

BUSINESS STUDIES

Paper 0450/11
Short Answer/Structured Response

Key messages

Candidates had clearly practised making appropriate use of the data provided within their answers. However candidates would benefit from further practise in this area. Candidates should be encouraged to use a variety of points from the material provided to show application of their knowledge. Candidates who repeatedly use a single point of application can only be rewarded once for that point.

This paper tested elements of the syllabus that candidates were not familiar with, particularly ethical issues, the benefits of employment of part-time workers and market research methods. Centres should be reminded that the examination will test all aspects of the syllabus and they should prepare accordingly.

A key focus for development remains the evaluation requirement within the final part of each question. Very few candidates gained all of the marks available for demonstrating this skill. There was evidence to suggest that some candidates had prepared evaluation comments to use in part (e) of each question. Commonly such candidates ended their work with set phrases such as ‘I would have made a better decision if I had more information.’ Such phrases alone gain no reward.

General comments

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

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

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

Candidates should be encouraged to:

- Learn precise definitions.
- Read questions carefully to ensure that the answer has the appropriate focus.
- Use a different piece of application for each new point identified.
- In part (e) candidates should be reminded of the importance of drawing reasoned and appropriate conclusions.

Comments on specific questions

Question 1

- (a) Only the strongest candidates were able to give clear and precise definitions of this term. Common errors were to use words such as “owns” or “occupies” or to describe the sale of shares in the business. A significant number of candidates gave the correct equation but forgot to indicate that this is a percentage figure.

- (b) The majority of candidates were able to correctly identify two aims. A number of candidates misinterpreted the question and discussed the promotion of workers; such answers could not be rewarded.
- (c) This is a topic of the syllabus that continues to be misunderstood by candidates. Definitions of primary and secondary research could not be rewarded. The strongest answers identified a method, such as a survey, and then explained how a food retailer would use this.
- (d) This question caused some confusion. The strongest candidates identified appropriate ways to reduce costs such as those outlined in the mark scheme and explained the impact upon GKA using a relevant example. Weaker candidates incorrectly assumed that GKA was a producer rather than a retailer. Such answers focused upon reducing the cost of raw materials rather than stock for the shop.
- (e) Pricing strategies were generally well understood, although some candidates believed that skimming involves charging a low price when a product is introduced. Only the most able candidates were able to develop their answers to show why GKA should, or should, not alter their strategy. Evaluations were generally strong in such answers and built upon clear application to this expanding retailer. The stronger candidates made effective use of the information provided and explained how altering prices may lose customers in the established shops risking the growing market share.

Question 2

- (a) The term downsizing was not generally well understood by candidates. A common mark was one out of two. The strongest candidates identified the introduction of automation and relocation. A common error was to state that a lack of profit or poor workforce would result in downsizing.
- (b) A number of candidates confused ethical with legal issues, incorrectly stating redundancy or types of discrimination. Stronger candidates were able to identify the points from the mark scheme, with child labour and fair pricing being the most common answers.
- (c) Candidates were comfortable with the concept of relocation. The strongest answers identified particular problems that would face a manufacturer of steel, such as finding a suitable space for manufacturing. Weaker answers identified general factors such as the cost of relocation or communication problems, but did not apply the points to this situation. Such answers gained only the two knowledge marks available.
- (d) The impact of high business tax rates was the better understood term in this question. The strongest answers identified the impact upon increasing costs and then explained the effect that this might have upon the price of the steel produced or the profit levels for the business. The impact of cheap imports caused some confusion. A number of candidates incorrectly assumed that cheap imports would always lead to poor quality products. The strongest candidates realised that cheap imports would be competing with domestically produced steel therefore possibly reducing sales for SJD. A small number of candidates correctly explained that SJD might benefit from lower cost imported raw materials therefore increasing profit margins.
- (e) Although candidates were aware of the reasons governments offer help to business, very few were able to apply this knowledge to the specific circumstances outlined in the question. The stronger candidates used the information provided to explain that government help may be needed to protect jobs, economic growth or the balance of payments. A number of weak candidates focused upon ways that governments could assist business rather than why they would want to.

Question 3

- (a) Generally well answered. Candidates who identified these were 'long term liabilities' were not explaining the meaning of the term but giving an alternative name for these debts.
- (b) Very few candidates were unable to give two correct answers to this question. A small number of candidates misread the question and explained why businesses would measure their finance rather than why the finance would be required.

- (c) The advantages of private limited companies was an area of the syllabus that candidates understood. However, a lack of precision in the use of terminology meant that a number of candidates failed to gain marks on this question. A common error was to state *unlimited* rather than *limited* liability. Weaker answers incorrectly explained how not being controlled by the government was an advantage. Such answers could not be credited as they could apply to any business organisation. Very few answers gained both of the application marks available on this part of the question.
- (d) This was for many candidates the most challenging question on the examination paper. The strongest candidates appreciated the benefits of batch production on this shoe producer. The best explained the benefits of economies of scale and flexibility in production. Application was often shown through explanations of the competitive nature of the market and the demand for different types of shoes. A number of weaker responses stated incorrectly that using batch production was faster or cheaper, but did not specify what it was faster than.
- (e) Most candidates followed the advice in the question to justify their answers using profit margins, a mark of 4 was common. The strongest answers concluded that the overall fall in profit was evidence that performance had not improved and were able to explain why overall profit is so important. However evaluation marks were frequently not awarded as the candidate often simply restated the points made in a conclusion. The weakest answers simply described table 1 and noted points of increase or decrease. Such answers gained two marks.

Question 4

- (a) This term was generally understood. A common error was to confuse shareholders with stakeholders. A number of candidates gave examples of stakeholders rather than an explanation of the term. Such answers could not be rewarded.
- (b) A generally well-answered question. A small number of candidates stated that the size of the workforce was a reason, stronger candidates identified the lack of availability of suitable employees.
- (c) This question was generally well answered by candidates. The most common correct answers given were customer/brand loyalty and increased sales. Application to the business in the question was often not included in the answers or limited to gardening related words.
- (d) The benefits of employing part-time workers continues to be an area of confusion for many candidates. An incorrect answer given by many candidates was that such workers are always cheaper. Such answers failed to recognise that some part-time workers maybe specialists paid at a higher rate. The strongest candidates recognised that all employees in this business are paid on an hourly basis and therefore by completing less hours part-time workers are paid less in total than full time workers. A small number of candidates confused part-time with seasonal workers.
- (e) Candidates had clearly studied this topic area and were able to provide detailed answers that often showed knowledge of motivational theorists. The stronger candidates selected a method of motivation that could be used in this small business and then analysed the benefits and drawbacks of the method before coming to a conclusion as to the most appropriate method. Changing the method of payment and job rotation being the most popular correct methods chosen. A common error was to explain the benefits of a bonus, a method already employed in Ben's gardening business.

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, especially as this provides the basis for application.

Candidates must read the question carefully to ensure they have the correct focus to their answers.

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

General comments

Candidates were clearly aware of most aspects of the syllabus tested by the examination. However, there was some evidence that candidates did not fully understand some aspects of the syllabus. This was shown in **Questions 4(b)** and **4(d)**.

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

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

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

Comments on specific questions

Question 1

- (a)** Well answered by most candidates. A common mistake was to identify features of an entrepreneur which was not the question set.
- (b)** Well answered by most candidates with finance and marketing being typical responses. A number of candidates incorrectly identified reasons why a business plan was used. Others provided similar examples for both sections.
- (c)** Most candidates could correctly identify one reason. Better answers were able to explain how points such as help attract customers or remain competitive could be relevant to a dance School. Weaker candidates ignored the context and offered explanations that could equally apply to any business.

- (d) This question acted as a good discriminator. Many candidates could identify and explain at least one factor with customers and competitors being typical answers. Better responses were able to link their answers to the scenario. Only the best responses were able to add relevant analysis. Instead of development some repeated the knowledge point rather than explain why the chosen factor needed to be considered. A number of candidates had the wrong focus so discussed the effect on customers rather than Adele's business.
- (e) Most candidates showed good knowledge of issues and were able to apply their answer to the scenario. Better answers made good use of the profit information and the fact that this was a sole trader business to support points made. Weaker answers identified a range of options but did not develop them. Others identified options that were not appropriate for the purpose or type of business. A number of candidates had the wrong focus and considered whether a loan would be given or if Adele should expand. Stronger responses were able to offer supporting reasons to back up the judgement made.

Question 2

- (a) Most candidates understood that a cash flow forecast recorded cash inflows and outflows, but not that it was forward looking. Better responses provided a precise definition. A common error was to repeat the words used in the question rather than explain what they meant.
- (b) Well answered by most candidates. Some candidates did not represent the answers as negative values.
- (c) Most candidates were able to identify at least one benefit with find out customer needs being a typical response. Only the best responses were able to use the context to develop the points. A common mistake was to repeat the same knowledge and application point for both answers. Such answers could only be credited once as this was repetition.
- (d) This question was well answered by many candidates. These candidates recognised that training could result in fewer mistakes or increased productivity and were then able to correctly analyse the effect. Weaker candidates struggled to apply their answers and often also repeated the same analysis in both points.
- (e) This question clearly differentiated between candidates. Most candidates showed good knowledge of appropriate ways. Stronger candidates used the context well to help develop points made to show the effect of finding cheaper suppliers or asking customers to pay quicker on cash flow. Instead of development, weaker responses stated cash flow would be improved without saying how this would be achieved. Stronger candidates were able to provide a justified conclusion and gained evaluation marks. Some candidates made suggestions that were long-term solutions or focused on ways to improve profit which was not the question set.

Question 3

- (a) Well answered by most candidates. A small number of answers such as value of output or size could not be rewarded as they lacked precision. Others repeated the same or similar point for both ways.
- (b) Well attempted by majority of candidates.
- (c) Most candidates could identify at least one effect. Better answers were able to explain how points such as 'higher costs' and 'make some workers redundant' might be issues for this pizza business. Instead of development, many outlined generic effects which could apply to any business.
- (d) Many candidates could identify at least one advantage. Better responses were able to develop points made and attempted to link them to the scenario. Weaker answers were able to identify points such as fewer employees but were not able to offer any valid explanation. Some candidates answered the question from the viewpoint of customer convenience rather than possible benefits to the business. Others ignored the fact that DPC already used e-commerce or provided answers that could equally apply to selling in shops.
- (e) This question produced a wide range of responses. Many candidates clearly understood the idea of environmental pressures and were able to identify valid ways. Stronger candidates were able to

develop points made to show the impact of methods such as recycling or offering smaller portions. These candidates made good use of the context to support the points made. A number of candidates misunderstood either the context or focus of the question. Such answers focused on inappropriate methods such as pollution permits or relocation. Others discussed whether a business should try to act in an environmental way or stated they should change without identifying how this should be done. Evaluation in most responses was simple or not attempted.

Question 4

- (a) Well answered by many candidates. A common error was to identify examples rather than the reasons for having objectives.
- (b) Many candidates could identify one example. The common mistake was to identify variable costs.
- (c) Most candidates could identify either an advantage or disadvantage. Common responses seen included meet exact customer needs and production can take longer. Only the strongest candidates were able to provide any points of application. Some confused job production with specialisation or based their answers on incorrect assumptions about quality or the use of machinery.
- (d) This question differentiated well between candidates. Stronger candidates could identify relevant barriers and were able to explain how a clock making business might be able to solve issues such as no feedback or jargon. Weaker answers did not attempt to link their answers to the scenario or offered generic solutions which did not directly address the knowledge point identified. Some candidates provided solutions but did not make clear what problem it was addressing.
- (e) This question produced a range of responses. Most showed good knowledge of issues. Stronger candidates were able to develop points to show the impact of no need to train against the lack of new ideas. Better answers recognised that as this business had skilled employees it may not be easy to find suitable employees and this could have an impact on quality or output. Weaker answers identified valid points but did not develop them. Evaluation in most responses was simple or not attempted.

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Paper 0450/11
Short Answer/Structured Response

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

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

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- (d) This question caused some confusion. The strongest candidates identified appropriate ways to reduce costs such as those outlined in the mark scheme and explained the impact upon GKA using a relevant example. Weaker candidates incorrectly assumed that GKA was a producer rather than a retailer. Such answers focused upon reducing the cost of raw materials rather than stock for the shop.
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Question 2

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- (b) A number of candidates confused ethical with legal issues, incorrectly stating redundancy or types of discrimination. Stronger candidates were able to identify the points from the mark scheme, with child labour and fair pricing being the most common answers.
- (c) Candidates were comfortable with the concept of relocation. The strongest answers identified particular problems that would face a manufacturer of steel, such as finding a suitable space for manufacturing. Weaker answers identified general factors such as the cost of relocation or communication problems, but did not apply the points to this situation. Such answers gained only the two knowledge marks available.
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Question 3

- (a) Generally well answered. Candidates who identified these were 'long term liabilities' were not explaining the meaning of the term but giving an alternative name for these debts.
- (b) Very few candidates were unable to give two correct answers to this question. A small number of candidates misread the question and explained why businesses would measure their finance rather than why the finance would be required.

- (c) The advantages of private limited companies was an area of the syllabus that candidates understood. However, a lack of precision in the use of terminology meant that a number of candidates failed to gain marks on this question. A common error was to state *unlimited* rather than *limited* liability. Weaker answers incorrectly explained how not being controlled by the government was an advantage. Such answers could not be credited as they could apply to any business organisation. Very few answers gained both of the application marks available on this part of the question.
- (d) This was for many candidates the most challenging question on the examination paper. The strongest candidates appreciated the benefits of batch production on this shoe producer. The best explained the benefits of economies of scale and flexibility in production. Application was often shown through explanations of the competitive nature of the market and the demand for different types of shoes. A number of weaker responses stated incorrectly that using batch production was faster or cheaper, but did not specify what it was faster than.
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Question 4

- (a) This term was generally understood. A common error was to confuse shareholders with stakeholders. A number of candidates gave examples of stakeholders rather than an explanation of the term. Such answers could not be rewarded.
- (b) A generally well-answered question. A small number of candidates stated that the size of the workforce was a reason, stronger candidates identified the lack of availability of suitable employees.
- (c) This question was generally well answered by candidates. The most common correct answers given were customer/brand loyalty and increased sales. Application to the business in the question was often not included in the answers or limited to gardening related words.
- (d) The benefits of employing part-time workers continues to be an area of confusion for many candidates. An incorrect answer given by many candidates was that such workers are always cheaper. Such answers failed to recognise that some part-time workers maybe specialists paid at a higher rate. The strongest candidates recognised that all employees in this business are paid on an hourly basis and therefore by completing less hours part-time workers are paid less in total than full time workers. A small number of candidates confused part-time with seasonal workers.
- (e) Candidates had clearly studied this topic area and were able to provide detailed answers that often showed knowledge of motivational theorists. The stronger candidates selected a method of motivation that could be used in this small business and then analysed the benefits and drawbacks of the method before coming to a conclusion as to the most appropriate method. Changing the method of payment and job rotation being the most popular correct methods chosen. A common error was to explain the benefits of a bonus, a method already employed in Ben's gardening business.

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 a gym which offers a service to people to get fit and lose weight.
- 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. It is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of VG offering exercise classes and the use of gym equipment to improve health and fitness provided an accessible scenario for candidates. Those who applied their skills to the context of VG 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 basic marks by defining business terms and using them confidently.

Candidates should be aware of the importance 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 legal controls that could affect Peter when recruiting and employing workers. Information was presented in the case study which highlighted the fact that VG was open long hours for seven days a week. There was also mention of the need for personal trainers to have qualifications in health and safety regulations for working in a gym. 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 a business plan could have helped Peter in setting up his gym. Frequently answers mentioned setting aims and objectives or to help gain finance. Some candidates were able to earn additional credit by explaining how the business plan would give a clear direction and purpose to Peter's decision-making or to give the bank confidence that Peter would be able to repay any loan they might offer him. By supporting the reasoning with mention of Peter's savings of \$5000 and his qualifications and previous gym experience the answer also gained application marks.
- (b) This question was poorly answered by many candidates. Weak responses offered repetition of the question and resulted in overlapping answers between the three parts of the question. The highest marks were awarded to candidates who discussed the use of market research to identify a target market, recognised the importance of offering the right kind of gym equipment at a price which would please customers, and linked a strong reputation based on good customer service to customer loyalty and increasing market share. To earn Level 3 credit candidates were expected to clearly rank the three roles of marketing and justify which was the most important and least important to Peter's business.

Question 2

- (a) This question tested candidates' knowledge of profit. Credit was given to answers that stated profit was important to attract investors, pay back loans and to re-invest in the gym. Some answers correctly identified the need for profit as a reward for risk-taking or enterprise. Candidates often developed the initial points by referring to Peter's large bank loan, a growing market and the use of his own capital in setting up his gym.
- (b) In this question candidates were asked to consider two options for Peter to employ personal trainers. Many candidates successfully identified the benefit for Peter of having more control over and help from trainers that he employed himself. On the other hand, the second option was cheaper and allowed Peter to gain income from both trainers and customers. The best answers balanced the advantages and disadvantages of each option and concluded, for example, that option 1 would be more secure than option 2 and the increased reputation from the service would justify the wage cost of the trainers.

Question 3

- (a) The most common answers to this question discussed minimum wage and health and safety regulations as legal requirements which could affect Peter. Good responses recognised that there was an increased demand for personal trainers so Peter might need to pay well above minimum wage to recruit sufficient workers. 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 complying with laws would have a cost impact on Peter's gym. AH could even face legal action if they chose to ignore the controls.
- (a) (i) This was a question which most candidates answered accurately. It is encouraging to see a growing confidence in the topic of break-even.
- (ii) The answer to this question could have been calculated using the formula for break-even or identified from the graph drawn in 3b(i)
- (iii) The purpose of this question was to ask candidates to consider two methods of increasing profit. It was well-answered. Raising prices might increase revenue but more significant would be the change of image from a gym offering a cheaper facility. The option of reducing variable costs might mean prices remaining the same but could result in poorer quality services and dissatisfied customers. To earn Level 3 credit in the conclusion candidates were expected to make a clear judgement as to which would be the preferred option by offering justified reasoning. Sometimes there were weak conclusions which merely repeated earlier points and there was some ambiguity about the suggested action that VG should take.

Question 4

- (a) Some candidates had weak knowledge about leasing and consequently offered disappointing responses. Amongst the good answers many mentioned that it was cheaper for Peter to make a smaller, monthly lease payment than to buy the gym equipment outright, since this was a new business with many other expenses. However, some answers confused leasing with a hire purchase arrangement. One disadvantage of leasing is that the business has no asset to sell if the equipment is not needed any more.
- (b) This question was answered well. Candidates were required to consider three external changes that would affect VG. Those responses, which included developed reasoning of each change, showed sound knowledge of the topic and made good use of the case material. A new multinational chain of gyms would target a different market to VG, an increased proportion of elderly people might require different classes and training advice and higher interest rates would make repayment of loans more expensive for both Peter and his customers. The best answers made clear recommendations about which external change would have the most impact on VG, offering justified reasoning to earn Level 3 credit.

BUSINESS STUDIES

Paper 0450/22
Case Study

Key messages

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

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case. 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 hotel business.
- 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 DH, a small hotel, provided an accessible scenario for candidates. Those who applied their skills to the context of DH 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, such as chain of command, market share and cash flow forecast. Candidates should ensure they are prepared to respond to questions on the whole syllabus. They could earn basic marks by defining business terms and using them confidently.

Candidates should be aware of the importance 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 4(a)** the question asked candidates to identify and explain two reasons why cash flow forecasting is important to Hilda. Information was presented in the case study that highlighted the fact that DH is a hotel with seasonal demand, especially for two months of the year when revenue drops considerably, Hilda wants to expand the business by taking over another hotel and will possibly require a bank loan. These were some of the ideal points to discuss as part of the answer to this question.

Comments on specific questions

Question 1

- (a) Many candidates made a good start by demonstrating sound knowledge of span of control and chain of command. Better answers recognised that there are 3 managers under Hilda and that she can delegate duties. Similarly, better answers also recognised that the chain of command is short with 4 levels and there can be quick, effective communication. Common errors were that some candidates interpreted a span of control of 3 as wide which caused development of their points to be in the wrong context. Chain of command was less well answered than span of control as more candidates failed to clearly recognise the difference between chain of command and organisational structure. Weaker candidates that did recognise the levels as 4 then went on to interpret this as a long chain of command and so the development of their answer also became incorrect. A minority of candidates confused the two terms or showed no recognition of either term.
- (b) This question was well answered by the majority of candidates, with three correct methods of communication identified such as phone call, meeting, e-mail, text, notice board, letter and social media. There were some very basic attempts at development, such as 'this method would allow feedback'. These candidates needed to further develop the answer in order to move into Level 2. Explanation of the advantages and disadvantages of each method gained Level 2. However, many recommendations did not go further than repeating the earlier statements and so fewer Level 3 answers were awarded following sound explanation of the methods. Some recommendations did not seem to recognise the importance of quick feedback in this situation as the time element 'work late tonight' was completely ignored. The majority of candidates did not readily gain application marks, as they did not make reference to the context of the hotel. Identifying the business as a hotel and having 39 employees were the most common application marks gained. Credit was not given for unrealistic methods of communication for this hotel such as videoconferencing.

Question 2

- (a) This was well answered by the majority of candidates with many demonstrating an understanding of the terms external cost/benefit. The most common costs were recognition of pollution and loss of trade for the hotel and its effects to environment, marine life and hotel. The most common benefit was recognition of faster travel but some of the impact was just stated as being on 'people', which should have been more specific such as hotel guests, tourists, local businesses and DH. Generally, most candidates scored marks for identifying costs and benefits but weaker ones did not always go on to gain marks for the impact on third parties.
- (b) This question was not well answered by many candidates. They struggled to develop their answer to the first objective beyond a statement of improving profit or brand image. Stronger candidates clearly explained the concept of having a higher market share as an objective but usually failed to bring out the costs of achieving this such as extra marketing or that price cutting may lower profits. Most candidates quickly concluded that 'higher market share means high profits'. Weaker candidates confused market share with share ownership in terms of 80% shares owned by Hilda. The profit section was generally the strongest of the three objectives with many candidates recognising that it can be used as a reward for investors or as a source of finance for the expansion. Many of the application marks awarded came in this section by referring to the plan to expand DH by taking over another hotel. Survival was answered well by those who used the context of the case and recognised that this was not a new hotel and so had probably passed this stage. A larger number of candidates just took survival at face value and gave a generic answer. This lack of application led a number of these candidates to conclude survival was the most important – again not paying attention to the information given in the case to guide them to the situation of this business. Weaker candidates offered a definition of the objective, rather than actually answering the question asked. The recommendations were generally not well developed and so there were few candidates scoring higher Level 3 marks.

Question 3

- (a) The majority of candidates were able to identify economies of scale with marketing, managerial, purchasing, technical and financial being the most popular answers. However, few could accurately explain how all the economies arise. Purchasing and financial economies nearly always had a correct explanation. Marketing and technical had fewer candidates who scored a mark for the explanations. Several candidates had no knowledge of the topic and gave incorrect responses. A

minority of candidates named the economies of scale but could not explain them while a few explained the economies of scale but could not name them.

- (b) This was the best answered of the (b) questions. There were very good comparisons here on hotels ABC and XYZ. However, weaker candidates just copied the points from the case study which did not merit marks, for example XYZ is 50 km from Downtown, ABC has been owned by a local family for over 30 years. The answer should have identified how is this an advantage or a disadvantage to Hilda who is planning to buy one of the hotels. Application was well covered by candidates. Looking at the values of the properties i.e. cheap/expensive gained basic Level 1 marks. Many candidates did go on to develop the responses, discussing that a different market could be attracted to the city hotel, but it could be difficult for Hilda to manage because of the 50 km distance. Only a few responses included discussion on the figures in Appendix 2. The recommendation of better answers linked well with Hilda's objective to start attracting foreign tourists, which could be seen as a diversification and moving away from a littered beach for XYZ and reduction in competition at the beach for ABC. These answers not only justified the choice of hotel but also explained why the alternative hotel was seen as a less suitable choice.

Question 4

- (a) This question was not well answered by candidates. The most common error was the confusion between cash flow and profit. Candidates demonstrated a lack of understanding of the different documents. A number of those that mentioned that the cash flow would help identify the liquidity then went on to talk about calculation of the current and acid test ratios; further demonstrating a lack of knowledge of the purpose and information contained within the cash flow forecast. However, better candidates recognised the use of cash flow in planning, decision-making, for obtaining a bank loan and ensuring there is cash for day-to-day activities. Application was poor as the more obvious reasons were overlooked.
- (b) Generally quite a well answered question by the majority of candidates. On the first change, most candidates assumed that 'increase in the number of tourists from other countries could increase profits for Hilda', which is not a guarantee. Better answers looked at the challenges that Hilda has of litter, small hotel, no facilities to attract foreign tourists or no staff speaking foreign language as the factors that would make her hotel less likely to attract foreign guests. On the government reducing income tax, the majority of candidates recognised that it was local citizen's disposable income that will increase thereby allowing spending on luxury goods, such as holidays/hotels. However, some failed to note that citizens could spend on other areas including hotels abroad rather than Hilda's hotel, or even saving the additional money. Some responses took it as a decrease in corporate tax so Hilda could have a higher retained profit and others said that Hilda could now pay lower wages to employees. On the third change, fewer people demanding coach holidays, candidates often identified a decrease in demand due to this being the main source of guests for Hilda. However, candidates failed to link this decline with a possible time to look for another market, which may increase the marketing budget. There was generally a weak recommendation for candidates who chose the last change as having a major impact on profits. Stronger candidates were able to justify which change is likely to have the biggest impact on profit and include explanation of why the other changes would have less impact.

BUSINESS STUDIES

Paper 0450/23
Case Study

Key messages

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

- To do well in this paper, candidates must make clear reference, or application, to the accompanying case. 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 business that installs and repairs heating systems.
- 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 services for installing and repairing heating systems 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 basic marks by defining business terms and using them confidently.

Candidates should be aware of the importance 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 2(a)** the question asked candidates to identify and explain one advantage and one disadvantage to AH of being a business partnership rather than a private limited company. Information was presented in the case study that highlighted the fact that AH was a partnership set up two years ago with an investment of \$10 000 from each partner. There was also mention of the owners wanting to expand and start offering a new service of installing and repairing air conditioning equipment and move to larger premises. These were ideal points to include 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 characteristics of entrepreneurs. Hard work and risk taker were the most popular characteristics outlined. Innovative,

good communicator and creative were also often given. Explanation of why the characteristics made the partners successful entrepreneurs was not always present. Weaker answers just repeated the characteristic for example, 'Hard working. They were successful because they worked hard'. A minority of candidates just described the business and why it was successful rather than focusing on the characteristics of the entrepreneurs.

- (b) Quite well answered by the majority of candidates although weaker answers simply repeated the information with little or no additional comments on why it might be a benefit to the worker. Stronger candidates identified that taking part in decision making would make workers feel valued and would be motivating. Answers were well applied as candidates made good use of the information provided in the insert. The majority of candidates recommended staying at AH due to the better working atmosphere over higher pay that would be received at BB Heating.

Question 2

- (a) This question tested candidates' knowledge of partnerships and private limited companies. However, it was only answered well by the most able candidates and proved to be the least well answered (a) question mainly due to answers being generic. The most popular answer stated unlimited liability as a disadvantage of being in a business partnership with development explaining that personal possessions were at risk. Advantages were often compared to a sole trader rather than a company. The majority of answers were generic and not applied to this business. Answers that were applied tended to use the fact that each partner had risked their \$10 000 they invested into the partnership.
- (b) In this question candidates were asked to consider two options for locating to larger premises. As with **Question 1b**, weaker candidates simply repeated the information given in the insert and without adding anything as comment to this information no credit could be awarded. Better candidates used the information and explained why it might be an advantage or a disadvantage to AH. Answers, even weaker answers, were well applied as candidates made good use of the information provided. Stronger candidates identified that after 4 years the cost of renting premises would be higher than the cost to buy. The need to be near customers was given by many but only stronger candidates realised that the repairs and installations would be at customers' premises. Transport costs were considered by a large number of candidates as being important. There were mainly basic recommendations that did little more than make a weak comparison between the two locations such as one was cheaper or larger. A few stronger candidates went on to fully justify their recommendation of which location to choose and why the alternative location was less suitable for this business.

Question 3

- (a) (i), (ii) and (iii) This was well answered and the majority of candidates could correctly calculate gross profit margin and profit margin. The majority of candidates tended to gain both marks in each case. However, explaining why these profitability ratios have changed was less well answered. Candidates reasoned that increases in revenue when cost of sales remained the same meant the gross profit margin improved. However, the increase in expenses in the same ratio as the increase in revenue kept the profit margins the same was often overlooked. Weaker candidates gave vague answers and often just repeated the figures from Appendix 1.
- (b) This question proved more challenging for quite a number of weaker candidates. Better answers identified that heating engineers now required health and safety qualifications that would increase costs initially for AH but this would only be a one-off payment. Several also considered it likely that only 4 of their staff would need training as the two full-time staff are fully trained. Protecting against unfair dismissal was the least well answered of the three changes. Candidates often confused this with redundancy but stronger candidates highlighted that the employees had been with AH since it was first set up and therefore this law was unlikely to have any impact on them. Weaker candidates thought the increase in the minimum wage would raise costs for AH but better answers identified that AH was already paying above minimum wage and if they wanted to retain staff and stop them going to work for the rival company then they may have to raise their wage rates as well. Answers were often well applied by identifying the number of employees at AH, the time they had worked there and how much they were paid relative to competitors. Only a minority of stronger candidates could fully justify their recommendations, although many others did gain more than basic Level 3 marks as they often compared the motivation side of working for the two businesses.

Question 4

- (a) This type of question has proved challenging for many candidates in the past but it was good to see that the majority of candidates could correctly identify the impact on import prices of a depreciation in the currency. Answers often went on to identify that higher import prices would raise costs for AH leading to reduced profit or AH having to increase its prices. Customers may then reduce their demand for AH's services and go to competitors. Application was limited but where it was rewarded it was for answers referring to the heating services provided by AH.
- (b) This was the least well answered of all the (b) questions. Many candidates did not move out of Level 1 as their answers did not go beyond brief or vague basic statements about each of the methods of promotion. Only stronger candidates went on to consider the benefits and drawbacks of each of the methods. Responses, which included developed reasoning of each change, showed sound knowledge of the topic and made good use of the case material. Better answers explained that handing out fliers in the street whilst a relatively cheap method may not have targeted the market interested in this new service. That emailing existing customers was not likely to gain new customers but that existing customers may be interested in the new service if they were loyal to AH. Billboards were often chosen as the best method in the recommendation given they would be seen by a large number of people and would remain there for some time, reminding potential customers about the new service. However, not much information could be included and this may mean their details would be missed and potential customers lost. The best answers made clear recommendations about which method would have most effect on increasing sales of the new service; offering justified reasoning to earn Level 3 credit. Application was mainly rewarded for mention of the new service being the repair and installation of air conditioning.