclusion/recommendation should also be applied to the case in **(b)** questions. A lack of analysis and evaluation resulted in answers remaining in the lower-level mark band. Candidates should aim to consider the consequences / implications / long term / short term / balance issues of the decisions to secure Level 2 or Level 3 marks in the conclusion/recommendation.

Comments on specific questions

Question 1

(a) This question was answered well as many candidates could give two advantages and two disadvantages of buying a franchise. Weaker responses lacked an understanding of what it meant to buy a franchise and answered in a general way about starting a business rather than buying a franchise. The most popular advantages included risk of failure was reduced as Jemi was buying the right to use a well-known brand name, advertising was carried out by the franchisor, and training and advice was provided. Disadvantages often included less control or independence, a licence fee would need to be paid, and profits were shared with the franchisor. The most common reason candidates not achieving the full marks available was answers not being applied to the business in the insert.

(b) Most candidates listed rewardable answers such as the wage cost is \$4 per hour more for Tianna, Vea has less experience than Tianna by 10 years. However, these points were often just stated and no further reasons as to why they were an advantage, or a disadvantage were given. For example, a disadvantage of Vea having a long training time of 10 weeks meant that she would be getting paid for all that time, but no work would be provided, and it would delay the opening of the restaurant so this may delay revenue being received. Some candidates thought that Tianna had already been trained at a VV restaurant which was not the case as it was training required. To move the answer to higher levels the recommendation needed to justify the choice of applicant without repeating earlier points and explain why the alternative applicant was seen as less suitable.

Question 2

(a) The majority of candidates were able to provide at least one benefit of market segmentation and apply it to VV. The most popular answer was increased sales/customers. Other benefits included being able to charge a higher price, increased customer loyalty and finding it easier to compete. Weaker candidates simply stated a benefit but did not explain why segmenting the market resulted in this benefit or did not apply their answer to the business in the insert.

(b) Similar to **Question 1(b)** this was not a high scoring answer. Most candidates could state differences between the three locations, such as location A had low unemployment which may make it difficult to recruit employees. However, answers remained as simple lists of advantages and disadvantages which limited answers to Level 1. Better candidates had sufficient understanding of at least two of the points included in Appendix 2 enabling their answer to move into Level 2. Well-developed points explaining why these may be reasons to choose or not choose a location were only included in stronger answers. Fewer points explained well achieved more highly than every item of information in the Appendix being commented upon. The recommendation needed to justify the choice of location without repeating earlier points and explain why the alternative locations were seen as less suitable.

Question 3

(a) This is a generic question, and the available marks were rewarded for making relevant points with additional explanation. It proved an accessible question for most candidates, with many identifying four appropriate external sources of finance a business could use. The most popular sources were bank loan, micro-finance, crowdfunding, leasing, selling shares, government grants and a bank overdraft. Better answers then explained the source whereas weaker answers discussed what the source would be used for.

(b) Candidates found this question difficult, and it was the lowest scoring question on the paper. Most candidates realised that profitability was linked to the amount of profit made but could not explain why profitability was important. They did not understand the difference between profit and profitability. Liquidity ratios were not well understood by weaker candidates, but better candidates knew it was connected to a business's ability to pay its short-term debts but often could not develop their answer beyond this. Consequently, few answers moved into Level 2 or Level 3.

Question 4

(a) The majority of candidates could identify how the information in Appendix 3 was likely to affect the restaurant. The most popular answers were increased sales or demand, increased competition and difficulty finding suppliers. Application was easily gained by answers referring to fruit and vegetables, 10 per cent increasing to 25 per cent of the population eating vegan meals, more restaurants adding vegan meals to their menus, and difficulty finding suppliers. To gain full marks many answers needed to explain in greater detail why it was that each way affected the business.

(b) Many candidates gained credit for listing the advantages and disadvantages for each method of motivation and each method seemed to be clearly understood by most candidates. A minority of candidates assumed that employees were promoted for job enrichment rather than them carrying out additional and more challenging tasks. Better candidates recognised that job enrichment may require additional training which would increase costs for the business and some employees may not be capable of or want additional tasks. Many answers were generic, and this prevented answers moving to the top of whichever level the answer was in. Only better candidates developed the earlier part of the answer to move from Level 2 to Level 3, so higher marks were rare to see.