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BUSINESS STUDIES

Paper 0450/12
Short Answer/Structured Response

Key messages

Candidates should try to use the information contained in the stem of each question to help answer the questions set, especially as this provides the basis for application. Application marks could not always be awarded because candidates did not refer to the scenario for parts **(c), (d)** and **(e)**.

The lack of effective evaluation continues to be an area of weakness. Of those who did attempt an evaluative statement, most were unable to provide reasoned statements to back up their choice. Candidates would benefit from greater guidance in how to produce an evaluative answer to part **(e)** questions.

General comments

The questions requiring definitions and knowledge such as part **(a)** and **(b)** of each question were generally well attempted. However, a number of candidates struggled to provide a precise definition to question **2(b)**. There were areas of the syllabus that some candidates were less familiar with, particularly the disadvantages of part-time employees. A significant number of candidates had clearly misread questions **1(d)** and **4(e)**. Candidates should refer directly to the information within the stem of the question throughout their answers to ensure that points raised are appropriate to the business.

Candidates must also ensure that a different point of application is used for each separate point made. In parts **(d)** and **(e)** of each question it is important to explain the effect of points identified on the business described in the stem of the question.

Candidates should be reminded that for evaluation there must be a justified decision that follows from the points raised in the answer not a repetition of points already explained.

Comments on specific questions

Question 1

(a) Well answered by most candidates. Many candidates were able to give a clear and precise definition of niche market. The majority of responses were able to show some understanding of the term. Weaker candidates identified this as a small market rather than a small segment of a larger market.

(b) This area of the syllabus was not well understood by most candidates. Better responses identified possible disadvantages, including ‘less committed’ or ‘it may take longer to recruit two part-time employees rather than one full-time employee’. Many candidates based their answer on incorrect assumptions about skills, pay and level of motivation. A small number of candidates confused part-time employees with temporary workers.

(c) This question differentiated well between candidates. Most candidates could identify at least one reason why Anna and James formed a business partnership. Only the best responses gained both the application marks available by using different points from the scenario to illustrate points made.

(d) This question caused some confusion. Many candidates misread this question and identified general points about why a business carries out market research. Better responses did attempt to identify specific points when using questionnaires. For example being able to gather large amounts of data is an advantage while poorly written questions could lead to inaccurate or misleading

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information. Only the best answers were able to explain the impact of such issues on this ice-cream business.

(e) Good knowledge of issues was evident in most responses. Better answers developed points made and were able to use the source material to support their answer. Only the best responses attempted a justified decision. For example some candidates recognised that as the business operated in a niche market, a different location might actually lead to fewer customers so there may not be sufficient extra demand to cover the additional costs of relocation. Instead of development, weaker responses were characterised by simple statements such as 'able to gain more customers' without showing how or why this might be an issue. Evaluation was not attempted in most responses.

Question 2

(a) A generally well-answered question.

(b) Most candidates understood that redundancy meant employees were no longer needed. Very few candidates were able to provide a precise definition of the term. A common mistake was to identify reasons why people might be made redundant or candidates simply stated it was through no fault of the employee without indicating that this was because the job role no longer existed.

(c) Most candidates knew what flow production was and could identify an advantage and disadvantage with 'increased output' or 'if one machine breaks down all production would stop' being typical responses. Weaker answers were not able to apply the knowledge points to the scenario.

(d) The most successful candidates made good use of the information provided and explained how different stakeholder groups might be affected by the business decision to introduce new machinery. Weaker answers repeated the same application point or stated that the stakeholder group would be affected without actually explaining the impact.

(e) This question proved to be a good discriminator. Better candidates showed strong knowledge of exchange rates and were able to explain the impact of a currency appreciation. The best answers made good use of the information provided, recognising this business imported raw materials or exported the finished car components. These candidates then attempted to make an appropriate conclusion based on their argument. Weaker answers identified points but did not develop them to show why or how they were important. Others made vague statements such as 'fewer sales' without identifying why this was the case. A small number of candidates had the wrong focus and discussed the effect of import tariffs on international trade.

Question 3

(a) Well answered by most candidates. A common error was to calculate total variable costs rather than total costs. Some candidates calculated the figures incorrectly but as they had included the correct formula could still gain some credit.

(b) Well attempted by most candidates.

(c) This question produced a range of responses. Most candidates could identify either an advantage or disadvantage of advertising in national newspapers. Stronger candidates were then able to link points made to the context of this cricket bat business. Weaker responses tended to make general statements that could apply to any business. A number of candidates made vague statements such as advertising was 'expensive' which could not be awarded.

(d) Most candidates could identify at least one advantage, but many were not able to fully develop their answers. Many candidates did attempt to apply their answer to the scenario. The best responses were then able to show how the opportunity to benefit from economies of scale and higher sales could be helpful to this cricket bat business. Instead of development, weaker answers simply repeated the knowledge point. Others incorrectly assume that higher sales will automatically result in higher profit.

(e) The concept of delegation was clearly understood. Better candidates were then able to effectively analyse the advantages and disadvantages of giving authority to other employees. Only the best responses used the material to support points made and help justify their decision. Evaluation in

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most responses was simple or not attempted. The weakest answers identified a range of knowledge points but were not able to develop them.

Question 4

(a) Well answered by most candidates. A common mistake was to identify methods of primary research.

(b) This term was generally well understood. A common error was to define hierarchy rather than chain of command.

(c) Generally well attempted. Many candidates identified advantages such as 'spreading risk' or 'access to new markets'. Application was often not included or the same application point was repeated for both answers. The question was specifically about being a multinational company and not general benefits of being a large business, such as economies of scale. Others ignored the fact that this was a retailer and incorrectly linked their answer to a manufacturing business.

(d) Many candidates found this question challenging. The best candidates gained marks for identifying factors and linking their answer to the scenario. Even the most successful candidates struggled to provide effective analysis for both points. A common mistake was to identify sources of finance as the analysis point rather than explain why factors such as interest rate and amount would influence the choice of finance being considered. Some candidates misread the question and identified sources of finance the business should use. These answers could not be credited.

(e) This question proved very challenging to a number of candidates. Some candidates were aware that franchisees would have local knowledge and poor management could damage the reputation of the entire business but very few were able to develop their knowledge to show the impact of these points on DGC. A number of candidates included a two-sided answer but did not make a decision. A number of candidates misread the question and incorrectly assumed DGC was the franchisee or wrote about production issues. Others discussed whether the business should expand. Such answers could not be rewarded.

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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 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 chain of restaurants whose owner is planning to expand further by opening another restaurant which will also offer a takeaway and delivery service.
- 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 or provide a conclusion. Candidates should be reminded that it is important to offer a decision based on balanced argument. A recommendation should compare and make reference 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 PR, a restaurant business, provided an accessible scenario for candidates. Those who applied their skills to the context of PR boosted their marks much further.

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 explanation 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.

Candidates should be reminded to contextualise their answers and not provide generic textbook responses. They must be able to utilise the information provided in the case study and use it in their responses if they are to access the highest marks. For example, in **Question 1(a)** a number of candidates just listed and then explained the way a business plan could help a business without any application of the answer to this restaurant. Better responses explained how it would help in the planning for the expansion and in securing a bank loan for the restaurant.

Overall, many good scripts were seen, very weak ones were few and far between. Application marks were often gained – but candidates should aim to consider the consequences/implications/long term/short term/balance issues of the decisions they plan to make to secure Level 2 and Level 3 marks.

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Comments on specific questions

Question 1

(a) Many candidates demonstrated sound knowledge of the way a business plan could be useful to a business when expanding. Obtaining a bank loan and setting objectives were the most popular answers but identifying the resources needed and accounting information were also often given. The majority of candidates used material from the case study to explain how the business plan could help to make a success of the expansion. Weaker answers just described or repeated the point and did not link the benefit of a business plan to this business. Stronger candidates were able to link application to their answers, for example, the requirement to obtain $150 000 with a business plan helping to obtain a bank loan.

(b) Overall, this question was answered well. However, 'paying a higher wage rate than competing restaurants' was not well answered by many candidates. Many responses just suggested that paying a higher wage will motivate and did not give a reason why. However, a minority referred to Taylor's theory and a few referred to workers having more income or take-home pay. 'Job rotation' was accessible to most, contrasting boredom alleviation with the likely outcome of staff lacking skills to carry out other tasks leading to upset customers and poor service. Application was often achieved by answering in the context of the different jobs such as chefs, kitchen staff or delivery drivers. 'Free food' was seen as an income enhancer as it saved food preparation at home and this was contrasted with the possible extra expense for the business. The recommendations were varied and there were good answers that justified each of the three alternatives. Job rotation was the most popular choice given that most candidates felt this would not cost the business any money whereas the other two alternatives would be likely to raise costs.

Question 2

(a) The majority of candidates scored well on this question, with good application provided, for example the significance of the restaurant's appearance and type of meals and how this would affect PR in what they would then do. More delivery drivers, more creative chefs, not spending so much on the appearance of restaurant were popular answers. Weak candidates failed to use the results from Appendix 1 and just generalised about how questionnaires could help PR to understand what customers might want.

(b) This question was less well answered and clearly differentiated those candidates who did not know what economies of scale are, those that did understand them but could not apply the concept to a business and those that could fully apply the answer to a particular context. The majority of candidates knew what purchasing economies were but answers were not always well linked to bulk buying giving discounts and resulting in lower unit cost. Weak responses focused on the possible extra costs of storage and food deteriorating rather than why unit costs would fall. Technical economies were often limited to quicker or better productivity and efficiency, but weaker answers emphasised breakdowns and cost of purchase and upkeep rather than the cost savings such as from lower labour costs. Financial economies were sometimes misunderstood in terms of how they relate to a large business. However, better answers saw the ability for unit costs to be reduced by interest rates being lower. Conclusions were not always strong, even after good earlier discussion. Those candidates who did give a reason why one economy of scale would have more effect on profits seldom discussed why this would have more effect than the other alternatives and instead candidates simply discussed why one economy of scale would have the biggest effect.

Question 3

(a) The majority of candidates correctly identified sales promotion strategies rather than advertising, with BOGOF, discounts, free samples and free delivery being the most popular. However, weaker candidates did make the mistake of discussing two different advertising methods. Application was present in a large number of responses but lack of full application of the response was often the reason full marks were not achieved.

(b) This 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 and did little more than repeat the information, for example,

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Option 1 is close to the railway station; Option 2 is on a quiet road; Option 1 will not be open for 1 year, without any consideration of why these might be advantages and/or disadvantages of each of the locations. Weaker candidates used lists of facts from the case study with simple statements as to the effect on the business with little reasoning and thus were unable to access the higher marks. Better answers identified, for example, the potential cash flow problems of Option 1 from the longer time required before opening the restaurant relative to Option 2 and the impact additional competition might have for Option 2. This often resulted in a good Level 3 recommendation as to which is the best option to choose for this business and why it is better than the other option.

Question 4

(a) Generally a well answered question for most candidates. There were clear links to profit and demand offered in response to recessionary effects and lower income tax raising disposable income, with possible benefits for Peter himself. Most considered that recycling adds to cost, and hence price might rise and demand might fall. The additional costs of reprinting the menu was often given but also the possibility this would help PR as they sell high quality food and would benefit by customers making comparisons with PR's competitors. Weak candidates identified the benefits for customers and then failed to link this to PR as required by the question.

(b) This question proved accessible but there were fewer responses achieving at the top end of the mark range. Better candidates were able to calculate the interest payments for the options and so were able to access the Level 2 marks through this route. Well-reasoned discussion, such as payback time, pressures of full repayment in a year and cash flow being improved by a 3 year loan, could have also gained higher marks for analysis even if cost calculations were not included. However, there were many weaker answers that discussed generic loans and did not link them to the case study and the new business. Using retained profit was often identified as having no interest needing to be paid and some candidates identified its opportunity cost. However, weaker answers included that the interest could be gained even if retained profit was used to pay for the building. Stronger candidates identified that if the retained profit was saved the interest received would be more than the interest paid on the bank loan and thus reasoned an effective higher Level 3 answer. The best responses built on the earlier detailed analysis in the recommendation to consider which source would be the best one to choose for PR and justified their decisions with reasons why the alternatives were less suitable without repeating earlier points. Weaker candidates often just repeated earlier points and so gained no further credit for the recommendation.

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