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BUSINESS STUDIES

Paper 0450/12
Short Answer/Data Response

Key messages

Candidates need to have a precise understanding of key business terminology in order to achieve in this paper.

Candidates should use the information from the relevant stem to help answer the part **(c)** and **(d)** questions, as this provides the basis for application. Several candidates still need to link their answers to the scenario in the questions where application is assessed.

Candidates should be reminded part **(e)** is a general question with no marks available for application.

Candidates would benefit from greater guidance in how to produce an evaluative answer to part **(e)** questions as this continues to be an area of weakness. Many candidates who did attempt an evaluative statement needed to provide reasoned statements to back up the decision made.

General comments

Questions requiring definitions and knowledge, such as parts **(a)** and **(b)** of each question were generally well answered. A number of candidates needed to provide a precise definition to **Question 3(a)**. Understanding ways to improve cash-flow and the distinction between ethical and legal continue to be areas of the syllabus which candidates are less familiar with.

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 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 link the points being made to the business or context referred to in the question.

Candidates should be reminded that for evaluation in part **(e)** of each question there must be a justified decision that follows on from the points raised in the answer. It should not be a repetition of points already made.

Comments on specific questions

Question 1

(a) This term was well understood by many candidates. A common mistake was to confuse dismissal with redundancy. Others made vague statements such as the employee would no longer be needed but as there are many causes for this, such an answer could not be credited.

(b) This question was well answered by candidates.

(c) Good knowledge was evident in most responses. Better responses were able to link points such as ‘lower output’ to the scenario to access the application marks. Some candidates misread the question and incorrectly identified reasons why people might be leaving. Others repeated the same point for both problems.

(d) The most successful candidates were able to identify and explain how issues such as jargon and using the wrong medium could create communication barriers. These responses made good use of the information provided to relate their answer to the context of a cereal manufacturer. Many responses found the second part about medium of communication more challenging. A common error was to recognise that workers would not understand without identifying the reason why this would happen. Instead of development some candidates outlined the impact of the barrier on the business rather than explain the reason why the barrier arose. Others misread the question and focused on ways to overcome the communication barriers identified.

(e) Good knowledge of internal and external recruitment was shown by all candidates. Better responses were able to develop points such as 'bring in new ideas' to show how this could benefit a business. A number of candidates defined the terms which was not required. Instead of development, most identified additional knowledge points. Many candidates linked their answer to the scenario which was not required as there are no marks available for application. Evaluation in most responses was limited or not attempted. Often when candidates made a decision it needed to be supported, or to go beyond simply restating points already made. To access both evaluation marks, candidates needed to relate their answer specifically to a large business.

Question 2

(a) This question produced a range of responses. The best responses were able to provide a precise definition of the term. Other candidates needed to be more precise. Some simply stated that it would result in lower average costs but there are other factors which could have the same outcome. Other candidates referred to it as an advantage of the business being large rather than advantages gained when increasing in size or simply stated there would be lower costs rather than specify lower average costs. A small number of candidates identified examples which could not be credited.

(b) X (400) and Y (2400) were successfully calculated by most candidates.

(c) Most candidates could identify at least one factor. The strongest responses gained both application marks available by using different points from the stem to support the points made. A common mistake was to identify possible sources of finance which did not answer the question set.

(d) Good knowledge and application were evident in most responses. Although candidates were able to identify points such as 'being their own boss' or 'unlimited liability' very few were able to explain how these represented an advantage or disadvantage to a sole trader. Instead of development, many candidates identified another knowledge point. A number of candidates needed to link their answer to the context to be able to access the application marks.

(e) This was the most challenging question on the paper. The majority of candidates needed to offer relevant analysis and evaluation. Some responses recognised that asking customers to pay more quickly could lead to fewer customers. The stronger responses also considered the merits of alternative methods such as an overdraft or delaying payments to suppliers. Instead of analysis, most candidates stated such methods would improve cash-flow without explaining the direct effect on cash inflow or cash outflow. Some candidates incorrectly focused their answers on the impact on sales or profit while others outlined reasons why cash-flow was important. Evaluation was rarely awarded as candidates offered an unsupported decision or simply restated points previously made in their answer. Most candidates answered the question based on the scenario rather than from the viewpoint of small businesses in general which is what the question asked for.

Question 3

(a) Only the strongest responses were able to provide a clear and precision definition of globalisation. Many understood that it involved an increase in trade around the world. A common error was to confuse the term with a multinational company or an export business.

(b) Most candidates were able to identify one advantage. Common errors included identifying general advantages of why quality was important which was the wrong focus. Other candidates incorrectly identified possible advantages to customers while a small number of candidates simply defined the term which did not answer the question set.

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(c) The possible effects of import controls were well understood by most candidates. The best responses were then able to link both answers to the scenario.

(d) Many candidates showed good knowledge of just-in-time inventory control. Better responses were able to develop points such as less stock being held and problems meeting unexpected orders to show how these could represent an advantage or disadvantage to this phone manufacturer. Weaker responses needed to develop the issues they identified. Other candidates restated the same application for both points. For analysis, a number of candidates made unsupported assumptions about the possible impact on profit which could not be credited.

(e) Stronger responses recognised that being ethical could improve brand image and were then able to explain the link between this and the impact on sales or revenue. The best answers considered points both for and against being ethical before reaching a justified decision. Weaker responses needed to develop the valid points they made. Often these answers also needed to make a decision, or if they did, it needed to be supported. Some candidates misread the question and explained why using child labour was unethical or outlined ways a business could behave more ethically. A number of candidates incorrectly identified legal issues.

Question 4

(a) A significant number of candidates were able to provide a precise definition. Others understood it involved finding out information about customers or competitors. A common error was to identify why market research was collected rather than define the term.

(b) This question was well answered by most candidates.

(c) Good knowledge was evident in most responses. A common error was to repeat similar points rather than identify four different factors.

(d) This question produced a range of responses. There were some very good answers. These responses explained why factors such as cost needed to be considered and were able to apply their answer to the context of a supermarket. Instead of analysis, weaker responses repeated the knowledge or identified another factor. A number of candidates misread the question and incorrectly assumed the business was a food manufacturer or that the supermarket was selling the technology to its customers.

(e) The concept of franchising was generally understood. Many candidates found analysis challenging despite their good knowledge. A common error was to answer the question from the viewpoint of a franchisee. Better answers compared factors such as cost and speed against the potential damage to reputation involved in having less control. Only the strongest responses were able to make a reasoned judgement. Evaluation for most candidates was generally weak or not attempted.

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Paper 0450/22
Case Study

Key messages

This is the first paper for the new syllabus. The style of the question paper has remained broadly the same, however, the weighting of the assessment objectives has changed. This has meant that **part (a)** questions are more heavily weighted towards analysis with less weight for application. **Part (b)** questions have had no change to the weighting of the assessment objectives, although there have been some amendments to the level descriptors.

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. The only exception is that there will be one generic **part (a)** question on this paper under the new syllabus.

- 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 window washing business set up recently by someone who had been unemployed for a few months.
- 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 conclusion. Candidates should be reminded that it is important to offer a decision based on a balanced argument earlier in the answer. A recommendation or conclusion should justify the option chosen, without full repetition of the previous analysis, be applied to the case and compare and make reference to why the alternative options were rejected.

General comments

Candidates had generally been well prepared for this examination. Many candidates are developing a strong examination technique and clearly understand what is expected of them. The context of BW, a window cleaning business, provided an accessible scenario for candidates. Those who applied their skills to the context of BW were the most successful.

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. In a few cases it was clear that some topics needed to be better understood, these included how to calculate the break-even level of output and the margin of safety, and why sampling is used when carrying out a questionnaire. Candidates should ensure they are prepared to respond to questions on the whole syllabus and be able to use business terms confidently.

The standard of written English was excellent. Candidates are to be congratulated on the high quality of spelling, punctuation and grammar offered in their responses.

Overall, many good scripts were seen, and application marks were often gained. 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 reasons why a person may set up and run their own business. Being their own boss, making a profit, providing an income after being unemployed were the most popular answers with identifying a gap in the market or making use of their skills also often given. Weaker answers just described or repeated the reason such as to make a profit and make money but did not explain the reason for the second mark to be awarded. Stronger candidates were able to discuss their points, for example, to make a profit that may allow them to earn a higher income than if they worked as an employee for another business and were just paid a wage. Errors were due to not reading the question carefully and therefore candidates tried to apply every answer to the business in the case. This was a generic question and did not require application. Another error made by a minority of candidates was to answer this question as if it asked why set up a business as a sole trader rather than a partnership which was not the question set.

(b) This question required candidates to discuss the benefits to BW of employing either part-time or full-time employees. Overall, this question was answered well. Popular benefits for part-time employees were lower wages and flexibility in the hours worked and for full-time employees, common responses discussed availability throughout the day and the commitment of these employees. Application was achieved by answering in the context of the business in the insert, such as there are only two part-time employees, wages are $300 per month, the business cleans windows and there is a high demand for these services. Several candidates needed to recognise that the question was about benefits to the business rather than spending their time discussing the disadvantages of each type of worker or benefits to the employees themselves. The disadvantages were only relevant in the conclusion as the counter argument to the chosen type of employee. The conclusions were varied and there were many good answers that justified the choice made as well as justifying why the alternative was rejected.

Question 2

(a) In this question, many responses needed to demonstrate a clear knowledge and understanding of the use of sampling when carrying out a questionnaire. Candidates needed to be able to explain how sampling can improve the accuracy of market research by knowing who to ask to reduce cost or allow results to be reached more quickly, which are both appropriate for this relatively small business with a limited budget. Weaker candidates incorrectly thought sampling was showing a sample to the customer and using them as a promotion tool. Others discussed the general use of primary research for a product and were therefore not answering the question. Some candidates who had a general idea of the meaning of sampling needed to be able to give more detailed answers. The most successful answers were often applied, as they included consideration of the need to find out about customers for window washing services and hence gained at least one of the two application marks available.

(b) This question about three given methods of promotion proved accessible for the majority of candidates. Better answers used the context to support arguments, recognising that the business was local, new and had a limited budget for promotion. Many answers were generic and unsupported, for example leaflets will attract people, where the answer needed to explain how it would do this. Better answers identified that leaflets could be used to target homeowners by delivering them to their houses, local home owners could be targeted through the local newspaper and it was realised that there can be difficulties in persuading people who use social media to obtain a window cleaning service. The ability to include interesting visual promotions on social media was also included in better answers. Weaker responses gave vague statements such as it will reach a lot of people and is expensive/cheaper – often repeating these types of statements for all three methods without any clear discussion of how the method would do this or why it was an advantage or disadvantage to the business. Recommendations were not always strong, even after good earlier discussion. Those candidates who did justify why one method would be the best method to use did not discuss why the other alternatives were rejected, hence they did not move to the highest marks available. The recommendation also needed to be applied to this window cleaning business in order for full marks to have been achieved.

Question 3

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(a) The majority of candidates understood the term working capital and this question was well answered. The most popular answers included it is used for day-to-day expenses, it is necessary for the survival of the business, is the lifeblood of the business and it is needed for liquidity. Better candidates were aware of the difference between capital expenditure and revenue expenditure. Weaker candidates needed to fully develop their responses, for example, having explained what working capital can be used for the answer needed to go on to explain the importance to the business. Answers could also have explained that without cleaning products BW wouldn't be able to carry out its work and this would lead to reduced revenue. A minority of candidates focused on the word capital and incorrectly considered the use of long-term capital, such as needing it to purchase machinery.

(b) This question on leadership styles was generally well answered. The majority of candidates were able to discuss the relevant advantages and disadvantages of each style of leadership. Application was awarded where answers made use of the information provided in the case study, such as it had two part-time employees and the business cleaned windows for busy homeowners. However, many answers seemed to focus on more generalised points about the leadership style, such as it will be motivating/not motivating without then saying what this would mean for BW. Better answers pointed out that poor motivation leads to high staff turnover and increased recruitment and training costs, or to low quality work, dissatisfied customers and falling revenues. The most popular choice in the recommendation was democratic leadership, although some candidates needed to be clear about how this differs markedly from laissez-faire. The highest marks were awarded for sound analysis of the three leadership styles in context and then a recommendation that included a justification of the best style to choose for this business and why it is better than the other two styles.

Question 4

(a) Many candidates found this question challenging. In **parts (i)** and **(ii)** where candidates were required to calculate the break-even level of output and the margin of safety, they either knew how to calculate the answers or they did not. There were a few examples of a correct method or formula being used but then an arithmetic error that meant just one mark was awarded. For calculation questions, candidates are advised to state the formulas used and show working where possible, since this makes the method of calculation clear and the answer is likely to gain some reward even when the final answer is incorrect. In p**art (iii)** better answers focused on what break-even analysis shows in terms of the output required to cover all costs beyond which a profit is made and the effects of price and cost changes on the break-even level of output. In weaker responses the points made were often vague, unclear in meaning and repetitive. For example, these candidates included ways such as 'helps make decisions', 'controls costs' which did not gain credit.

(b) This question proved accessible particularly at the lower end of the mark range and candidates were very environmentally aware. The majority of answers linked the effects of chemicals and recycling of plastic and water to the environmental impact. Better candidates made good use of the case study material to support their arguments and focused on the effects on the business's reputation rather than just on the customers or the environment. Candidates were in general able to recommend which method they would choose for BW, with purchasing a new window washing machine being the most popular, and many used terms, figures and information from the case study to develop their answer. Recommendations needed to be original and remain in context rather than repeat earlier arguments in order to access the Level 3 marking band. Some candidates needed to read the question carefully, as many did not link the recommendation to the reputation of the business but instead chose to discuss it in relation to profit and hence were awarded fewer marks.