

BUSINESS STUDIES

Paper 0450/12
Short Answer /
Structured Response

Key messages

- It is important to remind candidates 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 development of each point in context is required.
- Part **(e)** requires candidates to include more developed explanations and a logical decision based on points made. Candidates should be encouraged to develop an argument, rather than simply list a number of points.

General comments

There was evidence that candidates did not understand certain parts of the syllabus. Some candidates struggled with concepts such as trade receivables and price elasticity.

The application and analysis marks were often not awarded. At times the answer given did not constitute an explanation of point identified but was simply another knowledge point or a repetition of the initial point. Some candidates did not read the questions carefully and hence had the wrong focus, so did not address the specific question asked. Candidates must try to use the stimulus information provided to link their answer to the business in question. Candidates should avoid using the same application and analysis point more than once in any given answer.

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

Comments on specific questions

Question 1

- (a)** Most candidates knew that a recession involved a fall in Gross Domestic Product (GDP). Few candidates were able to give a precise definition.
- (b)** Well answered. Most candidates were able to identify at least one method. A common mistake was to repeat the same example for both methods.
- (c)** Most candidates could identify at least one relevant benefit. Candidates who did well explained how points such as 'higher productivity' might be helpful to this jam and preserve making business.

- (d) Some candidates were able to correctly identify at least one advantage. Better candidates were able to explain the benefits of 'lower recruitment costs' and 'less need for training'. Only the best responses attempted to link the points to the scenario. Weaker answers were not able to develop the points made as they simply repeated the knowledge point rather than offer any explanation. A significant number of candidates had the wrong focus as they identified the implications for a business of having a high labour turnover.
- (e) This question proved to be a good discriminator. Good knowledge was evident in most responses. The best answers considered points both for and against different communication methods, and then tried to make an appropriate decision based on their argument. These candidates made good use of the source material to support the points being made. Instead of development, weaker answers were characterised by simple statements such as 'less feedback' without explaining how or why this might be an issue. Evaluation in most responses was simple or not attempted.

Question 2

- (a) Many candidates knew that non-current assets lasted more than one year. Some candidates were able to give a precise definition. There were two common errors. A number of candidates provided examples rather than a definition. Others confused the term with current assets.
- (b) Well answered by most candidates. Some candidates wrote the formula, but gave the wrong answer, so could still gain some credit.
- (c) This question proved challenging for many candidates. Those who did well understood that a business could 'offer its customers credit' whilst some customers 'might not be able to pay on time'. Application was limited or not attempted in most responses. A common error was to confuse the term with trade payables. A number of candidates did not attempt this question.
- (d) Most candidates were able to identify at least one stakeholder. Many candidates developed points raised to show how groups such as Government or lenders would use the accounts. Some did well, as they then linked their answer to the scenario. A common mistake was to discuss how owners might use the accounts, which the question clearly excluded.
- (e) To score highly on this question a candidate needed to explain how shareholders might be affected by the takeover. Many candidates were able to identify at least one issue. Better answers recognised that there might be both advantages and disadvantages for shareholders so a clear decision was not always possible. The best answers linked points made to the scenario. Weaker answers were characterised by simple statements such as the 'return on capital had increased'. These points, though valid, were not developed. Evaluation in most responses was simple or not attempted. A number of candidates had the wrong focus as they discussed the possible impact on other stakeholders.

Question 3

- (a) Most candidates were able to identify at least one feature. The most common mistake was to identify features such as 'unlimited liability' that only applied to certain forms of private sector businesses.
- (b) Most candidates understood that it involved checking quality. Better candidates were able give a precise definition. There were two common errors. Some confused the term with quality control, whilst others explained why quality assurance was important which did not answer the question set.
- (c) Candidates were generally aware of possible economies of scale. Better responses were then able to apply their knowledge of points such as 'purchasing' and 'financial' economies of scale to show how they could help Autovision.
- (d) Generally well attempted. Most candidates could identify at least one relevant way. Better candidates developed points to show the effect of 'being able to produce more designs' and 'automation'. The best responses linked their answers to the scenario. There were two common errors. Some repeated the same point for both ways. Instead of development, others repeated the knowledge point or stated it would change production without saying how it would be done.

- (e) A number of candidates gained high marks on this question. Most candidates were able to identify points such as 'closer to a major market' and 'avoiding tariffs'. Better responses developed their answers to show how or why these points might be significant (or not). The best answers then offered an appropriate conclusion based on the points made. Weaker answers offered a list of points, instead of developing one or two relevant issues. Evaluation in most responses was simple or not attempted.

Question 4

- (a) Many candidates showed good knowledge of what was meant by 'market orientated'. A common mistake was to confuse the term with target market.
- (b) Many candidates recognised that price elastic meant demand would change with a change in price. Better candidates were able to provide a precision definition.
- (c) Most candidates were able to identify one way. Many candidates did well, as they were able to explain how points such as 'restrictions on journeys' and 'pollution permits' could affect an airline business. A common error was to identify how the environment might be affected, which was not what the question asked.
- (d) Most candidates were able to identify at least one disadvantage with 'restrict target market' and 'easy to miss' being typical issues. Better candidates attempted to explain how or why such points might cause problems for a business. Only the best responses linked their answer to the scenario. Instead of development, weaker responses just repeated the knowledge point. Others identified the same disadvantage for both points, which could only be rewarded once.
- (e) Good knowledge of issues was evident in most responses. Better answers identified appropriate factors, and then explained how each one might be relevant. The best answers used the information provided in the stem to help support points made. Weaker answers offered a list of points, instead of developing relevant points to support (or not) the case for targeting a different market. Evaluation in most responses was simple or not attempted.

BUSINESS STUDIES

Paper 0450/22

Case Study

Key messages

On the examination paper, there are four questions, each of which is separated into two distinct parts. The first part of the question requires shorter, more straightforward answers reflecting good **knowledge** of business terms and concepts. The second part of the question requires more developed answers containing **analysis** and **evaluation**. It remains the case that **throughout** this paper candidates are expected to **apply** their business knowledge and understanding to an unseen case study or business scenario.

- To do well in this paper, candidates must make clear references, or application, to the case study which is issued at the start of the examination. 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 liquid soap for washing clothes.
- Analytical skills are also tested through the case study examination. Candidates should try to give a full explanation of positive and negative consequences of a business decision. This requires developed reasoning rather than simple description; listed points generally only gains level 1 whereas an explanation of a point could move the answer to level 2.
- Several questions on this style of paper ask candidates to make justified recommendations. It is important to offer a decision based on balanced argument without full repetition of the previous analysis. The recommendation should compare and make reference as to why the other alternative options were rejected, as well as justifying the option which was chosen.

General comments

Candidates had generally been well prepared for this examination; the strong performance of many individuals reflected this focus and is to be commended. The context of DWP making liquid soap for washing clothes provided an accessible scenario for most candidates. No question appeared to be too challenging for more than a handful of students. Time did not appear to be a problem. Rarely did a candidate fail to complete their answers in the one hour thirty minutes allowed.

The structure of the paper allowed candidates to demonstrate their knowledge of business concepts in the first part **(a)** of each question. They were then expected to offer analysis and reasoning in answer to the second part **(b)** of each question. This style of questioning has become standard practice on this particular paper and it is good to see that many candidates are developing a strong examination technique and clearly understand what is expected of them.

As long as candidates take careful note of how many marks are awarded for each question, they should be quite clear about the extent of developed detail that is required for each answer.

Many candidates showed good knowledge and understanding of the full range of the new specification which was tested, but in a handful of cases it was clear that some topics were not well understood. Candidates could earn basic marks by defining business terms and using them confidently. Those who answered in the context of DWP boosted their marks much further.

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.

Here are some points that might be helpful in enabling candidates to achieve higher marks by using their knowledge in a more effective way.

- Knowledge and understanding of 'place' as part of the marketing mix is part of the assessment in this subject and candidates should prepare for a question which will ask them about this topic.

For example, **Place is an important part of the marketing mix. Consider three suitable channels of distribution Dilip could use for his new product in country X. Recommend which channel of distribution would be the best one to choose. Justify your answer.**

There are three levels of response to this answer where candidates are expected to explain the advantages and disadvantages of each channel of distribution. It is important to recognise that washing liquid is not a very suitable product to supply through the Internet as it is bulky and would be expensive to deliver. Answers which simply offer generic statements about 'supermarkets buy in large quantities'; and nothing more would only be rewarded with level 1 credit. Good answers were able to explain why this would benefit DWP, such as reduced costs from lower delivery charges and less storage required; such development earns level 2 credit. In the final part of the answer, candidates are expected to evaluate which channel of distribution would be most beneficial to DWP. This tests the candidate's ability to synthesise and requires a clear justification as to why the alternative channels of distribution might be less suitable and why the chosen channel is better for DWP.

- In part (a) of each question there is a line for making a point and then a space below to explain or develop the reasoning. Candidates should think carefully about the context of the business in the case study before making their point and should ensure they do not repeat themselves in the explanation section.

For example, **Identify and explain two benefits to DWP resulting from the change to a private limited company.**

Relatively easy marks will be given for demonstrating knowledge of the benefits of changing to a private limited company such as gaining limited liability and sell shares to family and friends to raise capital. If the explanation restates the point in a few more words then no extra marks will be awarded. Application could have been that Dilip wanted to expand the business and therefore additional capital of \$250 000 was raised. Some candidates stated that there would be more capital without any explanation of why this will happen therefore limiting the marks that could be awarded. A generic answer will only gain a maximum of 4 out of a possible 8 marks and the explanation must clearly be in the context of this liquid soap manufacturer to achieve all 8 marks.

Comments on specific questions

Question 1

- (a) Many candidates made a good start and demonstrated sound knowledge of the benefits of being a private limited company. The most popular answers included limited liability and easy to raise finance by selling shares to family and friends. Answers often gained 4 marks for generic responses of these advantages that were explained in terms that could apply to any business. Better candidates went on to develop the explanation in the context of this private limited company such as including reference to changing from being a sole trader, so that additional finance can be raised and to allow \$250 000 of share capital to be raised, to build a new factory to facilitate the expansion of the business, and the development of a new washing liquid. However, application was often missing in answers and this frequently restricted the overall marks that were achieved. Weak answers incorrectly discussed the benefits of being a larger business or the benefits of expansion. In addition there were a very small number of candidates who confused Private with Public (sale of shares) and/or Private sector and Public Sector (reference to Government involvement).
- (b) This question was well answered by the majority of candidates as they recognised the effects on revenue and profit of each of the changes outlined in the question. However, a few candidates appeared not to have fully read the case and assumed the liquid soap could only be used for hand washing, leading to an answer which stated that the increase in sales of washing machines resulted in a decrease in sales for DWP. Weaker candidates focused on sales and ignored the

effect on profit. The most popular application in answers was that the business sold soap for washing clothes but many candidates did not apply their answers. Better candidates gained level 3 and were able to compare the three changes, weigh up which change was likely to have the greatest effect on the profit of this business, justify why this decision was made and why the other changes were likely to have less effect. However, candidates generally struggled with the recommendation and usually only one or two level 3 marks were awarded. This was because candidates tended to repeat much of what had already been written in the earlier three sections and judgements tended to be limited.

Question 2

- (a) This proved to be a straightforward question with many answers correctly identifying four management functions and then briefly explaining each of them in the context of this particular business. There were a number of candidates who did not gain any marks for this question, as they appeared to be unfamiliar with these functions. There were some candidates who identified 4 functions but were unable to offer any acceptable explanation other than to repeat the 4 functions in a sentence and hence this limited their marks.
- (b) In this question candidates were asked to consider three ways of expanding production using the information provided. Most candidates were able to discuss the relevant advantages and disadvantages of each way and application was often awarded for using the figures provided, calculating the cost per bottle or applying the answer to this business and its objective of increasing output. A small number of candidates failed to refer to Appendix 3 and offered generic responses for the 3 options, such as equipment can work 24/7; this approach limited the application marks and was often less effective as an answer to the question. Some weaker candidates referred to Appendix 3 but simply repeated the data, for example 'the output for purchasing new equipment is 500 000'. This approach gained no credit, as there was no attempt to interpret the data.

Many candidates did not provide any calculation and simply offered comparative statements of higher and lower in terms of the figures given in Appendix 3. However there was sufficient other evidence in the case to allow them to gain level 2 marks. Those who did gain higher marks tended to make use of Appendix 2 and 3 to explain the trade-offs for each alternative (often correctly costing each alternative) and then came to a reasoned conclusion but also spotted the significance of the 'potential sales of 300 000' in Appendix 3.

Question 3

- (a) There were some very strong answers offered here and the majority of candidates gained at least half marks. However, answers were not usually in context, often just giving generic textbook answers and therefore application marks were not gained. Many candidates could explain one advantage, such as cheaper to train employees as they learn the job in the actual workplace and nearly all candidates identified one disadvantage, such as they may learn bad habits (although some candidates thought these bad habits were smoking!) or output would be lost as the trainer would not be working at full capacity as they showed the new trainee how to do the job. Almost no candidates offered responses relating to training in general. The vast majority of candidates correctly provided responses that related the advantages/disadvantages to the business and not the worker.
- (b) The majority of candidates could suggest suitable channels of distribution for this business with the most popular channels being through wholesalers, supermarkets or small retailers. Weaker candidates occasionally thought the business would open its own retail outlets just to sell liquid soap, which was unlikely. However, many candidates could not go further than outlining the channels and did not consider the advantages and disadvantages of each channel. Answers were not often applied to this business and where answers were applied it was usually to discuss the current channels being used by DWP. Better candidates gained level 3 and were able to compare the three channels, weigh up which channel was the best one to choose, justify why this channel was chosen and why the other channels were likely to be less suitable. However, many candidates generally struggled with the recommendation and usually only one or two level 3 marks were awarded. This was because candidates tended to repeat much of what had already been written about the three channels and judgements tended to be limited.

Question 4

- (a) Many candidates found this question difficult to score full marks. Many understood the problem of false claims but tended to offer only a repeat of this for the second effect with a slightly different outcome, therefore limiting their marks. There were, however, a number of candidates who offered two distinct effects including higher cost, false claims, weights and measures, appeal of the advert. Weaker candidates confused the question with government limits on the product and not advertising. Again, more application in the analysis rather than generic analysis would have enabled answers to achieve more than half marks.
- (b) This question concerned the problems of selling products in overseas markets and candidates answered this question well. The majority were able to offer three distinct problems and provide level 2 explanations. Better candidates were able to analyse the problems to DWP. However, a number of candidates incorrectly looked at the problems of producing abroad. The best candidates built on the earlier detailed analysis in the recommendation to consider whether or not the problems could be overcome by DWP. Weaker candidates often just repeated earlier points or made a weak judgment stating either they should or should not sell in foreign markets and hence gained no further credit for the recommendation. Sometimes justification for exporting ignored all the problems that were mentioned. Application marks were often awarded for recognising that DWP has developed a new washing liquid that is better than many other products on the market.