

BUSINESS STUDIES

<p>Paper 0450/11 Short Answer/Structured Response</p>

Key messages

Application within answers was an improved area of candidate responses, but a number of candidates still struggle to demonstrate this aspect in their work.

The lack of effective evaluation continues to be a problem within many 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 1(c), 1(d), 2(a), 2(b) and 3(a)** of the paper. Centres would do well to spend time ensuring that candidates are fully aware of all elements of the syllabus. When a question stem contains some numerical data, as seen in each of the questions on this paper, candidates should be encouraged to make use of this data within their answers to show their strong understanding of the information provided. This was not always seen in candidate's responses. In parts d and e of each question candidates will often be awarded application and analysis marks for correct calculations using information provided.

Candidates should be encouraged to:

- Learn precise definitions for key terms.
- Use calculations were appropriate.
- Refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate for that organisation.
- Ensure that within **parts (c) and (d)** of each question a different point of application is used for each separate point.
- In **parts (d) and (e)** of each question it is important to explain the impact of points identified on the business described in the stem of the question.

Comments on specific questions

Question 1

- (a) Candidates were generally secure in their knowledge of this aspect of the syllabus. Many candidates gained both of the marks available. Risk-taker and innovative being the most frequently provided answers.
- (b) This question differentiated between candidates. A number of candidates misinterpreted the information provided and discussed the benefits of trading abroad such as gaining a new market. This was not the focus of the question and such answers could not be rewarded. Another common error was to identify that producing abroad would be cheaper without identifying why this would be true. The best answers identified that this may give access to materials that would otherwise not be available or lower costs due to lower wages.

- (c) Candidates were generally very aware of the material presented in the stem of the question and attempted to use this to explain their answer, therefore gaining the application marks. The strongest answers identified a suitable reason, such as those listed in the mark scheme, and then explained why this would be true for Ella's business using the material to support their reasoning. Very few candidates used the cost information provided in support of their answer. A number of candidates explained that the business would lack internal sources of finance. Such answers could not be given credit, as the question required an explanation of external sources.
- (d) Candidates who understood the term 'price skimming' often scored high marks on this part of the question. A number of candidates were clearly not aware of the meaning of this term.
- (e) This area of the syllabus was well understood by many candidates who were able to display a large amount of knowledge. The strongest candidates were able to use the information provided to justify their choice, often by calculating the difference in cost between the options. Such answers often gained all of the knowledge, application and analysis marks available. Very few candidates provided a justified conclusion and gained evaluation marks. Weaker candidates gained only the knowledge mark by producing a list of general statements covering the advantages and disadvantages of the methods suggested. A small number of candidates did not discuss the methods identified but suggested pricing methods. These answers could not gain any of the marks available.

Question 2

- (a) There was some evidence that a number of candidates were not familiar with this ratio. A small number of candidates wrongly provided a definition of production. The strongest answers provided both a definition and the relevant equation.
- (b) The majority of candidates were aware of the purpose of working capital and gained both marks. A number of candidates gave very imprecise answers that could not be rewarded such as "to keep productivity".
- (c) This question clearly differentiated between candidates, with many gaining either 4 marks or zero. An error made by a number of candidates was to not make clear that the Z figure was a negative number.
- (d) Some candidates clearly did not fully understand this term. The best answers explained how lower storage costs would benefit the business and the problems that they would face if they could not meet an unexpected order. Stronger candidates made use of the information provided and talked about the storage of food items.
- (e) Candidates generally displayed very strong knowledge of motivational theorists, giving detailed lists of ways that workers could be motivated. Only the most able candidates were able to apply that knowledge to the business in the question. The strongest answers considered the positive and negative aspects of increasing wages and used the information provided to calculate the effect upon the firm's financial position. Evaluation for the majority of candidates was generally very weak being a repeat of the points stated earlier in the answer.

Question 3

- (a) This concept was not generally well understood by candidates. A number of candidates did not attempt this question. A common error made by candidates was to give imprecise statements such as 'costs would fall' or 'a benefit of being big'. These answers do not show clear understanding of the concept and could not be rewarded.
- (b) Generally well answered.

- (c) Candidates were more confident in explaining the disadvantages of this hierarchical structure than the advantages. The strongest candidates were aware that a hierarchy gives potential for promotion and a clear chain of command. Application marks were awarded for awareness that this company had many levels in the hierarchy or a long chain of command, candidates very rarely used any other piece of information from the scenario in this question. This lack of variety in the application meant that candidates frequently scored three rather than four marks.
- (d) This question was well answered by many candidates. Candidates recognised the importance of reputation to businesses such as the one described in the question and were able to correctly analyse the effect. Weaker candidates struggled to identify more than one piece of application and therefore often also repeated their analysis in both points.
- (e) Candidates clearly understood the idea of expansion within business. A number of weaker candidates did not understand the focus of the question. Such answers focussed either upon the benefits to a business of expanding or ways a business could gain customers in a new market. Such answers could not be rewarded. Better answers recognised the different ways that a business could expand, used information from the stem of the question to support the benefits or costs of each method and came to a supported conclusion of the best method for this business. The stronger answers focussed upon merger or franchising.

Question 4

- (a) This term was well understood by many. A significant minority confused stakeholders with shareholders.
- (b) Generally very well answered. A number of candidates were confused by the instruction in the question 'other than legal controls' and gave examples of laws and regulations that were more suited to an answer for **part (d)**.
- (c) The majority of candidates identified the advantage of selling shares on the stock exchange and the problem of potentially being taken over, or having to share financial information publicly. Only the strongest candidates were able to provide two distinctly different points of application and gain all of the marks available. As in previous examinations a number of candidates confused public limited companies with public corporations and incorrectly discussed government involvement.
- (d) Candidates were not confident in their ability to answer this question. A number of candidates did not attempt this question. The best candidates gained the majority of the marks available by providing detailed analysis of two relevant legal controls that might affect a mining company. Frequently these were examples of employment legislation such as minimum wage laws. Even the most able candidates often struggled to provide two distinctly different points of application. A common mistake made by weaker candidates was to explain how taxes rather than legal controls would affect the business.
- (e) This was a question that differentiated well between candidates. Some candidates were clearly comfortable with the idea of external benefits and costs and were able to explain at least one benefit and cost of allowing the mine to open. The most successful candidates explained the benefit of creating such a large number of jobs in a country with high unemployment but recognised the long-term problems that pollution and congestion would cause. These candidates were often able to make an evaluative comment. The weakest answers simply repeated the information provided in the stem of the question without explaining whether the point would be good or bad for the country.

BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

Information contained in the stem of each question will prove helpful in answering the questions set.

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

General comments

Candidates were generally well prepared for the examinations and most attempted every question. Questions requiring definitions and calculations were generally well attempted. There was evidence that candidates were unfamiliar with the precise meaning of some terms including external cost.

There was evidence that certain parts of the syllabus including concepts such as job production and break-even proved more challenging to some candidates. It is important that candidates ensure they are answering the question set.

At times the application and analysis marks were often awarded because some candidates did not address the specific question asked. To do well in this paper, candidates must make clear references, or application, to the stimulus material provided. **Part (e)** of all questions continues to be the most challenging for all candidates. Stronger 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) Most candidates understood that the tertiary sector provided services. Stronger candidates were able to provide a precise definition.
- (b) Most candidates were able to calculate the correct revenue figure.
- (c) This question proved challenging for some candidates. Stronger candidates did attempt to identify and explain how break-even information could be useful to a business and better responses were able to use context. Some candidates described what break-even was rather than explain how it could be used.
- (d) This question proved challenging for some candidates. Stronger candidates were able to correctly identify and explain how ways such as training and improving communication could help a business improve customer service. The best responses made good use of the source material to support the points being made. Some candidates misinterpreted the question and identified ways a business could use to attract customers.

- (e) Good knowledge was evident in most responses. Better answers developed points made and used the information from the stem to help make a justified decision about whether Flyway should only use e-commerce. Stronger answers considered points both for and against closing the shops and attempted to make an appropriate decision based on their argument. These candidates made good use of the source material to support the points being made. Some candidates did attempt to make a decision but were not always able to offer sufficient reasons to back up the statement made.

Question 2

- (a) Most candidates could identify one advantage of specialisation but some candidates repeated similar points for both answers.
- (b) Many candidates understood that external costs were costs paid for by a third party. Some candidates were able to give a precise definition. A common mistake was to identify examples, which did not explain the term.
- (c) This question was generally well answered. Most candidates could correctly identify possible ways. Many candidates did well as they were able to explain how methods such as 'recycling' or 'using environmentally friendly materials' could be introduced into a shoe making business.
- (d) Many candidates were able to correctly identify an advantage or disadvantage. Stronger candidates did attempt to explain how or why points such as meeting individual customer requirements could be an advantage while slow production could be a disadvantage for a business. Stronger responses were linked to the scenario. A number of candidates did not make a clear distinction between job production with other production methods so identified points that were more appropriate to flow production or production methods in general. Some candidates misinterpreted the question.
- (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 operated in a niche market making high quality shoes, these were important factors to be considered in any decision. Better answers offered a supported decision. Weaker answers identified points but did not develop them to show why or how they were important.

Question 3

- (a) Most candidates were able to identify at least one element with objectives being a typical choice.
- (b) Most candidates knew non-current assets were owned by the business. Better candidates were able to provide a precise definition. A number of candidates provided examples rather than a definition.
- (c) Generally well answered. Most candidates could calculate the current ratio. For the second part, most candidates understood that the results showed an improvement between the two years. Better answers were able to clearly explain what the improvement signified.
- (d) Most candidates could identify at least one problem. Better responses were able to suggest suitable solutions and attempted to link them to the scenario.
- (e) To score highly on this question the candidates needed to discuss whether Yanis should change from using high wage rates to motivate his employees. Most candidates were able to identify alternative methods with better answers linking their answer to the restaurant scenario. Better responses were able to develop points made to explain how or why such points were significant.

Question 4

- (a) Many candidates were able to identify one reason with more businesses entering the market being a typical response. Weaker candidates repeated the same answer for both reasons.
- (b) Well answered by most candidates.
- (c) Most candidates showed good knowledge of the possible effects of an increase in taxation. However, some responses did not attempt to apply this information in the context of this business.

- (d) This question produced a mixture of responses. Many candidates could identify one advantage with improved communication being a typical answer. Stronger candidates tried to explain how the point identified could help a business. Better responses were able to link their answer to the scenario. Instead of development some repeated the point rather than explain how it could benefit the business.
- (e) Most candidates showed good knowledge of communication methods. Better responses then tried to explain why the chosen method could be a suitable method to use when informing employees about the proposed changes. Stronger candidates were able to link their answer to the scenario. Better answers attempted to make an appropriate conclusion based on the points made. Weaker answers made simple statements such as cheaper or faster without explaining how or why this might be the case for the method selected.

BUSINESS STUDIES

<p>Paper 0450/13 Short Answer/Structured Response</p>

Key messages

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

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

General comments

Candidates were generally well prepared for the examinations and most attempted every question. Questions requiring definitions and calculations were generally well attempted. There was evidence that candidates were unclear on the precise meaning of some terms including marketing strategy. There was evidence that some candidates did not fully understand certain parts of the syllabus including concepts such as competitive pricing and ethics.

At times the answer given did not constitute an explanation of point identified but was simply another knowledge mark or a repetition of the initial point. Some candidates had the wrong focus so did not address the specific question asked. To do well in this paper candidates must make clear references, or application, to the stimulus material provided. Candidates should also avoid using the same application and analysis point more than once in any given answer.

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

Comments on specific questions

Question 1

- (a)** Most candidates understood that the quality assurance involved checking products. Better candidates were able to provide a precise definition. Some candidates confused the term with quality control. Others explained why it was used rather than what it was.
- (b)** Most candidates were able to calculate the correct answer.
- (c)** Most candidates were able to identify at least one way with import tariffs being a typical response. Only the best responses were able to use to context. A common mistake was to repeat the same application for both answers.

- (d) This question proved challenging to some candidates. Many candidates were able to identify either an advantage or disadvantage. Better answers explained how points such as flexibility could be an advantage while the need to reset machines between each batch could create problems. Only the strongest responses used the information provided to apply their answers. A number of candidates appeared to confuse batch production with other production methods so identified points that were more appropriate to flow production or production methods in general. Such answers could not be awarded.
- (e) Good knowledge was evident in most responses. Better answers made good use of the data to help them support points made. The best answers considered points both for and against closing each factory and attempted to make an appropriate decision based on their argument. Evaluation in many responses was simple or not attempted.

Question 2

- (a) This term was not well understood by a number of candidates and many provided an imprecise definition. Some were aware that a marketing strategy was either a plan based on combining elements of the marketing mix or it was used to help achieve marketing objectives. Only the best responses were able to show clear understanding of the term.
- (b) Most candidates could correctly identify at least one reason. Typical responses were to motivate employees or to have targets or goals to work towards.
- (c) This question produced a range of responses. Many candidates could correctly identify one way. Better responses were able to link their answer to the context. A common mistake was to identify issues that are required by law, rather than ethical aspects.
- (d) The impact of competitive pricing was not well understood by many candidates. Better answers were able to correctly identify and explain an advantage or disadvantage of using this pricing method. The best answers were also able to explain the point in context. A common error was to define the term, rather than explain how it would help a business. A number of candidates confused the term with penetration pricing.
- (e) This question clearly differentiated between candidates. The strongest responses used the data well to support points made recognising that despite the fall in revenue, product A still represented 51 per cent of its revenue and used the information to make an appropriate decision. Instead of development, many candidates identified additional knowledge points, which could not be awarded as there was only one mark available for knowledge. Few candidates gained marks for evaluation on this question.

Question 3

- (a) This question produced a mixture of responses. Many candidates knew that a business plan included aims or objectives. Some candidates were able to give a precise definition. A number of responses provided examples of possible objectives rather than elements of a business plan. Others confused the term with a budget or cash flow forecast.
- (b) Well answered by most candidates.
- (c) Generally well answered. The common mistake was not to show the values for Y and Z as negative numbers.
- (d) Most candidates were aware of the advantages and disadvantages of a business partnership. Better answers used the information provided to apply their answer. Not many candidates gained the analysis marks on this question, as candidates often repeated the knowledge point rather than explain the impact of points.

- (e) Sources of finance were an area of the syllabus that candidates understood with most candidates showing good knowledge of appropriate options. Better candidates used the information provided to calculate the relative cost of each option, and then attempted to use this analysis to support their chosen option. Instead of development some candidates identified a range of alternative methods, but no development. A number of weak responses incorrectly assumed that cash and profit are the same.

Question 4

- (a) Most candidates understood that a multinational company operated in a number of countries. Better candidates were able to provide a precise definition. A common error was to confuse the term with an exporter.
- (b) Many candidates understood that gross domestic product would increase during an economic boom. Some candidates were able to provide a precise definition.
- (c) Most candidates could correctly identify two methods. However few responses attempted to apply this information in the context of this business so credit for application was therefore rarely given.
- (d) Many candidates understood the role of a person specification and job advertisement. Better candidates were able to apply their knowledge to the context. Only the best responses were able to provide clear explanations as to how they helped a business in the recruitment process.
- (e) This question produced a range of responses. Good knowledge of the various training methods was evident in most answers. Many candidates were able to link their answers to the scenario. Stronger answers used the context well to support points made. For example many recognised that as the current employees were highly skilled they may be capable of providing on-the-job training. Weaker responses offered simple statements such as access to skilled trainers but no development. Evaluation in most responses was simple or not attempted.

BUSINESS STUDIES

<p>Paper 0450/21 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. 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 an animal care business which offers a range of services to busy animal owners.
- Candidates should try to give a full explanation of positive and negative consequences of a business decision. Responses require developed reasoning rather than simple description; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation. It is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the 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 AH offering grooming, exercising and accommodation for animals provided an accessible scenario for candidates. Those who applied their skills to the context of AH boosted their marks much further.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their answers. This seems to work well. Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about the extent of developed detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood. Candidates should ensure they are prepared to respond to questions on the whole syllabus. They could earn marks by defining business terms and using them confidently.

There continues to be a weakness among some candidates in handling numerical data. Examination preparation should include some learning of how to calculate financial ratios so that valuable marks can be gained from demonstrating good numeracy skills.

Candidates should be reminded to contextualise their responses and not provide generic textbook answers. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 3(a)** the question asked candidates to identify and explain two possible ethical issues that AH should consider. Information was presented in the case study which highlighted the fact that AH employed children under the age of 12 and paid them below the minimum wage. There was also mention of rare animals being kept as pets in small cages which had attracted negative comment on social media. These were ideal points to discuss in the answer to this question.

Comments on specific questions

Question 1

- (a) Many candidates made a good start by demonstrating sound knowledge of the ways in which the size of AH can be measured. Capital employed and the number of employees were frequently mentioned. Fewer candidates were able to adequately explain the limitations of these measures by discussing the measuring of capital versus labour intensive businesses and those with many part-time workers which could make the business appear much larger than it actually was.
- (b) This question was answered well by many candidates. Good responses gave detailed explanation of focus groups, questionnaires and government data. The suitability of each method was discussed with both advantages and disadvantages considered. Weaker responses tended to offer generic methods such as primary and secondary research without developing the analysis of how specific data collection would help Elsie in her plan to choose a new location. The highest marks were rewarded to candidates who made a clear justified recommendation about which would be the best method to choose, supporting their decision by making reference to the context of animal owners and their expectations of increased and improved animal care services.

Question 2

- (a) (i) Many answers demonstrated a growing competence and confidence in handling numerical data. Accurate calculations showing clear working scored maximum marks.
- (ii) Only **one** way of increasing profit was required to be explained here. Credit was given for either discussing increasing revenue **or** decreasing costs. The best answers linked to information given in the case study. Some mentioned increasing the price of an overnight stay for an animal as a way of increasing revenue, whilst others pointed out that finding a cheaper wholesaler to obtain shampoo and brushes would reduce costs.
- (b) In this question candidates were asked to consider three financial documents that AH might use to inform the decision to move to a new site. Many candidates found this quite challenging. Knowledge of financial reporting is generally weak. However, some stronger answers considered the usefulness of these documents in identifying liquidity problems or the availability of retained profit as factors which would affect the source of finance for the new site. The best answers concluded with a judgement which balanced the significance of each document and the interest that would be shown in them by potential investors.

Question 3

- (a) Many candidates gained marks by identifying key ethical issues affecting AH. Good responses mentioned the employment of six children under the age of 12 and the negative response on social media of keeping rare animals in cages. Application marks could be easily gained in this question but not all candidates made use of the case study material. However, it was apparent that many candidates understood that such ethical issues could affect the reputation of AH and may have a negative impact on the number of customers. AH could even face legal action if these issues are not addressed.
- (b) The purpose of this question was to ask candidates to analyse and evaluate three possible sites for AH's relocation. Some very detailed answers were offered which made use of the table of information in case study. The size, cost and location of sites X, Y and Z were confidently discussed by many candidates. Site X would offer space to service fewer animals than the current location while site Z would be very cramped for the number of animals that could be accommodated, leading to a poor level of service for customers. The best responses balanced the advantages and disadvantages of each site and then gave a clear recommendation as to which one would be most suitable and why the others would be less suitable. Unfortunately, some answers contained a great deal of copied facts from the table in the case study and did not offer any interpretation or analysis at all. This kind of response does not earn credit.

Question 4

- (a) Good answers were presented by many candidates. Amongst the advantages of social media that were identified, many mentioned that it was as an inexpensive method of advertising which would be easy to update. However, some answers mistakenly mentioned it would be seen around the world which would not be appropriate for a small service business such as AH. There was a clear understanding that not all customers would have access to social media and that negative comments could quickly damage the reputation of AH. The best answers used the specific context of AH and thus earned valuable application marks.
- (b) This question was answered well. However, a few candidates misread the question and offered discussion of the disadvantages of internal and external recruitment which was not required. Those responses which included developed reasoning of the advantages of recruitment methods showed sound knowledge of the topic and many pointed out that internal recruitment would provide motivation for the existing workers whilst external recruitment would introduce new ideas about animal care into the business and could help Elsie with her expansion plans. The best answers made clear recommendations about which method of recruitment would be most suitable for AH to use in this particular context, thus showing good application to the case study.

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 partnership between two brothers who grow plants and trees as part of their garden supplies 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; listed points generally only gain Level 1 whereas an explanation of a point could move the answer to Level 2.
- Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination. The context of GS, a gardening supplies business, provided an accessible scenario for candidates. Those who applied their skills to the context of GS boosted their marks much further.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about the extent of developed detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics, such as added value, problems of holding high levels of inventory and how to calculate profit and the profit margins were not well understood by weaker candidates. 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 responses and not provide generic textbook answers. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 1(b)** many candidates mentioned that two brothers were making the decision. Stronger responses considered that GS only made \$5000 profit in its first year of trading and this was not enough to pay for the \$10 000 required for the new gardening equipment. Stronger answers also referred to the fact that the gardening equipment was to make the gardening services, such as cutting the grass, more efficient and therefore make it easier to repay the bank loan.

Comments on specific questions

Question 1

- (a) Candidates were familiar with partnerships as a type of business organisation. The majority of responses contained an explanation of why the point made was an advantage or disadvantage for the business, such as more than one person investing capital into the business resulted in more capital being available to the business for expansion. However, limited liability meant that if the business was to go bankrupt then their personal belongings would need to be sold to cover the business debts. Where full marks were not awarded it was because the answers given were generic and not applied to the business in the case. If answers had referred to this being a new business, set up by two brothers each investing \$5000 each for the growing of plants and trees then the answers would be clearly in the context of this business and the marks achieved would have been higher.
- (b) Stronger responses showed a clear understanding of the three sources of finance and their advantages and disadvantages. However, of the three sources, leasing was the least well understood with some answers referring to GS leasing out their equipment. The most common answers were that for a bank loan it could be repaid over time by instalments but that interest would be added making it more expensive. Leasing would allow the gardening equipment to be available straight away without having to acquire the full payment but that it did not belong to the business and the full payment of the lease would be higher than the purchase price. Retained profit meant no interest was paid and this made it the cheapest source of finance but as a new business it may not have sufficient profit to be retained to cover the cost of the equipment. Stronger candidates ended with a justified recommendation of which source was the better one to choose. Answers that did not justify why the alternative sources were rejected scored less well. Application was most often achieved by the answer making reference to the business being new and only having made \$5000 profit. This was a lot short of the \$10 000 required to purchase gardening equipment.

Question 2

- (a) Many answers identified that added value could be increased by increasing price or reducing input costs such as the cost of the seeds or plants. These answers often made good use of the case material to include points such as the hotels valued the quality service provided and therefore were less price sensitive if the prices were increased and plants, trees, seeds or fertilizer could be purchased from cheaper suppliers. These answers scored well. Some candidates outlined how the business could add value for example by increasing the quality of the pots for the plants but then did not link this to being able to increase price, hence not achieving the full marks available. Also quite a number of answers confused added value with profit and therefore talked about lowering prices to increase sales or increasing advertising to increase sales, or lowering fixed costs to increase profit.
- (b) Pricing strategies were well understood by the majority of candidates. However, weaker candidates did not go much further than defining the strategy rather than explaining their advantages and disadvantages. This restricted marks to lower levels and lower marks. Stronger responses explained these advantages and disadvantages such as cost-plus is easy to apply but it might result in an uncompetitive price being charged resulting in lost sales. Answers tended to be generic and could not be identified as applying to this business in the case. Those that did apply their answers referred to the brothers making decisions about the pricing strategy, the business being new and needing to get established, comparing the prices charged by competitors listed in appendix 2 or that GS has a high level of inventory and promotional pricing may be suitable as a way of reducing it. As plants and trees were in the question application could not be achieved for making reference to the product. Recommendations did often contain some justification of why the alternative strategies were rejected as less suitable for this business but didn't always do much more than repeat earlier points when justifying the chosen strategy. Common errors were to confuse promotional pricing with promotional techniques such as BOGOF and free gifts.

Question 3

- (a) Many responses correctly identified four characteristics the partners would require for an employee. Most popular answers were experience in gardening so that they would maintain a good quality service for the hotels, being hard working so they would be efficient, good communicators so that hotel staff would find the employees pleasant and maintain a good reputation for GS and honest, trustworthy or punctual as being personal qualities required for employees. Many answers scored well but those that didn't confused the person specification with a job description and talked about the work itself and the pay and hours worked. A few candidates thought the question was about finding a new partner and so answered incorrectly.
- (b) Many responses correctly explained the advantages and disadvantages of each of the sites and then went on to give a basic recommendation of which site to choose. Weaker answers just repeated the information provided in the case without any comment such as site X has good fertile land without any comment that this might make the growing of plants more effective and therefore lead to lower costs to grow each plant. The majority of answers gained application marks as they made good use of the information provided in the case. Only strong answers contained recommendations that went on to fully justify the site chosen and go further than repeating the earlier analysis in justifying the choice of site and rejecting the alternative sites. Site Y was chosen by the majority of candidates although site X and Z had their merits and were justified by many candidates as suitable sites to choose.

Question 4

- (a) The majority of responses showed knowledge of the problems of holding a high level of inventory with points such as it raised costs of maintaining this inventory given the nature of the product being plants and that if not maintained they die. Paying for additional warehouse space or paying wages to tend the trees and plants all resulted in higher costs and possibly lower profit for GS. Some answers also considered the liquidity position of the business and given the desire of the brothers to expand the business it might make it more difficult. Answers were often applied to this business and there were few totally generic correct answers. Common errors by weaker candidates were to explain why the inventories had become so high or how the problem of high inventories could be solved.
- (b) Many answers contained at least the profit figure of \$5000 being calculated and hence the answer moved into level 2. However, many answers did not achieve many more marks as they were generic and did not make use of any of the other information in the case to make a judgement about the success of this business. Stronger candidates included the calculations of gross profit margin (83 per cent) and profit margin (8 per cent) with simple judgements made between these and other similar garden businesses. Some also went on to make judgements as to why the figures for GS were less favourable than the other similar businesses. Strong answers recognised that this was a new business only set up the previous year and therefore comparisons with similar businesses was probably too early to make any firm judgements as to whether this business was going to be more or less successful than these similar gardening businesses.

BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

Candidates should be reminded that throughout this paper they are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario. This will ensure responses are appropriate for each given situation.

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case study. Specific marks are allocated throughout the mark scheme in both **parts (a) and (b)** for application. In this particular case study, candidates were expected to refer to a children's nursery.
- 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.;
- Several questions on this paper ask candidates to make a justified recommendation. Candidates should be reminded that it is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the other alternative options were rejected as well as justifying the option that was chosen, without full repetition of the previous analysis.

General comments

Candidates had generally been well prepared for this examination. The context of the Belle family owning and running a children's nursery provided an accessible scenario for the majority of candidates. No question appeared to be too challenging for more than a few candidates.

The layout of the examination paper provides side headings in the response areas to prompt candidates in their responses. This seems to work well. Candidates must be reminded to take careful note of how many marks are awarded for each question so they are clear about the extent of developed detail that is required for each answer. The majority of candidates showed good knowledge and understanding of the full range of the syllabus that was assessed, but in a handful of cases it was clear that some topics were not well understood and these were chain of command, span of control, how to draw a break-even chart and ways to reduce the break-even level of output. Candidates should ensure they are prepared to respond to questions on the whole syllabus, as they could earn marks by defining business terms and using them confidently.

Candidates should be reminded to contextualise their responses and not provide generic textbook responses. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 4(b)** a number of candidates made statements such as they will have fewer customers. Better responses explained why they would have fewer customers, how this would affect the nursery and then gave a clear justification as to which of these external influences would have the greatest effect on the profit of the nursery. The strongest candidates also justified why the other two changes would have less effect on the company's profit.

Comments on specific questions

Question 1

- (a) Many candidates made a good start to the examination by correctly identifying an advantage and a disadvantage of private limited companies. Popular answers included limited liability and being restricted to who can buy shares. Candidates were often able to gain application marks for this question by referring to the business being a children's nursery and being set up 10 years ago. However, most candidates were only able to gain a maximum of two application marks because

the response did not contain sufficient application for full marks. Weaker candidates confused this with a business owned by the government.

- (b) Many candidates showed a good understanding of the advantages and disadvantages of each of these research methods, such as government statistics are cheap to collect and are accurate but may be out of date. Whilst research about competitors using the internet may be quick but may not reveal much information about the size of the market as only information about the services offered and prices these businesses charge may be on the websites. Interviews with parents will gather qualitative data but will be time consuming and expensive to collect. Better answers focused on carefully using the context to support their reasoning such as finding out how many and what ages of children there were in an area. To gain level 3 marks, candidates needed to go beyond repeating their Level 2 comments and draw comparisons with the rejected alternatives such as whilst government statistics are cheap to collect they will not gather qualitative data and so the size of the market for this after school service may not be established. Quantitative data about the number of children in an area might be useful but it will not provide the information about whether there is a demand for this service.

Question 2

- (a) The majority of candidates answered this question well and discussed the leadership styles of autocratic and democratic with Laissez-faire being the least popular style. However, weaker candidates mixed up the explanation of the leadership style, for example they explained autocratic under the heading of democratic. A minority of candidates did not seem to be aware of the different leadership styles.
- (b) The answers to this question often scored very well. Most candidates made effective use of the insert material and earned Level 2 credit by analysing the advantages and disadvantages of each of the options. Many responses correctly explained the advantages and disadvantages of each option and then went on to give a basic recommendation of which option to choose moving the answer into Level 3. Weaker answers just repeated the information provided in the case without any comment, such as option 1 has a reputation for being badly managed but \$5000 will be needed to provide better equipment. The majority of answers gained application marks as they made good use of the information provided in the case. Only strong answers contained recommendations that went on to fully justify the option chosen and go further than repeating the earlier analysis in justifying the choice of option and justifying why the alternative option was less suitable.

Question 3

- (a) There were many candidates that could not clearly explain the difference between chain of command and span of control. Those that could do this often used Appendix 2 to support their explanation, as instructed to do by the question. Weaker candidates just described what the organisation chart showed without any attempt to relate this to chain of command or span of control. Better candidates identified that there was a chain of command of three layers and also a span of control for Stella of three supervisors and then explained this further, such as a span of control of only three is narrow and allows Stella to have close contact and good communication with these supervisors. Answers to chain of command often gained more marks than span of control which seemed to be the less well understood of the two terms.
- (b)(i),(ii) This question allowed many candidates to access high marks on part (i) as they could correctly draw on the total cost and total revenue lines and identify the break-even output. For part (ii) whilst many candidates scored some marks by suggesting price increases and cost reductions as suitable ways to reduce the break-even output many focused their explanation on profit rather than the impact on the break-even output and hence limited their access to higher marks.

Question 4

- (a) The majority of candidates answered this question well. However, a common error was to identify that profit was needed to pay expenses. Application marks were often gained when candidates considered that profit was needed to help finance the expansion of this business. Providing funds for unexpected events or the reward for shareholders taking the risk of investing in the nursery were other common correct responses. Where full marks were not achieved it tended to be for providing a generic answer and not applying it to this case.

- (b) There were many good answers to this question and candidates were able to analyse the effect of these changes on the nursery business. However, a common mistake was to think that lowering income tax meant BB paid less tax on profits rather than consider the effect on its customers. The majority of answers were applied to the case, for example many candidates considered the effect of BB opting for either option 1 or option 2 and expanding the business into a high or low-income area. The majority of answers gained at least Level 2 and many went on to gain lower Level 3 marks. Stronger candidates included a recommendation that clearly justified which change they thought would have the biggest effect on the profit of the nursery and why it would have a bigger effect than the other two changes. The opening of government run free nurseries was thought to have the greatest effect by the majority of candidates.