

# BUSINESS STUDIES

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<p><b>Paper 0450/12</b> <b>Short Answer/Structured Response</b></p>
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## 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. This will ensure responses are appropriate for each given situation. 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 a two-sided argument rather than simply list a number of points.

## General comments

Candidates were generally well prepared for the examination 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 batch production. Candidates should be encouraged to learn precise definitions.

There was evidence that candidates did not understand certain parts of the syllabus. Some candidates struggled with concepts such as sales promotion and laissez-faire leadership style. Candidates should ensure they are prepared to respond to questions on the whole syllabus.

Application continues to be a weaker area in candidate responses. To do well in this paper, candidates must make clear references, or application, to the stimulus material provided. Candidates should avoid using the same application and analysis point more than once in any given answer. Candidates should be reminded to read the questions carefully so they address the specific question asked.

**Part (e)** of all questions continues to be the most challenging for all candidates. 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. Candidates need to be able to suggest **and** justify decisions if they are to access all of the available marks.

## Comments on specific questions

### Question 1

- (a) Most candidates could identify at least one way to measure the size of a business with number of employees being a typical answer. There were two common mistakes. Some answers were imprecise as they focused on the number rather than the value of possible measures including output and sales. Others incorrectly assumed that profit could be used as an indicator of size.

- (b) The majority of candidates could identify at least one reason why a government might increase taxes. A common error was to repeat the same point for both reasons.
- (c) The concept of sales promotions was not well understood by many candidates. The strongest responses showed an understanding that sales promotions involved using competitions and offers and then identified reasons why these might not work. Often candidates misinterpreted the question so discussed general reasons why sales revenue may have fallen or incorrectly assumed that sales promotion was advertising. Candidates must be reminded to apply their answer to the scenario.
- (d) This question proved challenging to many candidates. Most candidates were able to identify factors such as level of sales and rent. Only the best answers tried to explain why these points could be relevant factors to consider when deciding which shops to close. Few candidates used the context when developing their answers.
- (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 TXE should sell a wider range of products. Weaker answers were characterised by simple statements. These responses did not develop the points to show how or why they might influence TXE's decision. A large number of candidates misinterpreted the question and assumed that TXE was a manufacturer rather than a retailer so incorrectly focused on production issues. In order to access higher marks candidates need to develop their evaluation skills.

### Question 2

- (a) This question seemed to prove problematic for some candidates. A number of candidates simply stated that batch production involves producing batches. This was a rewording of the question and so could not gain credit
- (b) Well answered by the majority of candidates.
- (c) Most candidates could identify one advantage of having a high inventory. Stronger responses linked the advantage to the scenario. A common mistake was to repeat the same point for both advantages as the point could only be rewarded once. A number of candidates incorrectly assumed that a large inventory would act as a good source of finance.
- (d) Ways to improve cash flow problems was generally well understood and better answers explained how points such as delaying payments and overdrafts would help the cash-flow position. Weaker answers stated it would improve cash-flow without saying how this would be achieved. In order to produce stronger responses candidates should be encouraged to use the information provided to apply their answers.
- (e) Most candidates understood methods of production. Stronger responses developed points to explain possible advantages and disadvantages of QAC using batch and flow production. Better answers used the context well, for example some recognised that only two of the 70 products had seen an increase in demand. Only the best answers offered a supported decision. Some candidates did attempt to make a decision but were not able to offer sufficient reasons to back up the statement made.

### 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. There were two common errors. A number of responses explained why a business plan was used which was not the question asked. Others confused the term with a budget or cash-flow forecast.
- (b) Well answered by the majority of candidates
- (c) Most candidates showed good knowledge of advantages of ethical behaviour. Some candidates misinterpreted the question as they incorrectly assumed that legal and ethical were the same concept.

- (d) A large number of candidates were able to clearly explain the advantages to this business using appropriate information from the material provided. Some responses incorrectly assumed it was a retail business importing finished goods rather than a manufacturer buying materials, therefore producing answers about marketing which were not valid in response to the question set.
- (e) Candidates generally understood the main sources of capital and were able to provide appropriate examples. The best answers considered different options and made good use of the stimulus material to help explain why each method could be considered (or not) for this business before making a justified decision as to which one would be most appropriate. Weaker responses offered simple statements but no development. Some ignored the fact that this was a new business and therefore did not have access to some sources such as retained profits. A number of responses lacked evaluation.

**Question 4**

- (a) Well answered by the majority of candidates.
- (b) Well answered by the majority of candidates.
- (c) Most candidates showed good knowledge of the possible advantages. However, very few attempted to apply this information in the context of this business. Credit for application was therefore rarely given.
- (d) This question produced a mixture of responses. Some responses identified either an advantage or a disadvantage of laissez-faire leadership. Better answers were able to explain how points such as increased motivation and different opinions could affect a business. Few candidates were able to apply their answers to the context. Many responses had the wrong focus and incorrectly assumed that BGN was a manufacturer rather than a furniture retailer.
- (e) Good knowledge of communication methods was evident in most responses. Better answers developed points such as emails and meetings to explain how they might help improve internal communication. Weaker responses offered simple statements but no development. Few candidates were able to link their answers to the scenario. Evaluation in most responses was simple or not attempted.

# BUSINESS STUDIES

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<p><b>Paper 0450/22</b> <b>Case Study</b></p>
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## 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 company making high quality leather bags and belts.
- 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: 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 BB making leather bags and belts provided an accessible scenario for candidates. Those who applied their skills to the context of BB 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 were not well understood. 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.

The standard of written English was excellent. Candidates made themselves fully understood and are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses. There is no penalty for the wrong spelling of words or using incorrect punctuation.

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 Q3b a number of candidates calculated the liquidity ratios. Better responses interpreted the results and then gave a clear justification as to whether or not this business should expand by drawing not only on the results of the calculations but also on other information about the business provided in the case study.

### **Comments on specific questions**

#### **Question 1**

- (a) Many candidates demonstrated sound knowledge of the reasons why brand image is important to a business. Better responses went on to develop the explanation in the context of the manufacturing business, through reference to bags and belts, the business being established for 35 years etc. Application continues to be a weaker area in candidate responses. To do well in this paper, candidates must make clear references, or application, to the stimulus material provided.
- (b) This question was well answered by the majority of candidates. Candidates as a whole managed to contextualise their responses and are to be congratulated on this. Better responses recognised that demand is thought to be inelastic resulting in increasing revenue from an increase in price. However, there may be falling demand if prices were too high compared to competitors. Brand loyalty was identified as a factor when using low cost materials and there were many references to the risk of losing consumer trust/loyalty and brand image versus the benefits of lower costs. Weaker responses often overlooked both the elasticity issue and the quality/loyalty issue. Lowering of costs does not necessarily mean lower prices. Also, the weaker responses tended to focus on sales and ignored the effect on profit. Weaker responses tended to be repetitive with candidates responding with a simple list of knowledge points. Candidates need to be confident in suggesting and justifying decisions.

#### **Question 2**

- (a) This proved to be a straightforward question with many candidates correctly identifying four ways BB could use the internet and then briefly explaining each of them in the context of this particular business. Weaker responses identified four ways but then the candidates were unable to offer any acceptable explanation, other than to repeat the four ways in a sentence. Good responses contextualised and also offered an explanation, e.g. 'email makes for cheap and fast communications that enable customer enquiries about belts to be answered promptly' or 'online surveys can be emailed to specific customers who have bought a handbag and they can give feedback that will help BB improve its designs'.
- (b) In this question candidates were asked to consider two options for expanding BB using the information provided. The question was generally well answered. Most candidates were able to discuss the relevant advantages and disadvantages of each option and application was often awarded as answers made use of the information provided in the case study. Weaker responses referred to the information provided in the case study but simply repeated the information, for example, 'sell to wholesalers' or 'sell to a global business' without any consideration of the advantages and disadvantages of each of these two options. A small minority did not read the case study properly and made up options. Candidates are reminded to read and utilise the information provided.

#### **Question 3**

- (a) The majority of candidates gained some marks for identifying the benefits of having an organisation chart. However, answers were not usually contextualised and therefore application marks were not gained. Candidates could have made use of Appendix 1 to illustrate the points being made about who to answer to and where positions were in the organisation, such as the factory manager will answer to the Operations Director. Candidates should be reminded to always contextualise their responses when the question stem asks them to.
- (b) The majority of candidates could correctly calculate both liquidity ratios. However, few candidates were able to explain the significance of the results of the calculations. The question tested the candidates' ability to apply liquidity ratios, interpret the results and then give a clear justification as to whether or not this business should expand. Candidates should have utilised not only the results of the calculations but also other information about the business provided in the case study. Answers were mostly generic about liquidity and not applied to the business in the case study.

Where application was awarded it tended to be for reference to the significance of changes in the non-current assets or the bank loan rather than because the candidates utilised information from the case study. A few better responses gave recommendations that fully justified whether the business was in a good financial position to expand, using other points beyond the liquidity calculations to justify their decision, but the highest marks were rarely awarded.

#### Question 4

- (a) Batch production continues to prove to be a difficult concept for many candidates with quite a few incorrectly stating a benefit to the workers, such as motivation, or that it made for better quality products as reasons for using batch production. Those candidates who did answer well related their answer to the need for flexible production due to the variety of different product designs or the high cost of mechanisation for a small business or demand only being small due to the luxury nature of the bags and belts. Candidates must be reminded to contextualise their responses rather than provide generic analysis as this application is necessary to gain higher marks.
- (b) This question considered how changes in legislation might affect BB and its profit. Many candidates were able to provide a two-sided view for each legal control. However, some candidates missed the specific reference to profit. Of the three legal controls, candidates seemed to struggle with restrictions on the waste in the river and while many achieved Level 1 for recognising that costs may increase, many did not go on to develop their explanation as to the impact on BB profit. Too often the waste disposal focused on the social responsibility issue rather than on the immediate effect on profit. The materials being listed on packaging gave the opportunity for application and candidates often recognised the link with reputation and the poor/good quality of leather. The listing of materials gave creditworthy rise to issues about competitors knowing your content and the reassurance to loyal customers that the product used only quality materials and the enhanced risk of using cheaper materials as in the case study. The young age of employing workers was generally well answered, with candidates recognising that it would raise wage costs; some candidates took it to extremes, stating the firm would have to close as there would be nobody to work in the factory. Better responses built on the earlier detailed analysis in the recommendation to consider which change would have the biggest effect on profit and justified their decisions. Weaker candidates often just repeated earlier points and so gained no further credit for the recommendation.