

# BUSINESS STUDIES

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Paper 0450/01

Paper 1

## General comments

The paper proved accessible to all candidates who had been properly prepared. As usual it discriminated effectively across the full ability range. Marks were spread between the high 90's to the low single figures. The standard of the entry was similar to past years. As is often the case there were significant differences in ability between candidates in different Centres. There were certainly some very good answers and Centres. However a feature of the responses from some candidates and Centres was to cram in as much detail as possible and not necessarily to focus on the angle of the question. For example **Question 1(c)** was not about channels of distribution but their importance. As always reading the question is an important skill. Nevertheless the paper provided extensive syllabus coverage and hence provided all candidates with an opportunity to show what they knew and understood. Most responded positively to the challenge. The Examiners believe that all candidates would benefit from being reminded:

- To think before they write
- To focus on the trigger word of the question – state/explain/why and so on
- To follow the instructions e.g. give an example/explain ONE factor
- To set their workings out clearly in calculation questions
- To develop their answers not just repeat what they have said
- To allocate their time sensibly

## Specific comments

### Question 1

- (a) Although full marks were often awarded the weaker candidates found the calculations in (i) less straight forward than (ii) evidently owing to greater difficulty in handling the slightly more complex fraction  $\frac{3}{8}$ . In part (ii) a common error was to give the answer 10m. The correct answers were (i) \$90m (ii) \$24m
- (b) This question proved quite a challenge for many. Generally the concept of a price inelastic demand was not well understood. Some candidates became confused and suggested that the price changed when the demand changed. Others failed to distinguish between a price elastic demand and an inelastic one. A lack of accuracy and precision characterised many answers. In part (ii) few answers managed to link the concept successfully to the pricing strategy of the business. Thus the answers often lacked logic e.g. prices should be based on competitors levels even though in the previous part the candidate had indicated that the demand was not much influenced by the price. This appears to be a part of the syllabus that is not thoroughly understood by many candidates.
- (c) This question proved surprisingly difficult for some candidates. Some candidates confused channels with methods. Others made no reference at all to the nature of the products given the context of the question. Hence ideas such as perish ability were somewhat inappropriate. Better answers contained reference to export markets and the role of agents, or to things like by pass routes such as direct selling. Only the best answers specifically addressed the issue as to how important channels were in generating sales. The question proved a good discriminator.
- (d) Generally well answered with many appropriate reasons being suggested.

### Question 2

- (a)(i) Well answered. However a significant number of candidates suggested that profit is a measure of business size.
- (ii) Although most candidates made reference to the tertiary sector and were able to explain why, a significant minority gave the private sector as an answer.
- (iii) The key distinguishing feature between a 1 mark and a 2 mark answer was to emphasise that the competing businesses were seeking the same customer base or were aimed at the same market segment.
- (b) Although there were many sound answers to this question a number of responses lacked direct focus. These answers often made no reference to office computers and talked about cost cutting from the perspective of economies of scale.
- (c)(i) Most candidates were broadly aware of the concept of a stakeholder. The most significant error being to assume that stakeholders and shareholders were one and the same.
- (ii) This question caused some problems for weaker candidates. Often answers made no reference to stakeholder objectives and just talked generally about matters like employment levels and profits. Reading the question carefully helps focus an answer tremendously.

### Question 3

- (a) Usually well done. The most common errors were a failure to give a specific example (e.g. direct costs are costs of production) and to give a monetary value (direct costs were \$4).
- (b) Many candidates correctly plotted the break even chart. However it was sometimes the case that whole Centres were unable to carry out this task and left the question unanswered. Common errors of charts that were attempted inaccurately were:
- Confusion between variable and total costs
  - Incorrectly labelled axis
- (ii) Many candidates correctly gave 600 as the break even volume sometimes even when their chart showed differently. A number were able to calculate the value numerically even when unable to plot accurately.
- (iii) A common error here was to provide a weekly profit (\$300) instead of an annual profit. The correct answer was \$15600.
- (c) Most candidates knew the formula for calculating the rate of return on capital. Given that an own figure rule applied this enabled the majority to score well. The correct answer was 15.6%. A significant number of answers gave a monetary value such as \$15.6.
- (d) This question produced a wide range of responses. Better candidates correctly focused on reasons why businesses' fortunes might change over time. Others saw this as a question about forecasting and talked about market research. Some focused on recommendations particularly on marketing techniques. Generally this question proved an effective discriminator.

### Question 4

- (a) The concept of flow production was known to most. There was frequent reference to large scale/mass production and continuous processes. However many candidates failed to link their knowledge of the concept to the specific question asked. Of those who did there were often vague answers such as 'it is a cheaper method'. Better answers were able to focus on the impact of the method on unit costs and the consequent impact on competitiveness.

- (b) Almost all candidates were able to identify methods of motivation that could be used by management. Some ignored the instruction of the question and identified four or five methods. However, their explanation as to why the methods actually generated motivation was less impressive. There was an assumption amongst many candidates that higher pay automatically made people more motivated. Likewise answers that referred to fringe benefits seemed to suggest that they too created motivation. Some candidates made reference to Taylor and Maslow without ever showing why this was relevant to the question. Thus often much knowledge was shown but perhaps not too much understanding.
- (c) The biggest weakness with many answers here was an inability to distinguish between production and productivity. Such answers failed to gain more than half marks at best.
- (d) The topic of social costs is well known to many candidates. They could identify many potential social costs. However there was a tendency to just list every social cost they had ever heard of without either thinking of their relevance to the context of the question, or indeed without explaining why it was a cost and to whom. However the question was generally well answered by many.

**Question 5.**

- (a) Many sound answers provided to both parts. The biggest weakness in (i) were
- Tendency to confuse a company with an economy e.g. sales of a company fall
  - Recession associated with inflation rather than a fall in demand
- (ii) Well answered. However slight tendency by some to discuss non financial criteria.
- (b) Some candidates took a business/management perspective. Others failed to make a recommendation. Some answers merely repeated the information given in the question. The best candidates were able to provide good reasoned responses for their choice. The Examiners were looking for developed logic, not identification of a specific option. The question discriminated very effectively.
- (c) A common fault was to advance more than one solution. Even where only one was discussed, the possible measures taken to resolve the financial problem were often not very convincing e.g. produce cheaper/less chairs or arrange for a bank loan. Generally not very well handled.
- (d) Almost all candidates could provide a meaningful answer to this question. Weaker answers were characterised by somewhat naïve statements. Better ones showed an insight into possible legal implications as well as potential marketing and public relations issues.

# BUSINESS STUDIES

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**Paper 0450/02**  
**Business Studies**

## General comments

Candidates responded well to the paper and no question appeared to present problems. On the whole, candidates were well prepared in terms of knowledge and understanding required but application of this knowledge continues to let down a large number of candidates. Also lack of attention to the command words used in the questions meant that some questions proved difficult to score full marks. There was, however, opportunity for all candidates to score some marks, for example for knowledge, even when the question wasn't directly addressed. There was an improvement in the way candidates handled the structuring of the longer questions and this helped candidates to score more marks. It was pleasing to see fewer candidates, than previous sessions, losing marks through failure to apply the theory to the case study. The case study itself appeared to be within the understanding of candidates and proved to be topical. There were very few blank spaces on papers as nearly all candidates at least attempted an answer to all questions. The standard did vary between Centres. Here are a number of points that might be helpful in enabling candidates to achieve higher marks by using the information they know in a better way.

- Candidates need to pay careful attention to the wording of the question. If the question says 'to both Patel Fashions and their production workers' then both groups must be discussed to gain full marks. If the question says 'a suitable marketing mix' then the candidate must consider all four elements of the marketing mix and not just consider, for example, promotion. Full sentences and a paragraph for each point being discussed will often encourage candidates to write more detailed explanation than if they just bullet point their answers and consequently be more likely to increase their marks.
- Candidates also need to respond to the command words used in the question. In particular, command words calling for evaluation were not always answered well. This is often a matter of technique by candidates. If the question asks for the candidate to 'advise them' then points for and against or advantages and disadvantages should be considered and advice with a justification should be given, ideally, at the end of their answer.
- Paper 2 is a case study and the majority of the questions will be in the context of the business in the case study. For example, 'Explain a suitable marketing mix that Nife could use to sell these quality football shirts to customers.' Therefore marks will be awarded for applying the answer to this business. Candidates should try to avoid textbook answers to questions, as less than half marks would have been gained if they did this. Marks are awarded for applying these concepts to the business in the case and failure to do so will mean these marks are not achieved and could have a significant effect on the candidate's final grade. It is almost essential in preparing candidates for this paper for them to be exposed to case studies on a regular basis in class. Theoretical knowledge of business terms and concepts alone is unlikely to lead to the highest grades being gained on this paper. Spending time in class doing case studies would develop the candidates ability to apply their knowledge in many different situations and would enhance the quality of their answers in the exam.

- Where a question carries 10 or 12 marks then usually some of the marks will be for demonstrating knowledge of the business terms/concepts in the question, some will be for applying the answer to the business in the case study, some will be for analysing the advantages, information, etc. and finally some marks will be for evaluation, if judgement is called for in the question. Candidates need to realise that marks will often be awarded for all these assessment criteria when they are constructing their answer to the question. They should try to demonstrate all these assessment criteria in their answers if they are to achieve full marks, depending on the command words used in the question, of course, as evaluation is not always asked for. For example, 'Do you think Patel Fashions should introduce capital-intensive methods of production?' some marks will be for demonstrating knowledge of the advantages or disadvantages of capital-intensive methods of production. However if these points only are stated then very few marks will be awarded. The candidate should go on to explain these points and why they might be an advantage or disadvantage to the business if they are to gain half marks or more. Application of the answer to the case is required for some more of the marks and finally a judgement needs to be made as to whether the business should introduce capital intensive methods of production or not and **why the candidate thinks this is what they should do** to gain the evaluation marks.

### Comments on specific questions

#### Question 1

- (a) Most candidates were able to provide the correct answer to part (i). However, several candidates did not go beyond calculating the gross profit figure in (ii). There was evidence that the gross profit margin calculation was known by many but incorrect figures were used and therefore full marks were gained by a large number but not as many as might have been expected. Where the working was evident often 1 or 2 marks were gained and showing all calculations should be encouraged.
- (b) Many candidates tended to not use the data provided as instructed in the question, but instead wrote about the advantages and disadvantages of labour intensive and capital intensive methods. Surprisingly not many candidates were able to calculate the difference in unit labour costs accurately, a common error was calculating the shirts per worker as  $10/5 = \$2$  and not as  $5/10 = \$0.5$ .
- (c) Candidates responded well to this question and were able to explain the advantages and disadvantages of introducing capital intensive methods. The majority of candidates were able to show that the advantages included improved productivity, improved quality and increased output. In addition, candidates were able to show the disadvantages, those being cost of equipment, the possibility of worker redundancy and increased training costs. Many candidates wrote about capital intensive methods in very general terms and did not specifically relate concepts to the case of needing to produce quality products for the Nife order or it being expensive to import the machinery and not having qualified people locally to maintain the machinery and this lost them application marks.

#### Question 2

- (a) Candidates, in the main, were able to show the risks that can occur when a company relies on one customer, be it a multinational. Hence, the tendency was to concentrate on factors such as Nife changing suppliers because of cheaper production costs, slow payment from Nife, increased discounts wanted by Nife because of the size of their order. Not too many candidates saw one customer as being an advantage to Patel Fashions. Again many candidates wrote in general terms without being specific to Patel or Nife.
- (b) Candidates found this a straight forward question to answer and were able to identify specific communication methods. The most common methods outlined by candidates being telephone, e-mails, video-conferencing and meetings. Most candidates were able to write about advantages and disadvantages of each method and could explain each method of communication to gain most of the marks available. However, many candidates did not relate specific communication methods to the businesses in the case and the international nature of the communication methods being used so once again application marks were lost.

### Question 3

- (a) Generally this question was answered quite well. Most understood the need for quality and showed the importance of quality assurance and TQM in the production process. However, there were a good number of candidates who incorrectly tried to explain the concept of quality by saying quality could be improved by increasing the price of football shirts or could carry out market research. Other candidates concentrated on the sourcing of good raw materials, training of production workers and the introduction of new machinery as a means of improving quality, all valid points. Lack of explanation of how these methods ensured quality resulted in full marks not often being awarded.
- (b) This question was generally well answered. Candidates were aware of the concept of the Marketing Mix and the majority of candidates were able to identify the 4 Ps. Most candidates were able to write about product, price, promotion and place. The majority of candidates had a problem showing how the 4 Ps linked together to make up the Marketing Mix. Again, not many candidates related the Marketing Mix to the case and tended to write about the 4 Ps in general terms or how these points should be considered, e.g. 'price is important because....' rather than explaining the pricing decision that should be taken in this case and why; this meant these candidates often scored less than half marks.

### Question 4

- (a) The majority of candidates went for either one or the other of the two options with a small number of candidates suggesting retraining a few of the existing workers whilst hiring new qualified workers. Again, answers tended to be general in nature without too much thought as to the consequences of their decisions, e.g. if they opted to retrain the existing workforce, bearing in mind they are production workers, a number of these workers may not be suitable for retraining. What do they do with workers who are not trainable? There were many references to training costs, employee morale, union pressure. Lack of explanation of points, as to why they were an advantage or disadvantage, reduced candidate marks.
- (b) Generally well answered by candidates, but many struggled with showing the benefits to the business. The benefits experienced by production workers were generally well known. Once again answers tended to be general in nature and not specifically related to the business in the case.

### Question 5

- (a) Generally well answered; candidates readily stated and many explained the benefits that a multinational can bring to an economy such as increased employment, increased investment, more exports, increased taxes paid to the government, improved infrastructure, becoming more well known in other countries and therefore attracting tourists or further investment. A few candidates gave their answer in terms of Country Ys attempts to attract multinationals. A number of candidates tended to over emphasise the effects that a multinational may have on a country's balance of payments and foreign exchange reserves. Many candidates tended to list the advantages and disadvantages of multinationals with little or no explanation. This meant that less than half marks could be gained as long lists will only gain a certain number of marks and without further explanation of why the point is an advantage or disadvantage then there is a limit to the number of marks that can be awarded. For a number of candidates, fewer points but each point well explained would have resulted in increased marks.
- (b) Again generally well answered but not many candidates went on to explain their answer in the detail necessary to gain full marks. Candidates were able to show the effects on workers of lowering the minimum wage rate and also the effects on workers of making it easier for multinationals to make its workers redundant. Some candidates said that trade union membership may fall as a result of workers losing their jobs and so the trade union's funds would be less. Reduced job security was mistaken for reducing health and safety at work by a few candidates.

# BUSINESS STUDIES

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Paper 0450/03

Coursework

## **General comments**

Most of the Centres who opted to submit coursework have done so for several years. These Centres showed experience in good practice which lead to their candidates producing well researched, well written pieces of coursework. Assignments set covered a few popular parts of the syllabus. Centres submitted work of a good standard and there were very few examples of low scoring assignments.

## **Assessment criteria**

Questionnaires were the most popular form of gathering primary research in the majority of assignments. Most candidates chose a similar variety of sources of information which included visits to businesses; interviews (with parents, peers, teachers, business people, the general public); gathering information such as maps, advertisements, official documents, and photographs. In addition secondary sources such as textbooks, newspapers, company reports and the Internet were also used. Assignment titles generally encouraged a wide range of research.

The presentation of assignments was of a high standard with effective use of IT being made to produce a variety of graphs, charts and spreadsheets to show questionnaire findings, break-even charts and financial information. Most candidates attempted to present their findings in a logical manner.

## **Application of the Assessment Criteria**

On the whole, Centres accurately applied the assessment criteria. However if Centres were slightly generous it continues to be in the awarding of analysis and evaluation marks. The discussion by candidates in some cases was brief and not in depth and this could not be awarded marks in the highest mark bands. Conclusions needed to be based on the data collected and answer the question posed in the title.

Very few Centres awarded high marks for a limited and narrow range research. Also data should be converted to appropriate and alternative forms of presentation and it was pleasing to see that candidates, even weaker ones, did this successfully. It is important that some evidence of the research undertaken supports all information used in the assignments.

## **Appropriateness of Assessment Tasks**

The majority of candidates had a clearly stated question at the beginning of their assignment and these were questions that encouraged analysis and evaluation of the data collected. Where a title was not set at the start of the work the candidate found it very difficult to analyse their findings and draw conclusions, consequently marks were not gained for analysis and evaluation in the higher mark bands of the assessment criteria.

Successful assignments were:

- Motivation: candidates studied several workers to see what motivated them; more able candidates went on to compare their results with motivation theory. Candidates posed questions such as 'Is money the most important factor in motivating people at work?'
- Setting up a new business: candidates found this interesting and it encouraged a variety of methods of research. This ought to be written up as a feasibility study and not as a narrative form describing the steps necessary to set up a business, as this does not encourage analysis and evaluation of the data gathered. A conclusion is needed which fully justifies the recommendation as to whether or not the business should be set up - e.g. 'Is XYZ likely to be a successful new venture in ... (town/city)?'
- Is personal service the main reason why small firms survive?
- How do small companies like ....complete with large companies like ....?
- Marketing: such as 'How could .....company promote its products to increase sales in the market?'

The majority of assignments submitted by candidates were feasibility studies for setting up a new business. These allowed both breadth and depth to the research undertaken and to the analysis and evaluation of this research.